



## *CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE AGENDA*

**Monday, 24 October 2022 at 10.00 am in the Bridges Room - Civic Centre**

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From the Chief Executive, Sheena Ramsey

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Item Business

**1 Apologies**

**2 Minutes** (Pages 3 - 6)

The Committee is asked to approve as a correct record the minutes of the meeting held on 5 September 2022

**3 Verbal Update on Locality Working**

**4 Budget Review Annual Report** (Pages 7 - 10)

Report of Strategic Director, Resources and Digital

**5 Update on District Heating Scheme** (Pages 11 - 22)

Report of Strategic Director, Economy Innovation and Growth

**6 Community Wealth Building - Evidence Gathering** (Pages 23 - 26)

Report of Service Director, Corporate Commissioning and Procurement

**7 Work Programme** (Pages 27 - 30)

Joint Report of the Chief Executive and Strategic Director, Corporate Services and Governance

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## GATESHEAD METROPOLITAN BOROUGH COUNCIL

### CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE MEETING

Monday, 5 September 2022

**PRESENT:** Councillor J Eagle (Chair)

Councillor(s): J Wallace, R Beadle, D Bradford, D Burnett, L Caffrey, W Dick, D Duggan, T Graham, M Hall, I Patterson, J Simpson and J Turner

**APOLOGIES:** Councillor(s): S Green, C Buckley, B Clelland, J Green and K Wood

#### **CR76 MINUTES**

##### **RESOLVED:**

- (i) The minutes of the previous meeting held on 13 June 2022 were approved as a correct record.

#### **CR77 MONITORING OF REVIEW OF LOCALITY WORKING**

The Committee received a report providing an update on the implementation of locality working.

It was reported that since the last meeting of the OSC progress had been made on the methodology, principles and budget for locality work which has been signed off by Cabinet. It was also noted that the south of the borough has been identified as the first implementation area for the scheme with an implementation plan to start in the autumn.

The Committee were advised that a Project Lead had been appointed and that the Locality Strategic Lead had been appointed and would join the Council mid-September. It was also noted that a locality coordinator post is to be advertised.

From the report, the Committee were provided with a summary of community buildings that are expected to be used for locality working; these included Birtley Library, Wrekenton Community Centre and the Birtley Hub. It was also stated that strategic conversations have started with key partners such as the Primary Care Networks and DWP. It was highlighted that advice, information, and guidance resources have been identified to support casework in the South and are in place up until 31 March 2023.

The Committee were reminded of the aims of locality working, these were:

- a) Support the delivery of the Councils Thrive ambitions
- b) Reduce inequalities across our population
- c) Improve the standard of places where residents live

- d) Enable our communities to be more resilient
- e) More effective and efficient ways of working

It was also reported that it is proposed to take a report to CMT with a view to establishing a Programme Board led by CMT in place of the existing Locality Working Group.

The Committee were assured that the scheme commencing in the south of the borough was not a 'pilot'. It was also noted that locality working will evolve as demands change and arise; the Committee were advised that Gateshead's Health and Wellbeing Strategy underpins the work being done.

A question was asked as to how the funding works for locality working; officers advised that 12 months of funding is secure for work in the south with the intention of establishing locality work in the west being planned. The Committee questioned how the needs of the public were being considered, particularly in the west of the borough where needs vary greatly between towns. Officers advised that conversations have been taking place with partners in the south to understand the needs of residents; it was also highlighted that a framework is to be developed to maximise existing resources to meet the needs of communities.

The Committee were advised that they would receive regular progress updates on this matter; it was requested that a further update be delivered at the October meeting with further details on the staffing structure for locality working. The Committee also acknowledged there is a need to move away from universal service provision to providing targeted services. A discussion also took place on the potential boundary changes across Gateshead and how this may impact locality working; it was noted that services would need to be adaptable and to work with said changes as required.

**RESOLVED:**

- (i) The Committee noted the proposal for CMT to discuss the merit of establishing a Programme Board overseen by the Corporate Management Team.
- (ii) The Committee requested a further update on the progress of locality work in October with an emphasis on the staffing structure.

**CR78 ANNUAL HEALTH AND SAFETY PERFORMANCE REPORT**

The Committee received a report providing a review of health and safety performance for 2021/22 with an update on key priorities for 2022/23.

From the report, the Committee were provided with an overview of incident statistics; it was noted that there had been a rise in the total number of incidents reported across 2021/22 but that this could be attributed to the merging of the Gateshead Housing Company back into the Council. It was also reported that physical assaults accounted for the highest number of reported incidents.

The Committee were provided with a summary of the Council's sickness absence, it

was noted that sickness absence in 2021/22 had increased significantly compared to previous years; it was acknowledged that the pandemic had contributed to this rise. A comment was made stating that Covid related sickness absence should be reported separately to other types of sicknesses; it was confirmed that as part of the Council's performance management framework these are recorded separately. It was also reported that there had been no prosecutions or enforcement notices issued by the Health & Safety Executive across the reporting period however one Fee for Intervention had been issued; the Committee requested more information on this incident at a future meeting.

The Committee received an overview of the Council's priorities in terms of Health & Safety across 2022/23; these included reviewing the H&S Policy to address changes to legislation (including the Building Safety Act) and to ensure that the Council's new corporate health and safety action plan is implemented.

**RESOLVED:**

- (i) The Committee noted the information in the report.
- (ii) The Committee requested a further update on the HSE Fee for Intervention mentioned in the report outlining how the Council will work to prevent this happening again.

**CR79 WORK PROGRAMME**

The Committee received a report setting out the provisional work programme for the municipal year 2022/23.

**RESOLVED:**

- (i) The Committee noted the provisional work programme.
- (ii) The Committee noted that further reports on the work programme will be brought back to identify any additional policy issues for consideration.

**Chair.....**

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**CORPORATE RESOURCES  
OVERVIEW & SCRUTINY COMMITTEE  
24 October 2022**

**TITLE OF REPORT:** Budget Review Annual Report

**REPORT OF:** Darren Collins, Strategic Director, Resources and Digital

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## **SUMMARY**

This report provides the Committee with a review of budget 2021/22 and an update on the achievement of budget savings to date.

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### **Background**

1. Up to and including 2022/23 the Council has delivered £178m of budget cuts cumulatively.
2. Council agreed the revenue budget for 2021/22 on 25 February 2021. This was set at £238.7 million including £8.1 million of budget savings.
3. 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.
4. As part of the Council's budget and policy framework Cabinet receives quarterly reports on performance against the agreed revenue budget which includes savings delivery. The Corporate Management Team also receive regular updates on budget savings delivery in order to monitor progress and hold lead officers to account.
5. Corporate Resources Scrutiny Committee is being asked to consider this report and review progress of delivery of savings.

### **Budget Review 2021/22**

6. The overall 2021/22 outturn position for the Council including non-service budgets and financing results in an overall Council revenue position for 2021/22 of a surplus of £0.4m
7. It is important to note that this position results from the timing of government funding received and that it masks significant financial challenges. Temporary government grants and compensation received in 2021/22 during national lockdown will likely cease in future. Therefore, it is critical that budgets are kept under review and sustainable plans are put in place now to ensure agreed savings and budgets are delivered from existing agreed resources.

8. The Council has a track record of meeting its financial obligations and maintaining financial sustainability through delivery within budget. This is shown in the table below;

#### Revenue Outturn - Overall

	<b>Council Budget £'000</b>	<b>Council Outturn £'000</b>	<b>Over/(Under) spend £'000</b>
2021/22	238,758	238,327	(431)
2020/21	221,286	213,378	(7,908)
2019/20	207,262	203,132	(4,130)
2018/19	203,466	202,327	(1,139)
2017/18	202,649	201,381	(1,268)
2016/17	198,883	197,578	(1,305)
2015/16	206,345	205,574	(771)
2014/15	219,008	214,282	(4,726)
2013/14	225,049	221,346	(3,703)
2012/13	190,504	187,341	(3,163)
2011/12	204,865	205,583	718
2010/11	232,589	235,407	2,818

#### Savings Review

9. Budget savings of £0.1m for 2020/21 in relation to a contract review have not yet been achieved in the financial year. Work is progressing to assess contract efficiency savings against budgets across the Council.
10. £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.
11. Areas of outstanding activity which in some cases will require further consultation are;

<b>Proposal</b>	<b>Full Saving Agreed £'000</b>	<b>2022/23 Value Outstanding £000</b>	<b>2022/23 Projected Achievement £000</b>
Public Health Wellbeing PH&W (PH3) (Leisure/ Libraries/ Culture)	1,200	900	300
ASC (AS1) Continuation of Current Discharge to Assess Model	1,000	1,000	1000
ASC (AS2) Outcome based assessments and targeted reviews	2,500	1,500	1500
Council Wide (PREV 2) - Contract Analysis	150	150	0

## Future Delivery and Next Steps

12. Further planned activities is as follows;

- **Public Health Wellbeing PH&W (Leisure/ Libraries/ Culture) (PH3)**  
A report will be going to October Cabinet with options and next steps.

- **Adult Social Care (ASC) Continuation of Current Discharge to Assess Model (ASC1)**

Discharge to assess has continued through a pooled budget arrangement which is substantially funded by health partners. The scheme funds costs of care packages for up to four weeks after discharge from hospital. Despite this saving being achieved the demand for hospital discharge has increased and people are also being discharged at an earlier stage. This is not a permanent arrangement and any saving in the current year could be a cost pressure in 2023/34 if the scheme was not to continue.

- **ASC Review of Care Packages (ASC2)**

The Achieving Change Together team (ACT) continue to demonstrate effective review processes that appropriately support clients and enable spend to be shared across the service by achieving cost savings. ACT continue to focus on cohorts of clients with support needs within ASC. The additional temporary investment continues to ensure the ACT model is managed effectively and the work continues at pace. A strength-based approach within transitions has been adopted with clearer pathways with partners, enabling the management of significant care packages for younger adults.

- **Council Wide - Contract Analysis (PREV 2)**

Resource in the team now in place and work has begun to identify efficiency savings on contracts awarded. This will impact on services across the Council as budgets will be removed to meet the saving.

13. 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.

14. 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.

15. A balanced budget will be agreed by Cabinet and Council and any savings identified in the approach throughout the year will be subject to further formal consultation.

## Workforce Implications

16. Any HR implications arising from the proposals will be managed in accordance with the Council's HR framework.

## **Recommendation**

17. Corporate Resources Overview and Scrutiny Committee will be asked to consider and provide views on the following:

- The progress made to date on budget savings
- Future planned activity outlined in the report

**Contact: Darren Collins**

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**TITLE OF REPORT:**            **Update on Gateshead District Energy Scheme and Council Energy Management**

**Report of:**                    **Strategic Director, Economy, Innovation and Growth**

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## **Summary**

Part 1 provides an update on the operation of Gateshead District Energy Scheme, by Gateshead Energy Company, since starting full operation in February 2018

Part 2 provides an update on the Councils energy management and carbon reduction activities, in context of the current energy crisis.

## **Part 1. Gateshead District Energy Scheme**

### **Background**

1. OSC 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. This report will provide further updates since June 2021. Background is repeated here, to remind OSC of how the scheme was established and operates.
2. Gateshead Energy Company (GEC) was incorporated in October 2015 specifically to manage and operate the Gateshead District Energy Scheme.
3. 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 takes sole responsibility of operating and managing all technical and commercial activities.
4. In addition to the operation of the energy scheme, the Company has the following objectives, which included 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
5. Regarding governance, GEC is a subsidiary of Gateshead Energy Holdings Ltd (GEH). This structure allows other ventures to be created under GEH, if required. Current Board membership is as follows:

- Andrew Marshall (Chair)
  - John Shiel (replaced Darren Collins, from 22 October 2020)
  - Mike Barker
  - Andrea Tickner (from 26 November 2019)
  - One vacant director position
6. 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 on Transport and Environment Portfolio. GEC Board itself 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.
7. Day to day operations are led by Jim Gillon, Energy Services Lead, acting as the nominated representative for GEC. Peter Udall, as Strategic Director for Economy, Innovation and Growth, acts the Council's representative under the Concession Agreement.

## Operational Update

8. 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 Multi Storey Car Park was made live, ahead of the required Aug22 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 and Shearlegs Road Depots, Gateshead Stadium and Gateshead Academy of Sport
  - The Council will add St Joseph's Primary Schools to their secondary network in October 22, requiring additional heat from GEC to supply that site as well.
9. GEC has also provided connections to two urban solar parks, constructed by Gateshead Council (see Part 2)
10. Other significant connections have been agreed with commercial customers:
- Vistry Developments have agreed a heat connection agreement for 271 units on the Freight Depot site, and GEC has commenced extension of its heat network along St James Road, to the site entrance. Works in the site are due to start in Spring 2023, for the first heat connection due in Autumn 2023
  - 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 have entered a 20yr energy supply agreement with GB Lubricant and GEC are funding the connection cost, which will be complete by Spring 2023

- 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

11. A full list of customers is provided in Appendix 1.

### Progress to a Zero Carbon Energy network

12. 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:
13. **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.
14. GEC has successfully constructed 3 boreholes into mineworkings below Baltic Quarter, which can extract up to 140 litres per second of minewater at 15 degC, from which heat can be extracted by the heat pump, supplying 80 degC water into the heat network (See Appendix 1)
15. The heat pump will supply an ever-increasing proportion of heat into the network, reducing reliance on gas engines, initially 20% but increasing to 50% of the networks heat demand when future customers, such as Gateshead Quays, are connected.
16. The heat pump will provide a 36% reduction in the carbon emissions of heat supplied by GEC to its customers.
17. **Urban Solar Parks.** The Council has constructed two urban solar parks, to provide 3.7MW of power into the network (see Part 2 for details, and Appendix 3-4). 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 summer months, decreasing emissions further.
18. GEC continues to explore further opportunities to reach Zero Carbon. Currently, the focus of feasibility work is around opportunities for deep geothermal energy, working in partnership with Gateshead and Newcastle Councils, the North East Local Enterprise Partnership, Durham and Newcastle Universities.

### Future network expansion

19. GEC continues to explore strategic expansion opportunities, to grow its customer base further, as follows:
- **Gateshead Quays.** GEC has the funding secured, and connections obligated, to provide the Arena, Conference Centre and hotel its full heat and power requirements.

This will grow demand on the network by 60% alone. We await confirmation of the start of construction, to commence

- *Old Fold / Nest House Estate*. The Council has secured a grant of £2.7m to support a heat network extension into these estates of 550 homes and 2 schools, opposite Gateshead Stadium – a further 12% growth in demand. The scheme is paused, awaiting markets to settle and construction inflation to halt / reverse, to be able to review scheme viability. But if successful, it aims to prove the viability of taking heat networks into low rise social housing estates.
- *Chandless estate*. Following build out of Freight Depot, the network is sized to extend into the former Chandless estate, where a further 485 homes are proposed by 2030.
- *Town Centre Public Buildings*. The Council and GEC are developing further grant bids to the Public Sector Decarbonisation Scheme, to seek to connect other public buildings to the network, including Gateshead Police Station and Magistrates Court, JobCentre Plus, Trinity Square, including Northumbria University. A further 10% growth in customer demand.

## Energy Markets and Tariffs

20. Since June 2021, the energy markets have seen immense increases and volatility, due to international issues. However, throughout, 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 response of GEC to the situation has progressed as follows:
21. **Autumn 2021**. Gas prices increased mid-year from 2 to 8 p/kWh. GEC managed this as follows:
- 50% of gas had been purchased in advance, at low prices
  - GEC increased power sales to grid, increasing revenues to limit cost pass through to customers
  - Customer heat and power tariffs were increased 40%, but this was lower than market increases by other (including NEPO suppliers)
  - Monthly tariff reviews were introduced, to enable reductions to be passed through to customers when situations improved.
22. **March - Sept 2022**. Gas prices remained high at the 8p/kWh range. GEC responded as follows
- Setting tariffs in line with markets, still providing customer discounts and continuing to review tariffs monthly
  - Through April to June22, GEC reduced tariffs, passing through lower costs to customers
  - The reductions were removed through Jul – Sept22, as gas prices started increasing again
23. **Winter 22-23**. Gas prices have peaked at around 18p/kWh for this winter. Without support, GEC would have been able to remain viable as follows:
- Choosing to continue using gas-fired power generation, to increase revenues with power sales to grid

- Passing through 50% tariff increases to customers, in line with inflation

24. However, the Government has announced the Energy Bill Relief Scheme, which limits the cost of wholesale gas to 7.5p/kWh. A recent GEC Board meeting, on 26 Sept 22, has agreed the following as a result of this support:

- GEC can continue to operate the new heat pump this winter, and won't have to rely on gas-fired generation for extra revenue
- Customer tariffs will not have to increase further into Winter 22/23 – importantly, our customers will receive similar benefits to those on regular gas and power contracts
- GEC's cashflow forecast for 2022-23 are still on target

**25. Outlook to 2023-24.** The government support does not extend beyond April 2023 currently. On current forecasts, gas will still be at 15-16p/kWh in 2023-24, with all customers expecting further 100% increases on heat/gas and 65% increase on power. While challenging, forecasts show GEC's business model still remains robust, and on target to recover all operating costs in 2023-24 under these assumptions

### Financial performance of GEC

26. The cashflow position of GEC has changed significantly since June 2021. The table below shows the main revenue and cost items over the past 6 years, showing the impact of increasing energy prices.

27. However, most importantly, the operating model of the company remains financially sound, as increases in costs can generally be accommodated by increases in revenue. This is testing and proving the financial model well outside the ranges modelled at its outset.

28. Also in the table below, the total revenues, costs, and net profit/loss, for the past 6 years are shown. This demonstrates that despite the early accumulated losses, GEC has now developed its cashflow position, to ensure revenues broadly cover all costs. The focus of business plan development continues to seek new connections to increase profits, to enable negative cash balances to be paid off, and then for profits to be able to be released to the Council, as dividends.

	2016/17 (£000s)	2017/18 (£000s)	2018/19 (£000s)	2019/20 (£000s)	2020/21 (£000s)	2021/22 (£000s)	
<b>Revenue</b>	-323	-1,165	-2,398	-2,413	-2,017	-3,763	
<b>Expenditure</b>	646	1,832	3,015	2,699	1,771	3,917	
<b>Net (Profit)/ Loss</b>	<b>322</b>	<b>667</b>	<b>617</b>	<b>286</b>	<b>-246</b>	<b>154</b>	
<b>Cumulative loss</b>	<b>322</b>	<b>989</b>	<b>1,607</b>	<b>1,893</b>	<b>1,647</b>	<b>1,801</b>	

29. As reported in previous OSC reports, GEC continues to generate significant income streams for Gateshead Council, from the following sources:

- Concession Charge
- Business rates (which are retained 100%)
- Service level agreement income

- Energy cost savings to Council buildings
- Interest charges on overdrafts and loans

30. These income sources fully cover the Council’s annual financing costs of all capital investment in the scheme to date.

31. The longer term financial forecast has yet to be updated, following the energy market increases, as there is little certainty on price forecasts over the coming years, but this will be carried out prior to any next major investment decision.

## Part 2. Council energy costs and consumption - update

### Background

32. 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

33. To date, progress has been significant thanks to many initiatives which have been reported to OSC before – invest to save energy efficiency measures, operational improvements, property rationalisation, and generation of renewable heat and power for buildings. Notable progress from 2007/8 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
  - i. The Council uses less energy, as above
  - ii. UK power now has 54% less carbon emissions than a decade ago
  - iii. The Council generating and supplying low carbon energy to its own buildings – from PV panels, and Gateshead District Energy Scheme

### Current Energy Crisis

34. Since Autumn 2021, global events have driven prices of gas and wholesale power to records highs. To put this in context, winter 22/23 prices are forecast as follows:

- Gas - around 18p/kWh, compared to ca. 2p/kwh in previous winters
- Electricity – around 45 – 50p/kWh, compared to ca. 15p/kWh in recent years

35. The Council started to experience significant energy prices increases from Autumn 2021, and cost have increased into 202/23, and are forecast to increase further into 2023/24. The table below shows the actual and forecast costs of gas/heat and power for Council operational buildings (excluding Schools and Housing sites), to illustrate the potential increases:

	2021-22 actual cost	2022-23 forecast	2023-24 forecast
<b>Electricity</b>	£2.0m	£3.6m	£5.8m

<b>Gas/heat</b>	£0.8m	£2.0m	£3.9m
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36. There are three main ways the Council is limiting the cost impact of increased energy tariffs.

37. **Flexible energy purchasing, through NEPO.** NEPO – the North East Purchasing Organisation - continues to manage energy procurement for the Council, and has a dedicated team, that advance purchase gas and power, to take advantage of low energy prices. In this way, NEPO has limited the exposure of the Council to the full cost of recent energy price increases. Some examples of the effectiveness of this are:

- NEPO had purchased ca. 50% of the energy needs for 2022-23 prior to the recent price rises, limiting the Council's exposure to the recent price rises
- In Summer 22, NEPO was able to sell surplus gas volumes back to the grid, at higher prices, which has kept gas prices through summer at very low prices
- Current energy crisis – 22/23 figures, 23/24 outlook

38. **Energy Bill Relief Scheme** – to support all business, public bodies and charities, the government has put in place this scheme, which will cap the price of gas and wholesale power for all non-domestic users, from 1 October 22 to 31 March 2023. The scheme works in two ways:

- For fixed contracts, it will cap prices at 7.5p/kWh for gas and 21.1p/kWh for wholesale power (both exclude other distribution charges and levies)
- For variable contracts (like the Council's), it will meet the caps above, subject to a maximum discount, which if exceeded, could see prices increase above those caps

39. Due to the good purchasing of NEPO, it expected that the price caps won't be exceeded, however, the details of how the scheme will work are still being put in place.

40. **Purchasing heat and power from Gateshead Energy Company, GEC.** Under supply contracts between the Council and GEC, the Council secures significant discounts on market rates for heat and power. The gradual expansion of the network in recent years means that for Council buildings (excluding schools)

- 11 Council buildings are supplied with power by GEC, accounting for 47% of total building power use
- 10 Council buildings are supplied with heat by GEC, accounting for 29% of total building heat use

41. Financially, the savings arising from discounts to Council energy bill from GEC amount to £320,000 in 2022/23, which will increase further as energy prices continue to rise.

### **Energy saving measures – operational improvements**

42. In addition to the financial measures above, the Council continues to drive forward energy efficiency and generation, to reduce the amount of energy consumed, and generate more renewable energy ourselves. Key interventions are as follows:

43. The pace of the energy cost increases have given little time to accelerate energy saving measures, to be delivered in time for this winter. In addition, the Council is using some of its facilities to support residents this winter by providing Warm Spaces for them to use, where they can't afford to heat their homes. For these reasons, we are not expecting to be able to massively reduce energy consumption this winter from operational changes to buildings.
44. However, all services have been notified of the budget pressures coming, and provided with options to consider for reducing cost and consumption – e.g.
- Reviewing building heating times
  - Reviewing overnight wastage
  - Reviewing internal space temperatures
  - Reviewing behind the scenes plant and equipment, to see where runtimes can be reduced
45. This will allow services to prioritise relevant energy saving measures, so as not to impact their service delivery requirements. Services are supported with data, metering information and advice from the Energy Services Teams.
46. We have also requested Services to target efforts on the Council's largest 17 sites, which combined, account for 75% of total energy consumption of operational buildings.

### **Energy saving measures – major projects**

47. Fortunately, the Council has continued to develop major energy schemes over recent years, some of which are completing around now, to start delivering cost savings and carbon savings, ahead of the price rise this winter and beyond. These are as follows:
48. **Heat Network extensions.** The Council secured £5.4m from the Public Sector Decarbonisation Scheme (PSDS), as 100% grant funding, which has funded a 1.5km extension to Gateshead District Energy Scheme, connecting the following sites to the network. This reduce operating cost, through the discounts offered by GEC to customers. These sites will be connected by end October 2022:
- Shearlegs Road Depot (heat)
  - Park Road depot (heat)
  - Gateshead Stadium (heat and power)
  - Gateshead Academy of Sport (heat and power)
49. **Urban Solar Parks.** Also using the PSDS scheme, the Council secured £3.0m in grants, which has funded the construction of two urban solar parks, as follows:
- Baltic Solar Park – on the SE of Baltic Park, a 2.7MW PV park, comprising 8000 panels, was completed and switched on by 30 September 2022. See Appendix 4
  - Stadium Solar Park – adjacent to the Gateshead Stadium, a smaller 0.9MW solar park has been constructed. This is due to be switched in early November 2022. See Appendix 3.

50. The solar parks are low impact construction, without foundations, on brownfield land, which isn't to be developed for at least 10 years. In this way, the Council has utilised vacant land with an interim use, to generate cost and carbon savings.
51. Combined, both sites will supply green energy direct to Council buildings, through GEC's private network of underground cables. In its first full year of operation, 2023/24, it is forecast to generate net savings (after maintenance and management) of £1.1m/yr
52. **Building Solar PV systems.** In addition to the solar parks, the PSDS funding, along with the Council's own solar programme capital funding, has installed further solar PV systems on Council buildings, as follows:
- PROTO – 50kW installed, operational from November 2021
  - Civic Centre – 191kW installed on a bespoke car port system, operational from January 2022 (see Appendix 2)
  - Multi Storey Car Park – designed to incorporate an additional roof deck to take 240kW of solar PV panels, which will supply the site, including EV charging posts, as well as supplying extra power back into GEC's private network
  - The connection of Gateshead Academy of Sport, with an existing 240kW PV system, will bring surplus power into the private network
53. Combined, these systems will generate savings of ca £200k/yr in 2023/24
54. **Schools energy measures.** Through the PSDS scheme, the Council did secure significant grant funding for energy saving measures in up to 12 schools. However, through design and feasibility, the Council had a number of challenges such as:
- Significant increases in installation costs, compared to grants secured
  - Internal capacity to manage volumes of work
  - Very short timescales to spend funding by the government.
55. As a result, the scope of works had to be reduced, but still achieved the following in 3 schools:
- Connected St Josephs RC Primary School to the district heat network
  - Installed LED lighting in Bede Primary School and Cloverhill Primary in Summer 22
  - Installed new heating system in Cloverhill Primary School, and purchase of an air source heat pump, for installation in Summer 2023.
56. **SALIX invest to save programme.** For the past 10 years, the Council has operated an invest to save fund, which has invested over £4m in energy saving measures to buildings and streetlights. SALIX investment has been paused since lockdown, due to the ongoing review of Assets and Buildings, and capacity has been refocused on delivering the major projects listed above.
57. Going forward, 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 multistorey blocks.

### **Recommendation**

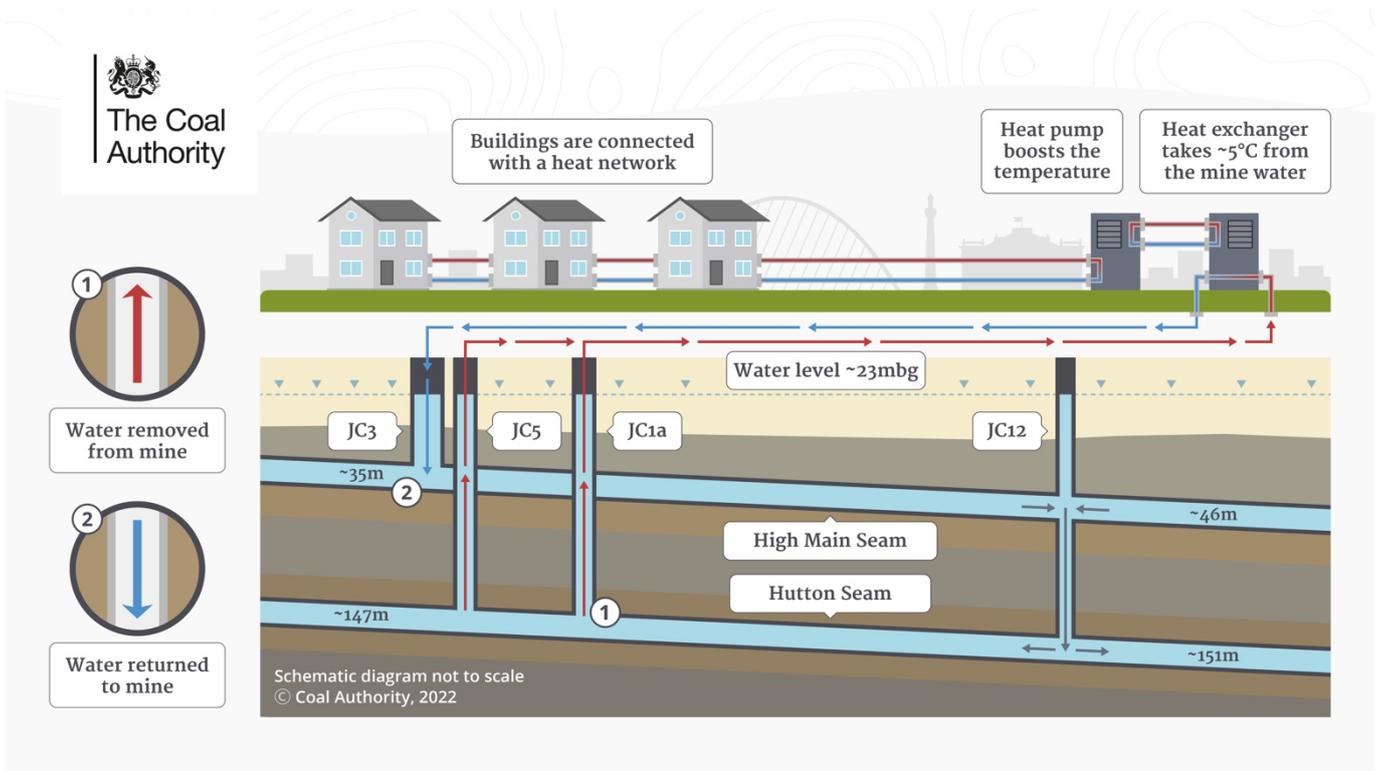
58. OSC is recommended to note the progress in this report and provide any comments or queries for officers to consider and address.

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**CONTACT: Jim Gillon. Ext 3923**

## APPENDICES:

### Appendix 1. Minewater Heat pump diagram



### Appendix 2. Civic centre solar car ports



Appendix 3 – Stadium Solar Park, photomontage



Appendix 4. Baltic Solar Park – mid construction





**Corporate Resources  
Overview and Scrutiny Committee  
24 October 2022**

**TITLE OF REPORT:**            **Review of Community Wealth Building**

**REPORT OF:**                 **Andrea Tickner    Service Director    Corporate  
Commissioning & Procurement**

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**SUMMARY**

The purpose of this report is to provide an update Overview and Scrutiny Committee on the progress made and future plans for Community Wealth Building.

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**Background**

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 driver 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 are provided with opportunity, dignity and well-being.

Through community wealth building, Gateshead is advancing its 'Thrive' agenda aspirations and delivering the Corporate Commissioning & Procurement Strategy 2022 to develop Gateshead. The purpose of this report is to give an update on the progress that has been made with CWB.

**Purpose of the Session**

The purpose of this session is to give Overview and Scrutiny an overview of the progress made with CWB to date (an overview of this is set out in Appendix 1).

Stuart MacDonald, Director from Centre for Local Economic Strategies (CLES) will be attending the session to give a presentation on community wealth building in Gateshead, setting out both the work the Council and CLES have undertaken and indicating the proposals for CWB. Their presentation will also highlight what CLES have achieved in other areas of the UK, and what the Council hopes to achieve in Gateshead.

Overview and Scrutiny should have a particular focus on the future proposals for Gateshead, to ensure that they give true representation of what they would like to achieve in Gateshead.

## **Recommendations**

It is now time for the Council to have a new approach to economic development. Traditionally we have 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.

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.

The Overview and Scrutiny Committee is asked to:

- note the arrangements for gathering evidence for the review of Community Wealth Building
- provide their views on the evidence presented.

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**Contact: Janine Copeland 0191 433 5986**

This appendix sets out the CWB which has been achieved in Gateshead:

- Pre-2019- Longstanding progressive activities undertaken by Gateshead Council and partners.
- April 2019- CLES commissioned to support the development of the Council's CWB agenda.
- November 2019- Development of internal commissioning and procurement proposals.
- November 2019- Delivery of final CLES report, including key recommendations for progressing community wealth building in Gateshead.
- November 2019- Presentation of CLES report to Chief Executive.
- February 2020- Development of Social Value framework and tools.
- March 2020- Development of 'Action Plan' to progress Gateshead's CWB aspirations.
- May 2020- Expanding scope of CWB work to look at energy transition and the climate emergency.
- July 2021 – Established Gateshead Local Enterprise Group to carry out Enterprise support mapping and develop an Action Plan
- October 2021 – Established Social Value Toolkit for all procurements over £100k
- December 2021 – Established Procurement working group to review Spend Analysis and develop an Action Plan
- December 2021 – Established Employment working group to carry out Employment analysis and develop an Action Plan
- May 2022 – Achieved £4m Social Value offers to be distributed in Gateshead.
- June 2022 – Work commenced on designing the CWB e-learning module, this is still in progress.
- July – Work commenced on the development of refresh and simplify our Internet pages this is still in progress.
- Sept 2022 – Establishment of Social Value database to help monitor social value offers.
- Sept 2022 – Establishment of VCSE's high level 'wish list' which is now incorporated into all procurements.

**TITLE OF REPORT:** Annual Work Programme

**REPORT OF:** Sheena Ramsey, Chief Executive  
Mike Barker, Strategic Director, Corporate Services and  
Governance

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### Summary

The report sets out the provisional work programme for the Corporate Resources Overview and Scrutiny Committee for the municipal year 2022/23.

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1. The Committee's provisional work programme was endorsed at the meeting held on 13 June 2022 and Councillors have agreed that further reports will be brought to future meetings to highlight current issues / identify any changes/additions to this programme.
2. Appendix 1 sets out the work programme as it currently stands and highlights proposed changes to the programme in bold and italics for ease of identification.

### Recommendations

3. The Committee is asked to
  - a) Note the provisional programme;
  - b) Note that further reports on the work programme will be brought to the Committee to identify any additional policy issues, which the Committee may be asked to consider.

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**Contact:** Angela Frisby

**Extension:** 2138

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<b>Draft Corporate Resources OSC Work Programme 2022-23</b>	
<b>13 June 2022</b> <b>10.00am</b>	<ul style="list-style-type: none"> <li>• <b>Performance Management &amp; Improvement Framework – Year End Performance 2021-22</b></li> <li>• <b>Community Wealth Building</b> (incorporating spend analysis and focus on spend and impact on CVS and social value) – <b>scoping session</b></li> <li>• <b>Resilience and Emergency Planning annual update</b> (including focus on recent storms and forward planning around such events in the future)</li> <li>• <b>Results of Covid 19 Survey</b></li> <li>• <b>Work Programme</b></li> </ul>
<b>5 September 2022</b> <b>10am</b>	<ul style="list-style-type: none"> <li>• <b>Implications of hybrid/locality working</b> (focusing on hybrid working and impact on employees and residents)</li> <li>• <b>Health and Safety Performance – Annual report</b></li> <li>• <b>Work Programme</b></li> </ul>
<b>24 October 2022</b> <b>10am</b>	<ul style="list-style-type: none"> <li>• <b>Community Wealth Building - Evidence Gathering</b></li> <li>• <b>Budget annual report including saving delivery</b></li> <li>• <b>Update on District Heating Scheme (and impact on energy price rises) (to include energy costs and reducing usage within Council buildings)</b></li> <li>• <b>Verbal Update – Locality Working</b></li> <li>• <b>Work Programme</b></li> </ul>
<b>28 November 2022</b> <b>10am</b>	<ul style="list-style-type: none"> <li>• <b>Performance Management &amp; Improvement Framework –2022-23 - Six Month Update</b></li> <li>• <b>Welfare Reform/Universal Credit and review of Energy Fund (Moved from October meeting)</b></li> <li>• <b>Annual report on implementation of Workforce Strategy</b> (including age and gender profile, where vacancies are, age groups, and why people are leaving, sickness, health of workforce, and other equality issues reporting)</li> <li>• <b>Work Programme</b></li> </ul>
<b>23 January 2023</b> <b>10am</b>	<ul style="list-style-type: none"> <li>• <b>Community Wealth Building – Evidence Gathering</b></li> <li>• <b>Update on Old Town Hall (moved from September meeting)</b></li> <li>• <b>Corporate Asset Management Plan annual update</b> (potential to focus on use of assets in terms of efficiency and/or safety)</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Corporate Complaints Procedure – annual update</b></li> <li>• <b>Progress on the digital programme</b></li> <li>• <b>Work Programme</b></li> </ul>
<b>6 March 2023</b> <b><u>5.30pm</u></b>	<ul style="list-style-type: none"> <li>• <b>Community Wealth Building – Interim Report</b></li> <li>• <b>Update report on the Capital Programme</b> with specific focus on the Arena and Conference Centre, Town Centre and geographical distribution of the Capital Programme spend</li> <li>• <b>Resilience and Emergency Planning for Droughts (Marc Hopkinson)</b></li> </ul>
<b>17 April 2023</b> <b>10.00am</b>	<ul style="list-style-type: none"> <li>• <b>Community Wealth Building - Final Report</b></li> <li>• <b>Information Governance annual update</b></li> <li>• <b>Implications of hybrid/locality working</b> (focusing on locality working and impact on communities) (<i>moved from November's meeting</i>) (<i>Alison Dunn</i>)</li> </ul>

**Issues to Slot In –**