Special Cabinet Advisory Committee

Members of the **Special Cabinet Advisory Committee** of **Gravesham Borough Council** are summoned to attend a meeting to be held at the Council Chamber, Civic Centre, Windmill Street, Gravesend DA12 1AU on **Monday, 20 May 2024 at 7.30 pm** when the business specified in the following agenda is proposed to be transacted.

Most Council meetings can be viewed on the Council's YouTube channel:

https://www.youtube.com/user/graveshamtv

You can watch them live or view previous recordings.

S Walsh
Assistant Director
(Organisational Development & Democratic Support)

Agenda

Part A
Items likely to be considered in Public

1. Apologies for Absence
2. Minutes (Pages 3 - 6)
3. Declarations of Interest
4. To consider whether any items in Part A of the agenda should be considered in private or any items in Part B in public
5. Economic and Property Market Update - February 2024 (Pages 7 - 14)
6. Any other business which by reason of special circumstances the Chair is of the opinion should be considered as a matter or urgency.

7. Exclusion

To move, if required, that pursuant to Section 100A(4) of the Local Government Act 1972 that the public be excluded from any items included in Part B of the agenda because it is likely in view of the nature of the business to be transacted that if members of the public are present during those items, there would be disclosure to them.

Part B
Items likely to be considered in Private

8. Property Information Dashboard (Pages 15 - 18)

Members

Please note that as the agenda has been published prior to Annual Council, the membership is subject to change.

Cllr Lenny Rolles (Chair)
Cllr Alison Williams (Vice-Chair)

Councillors: Gurdip Ram Bungar
Lee Croxton
Samir Jassal
Jordan Meade
Leslie Pearton
Tony Rana
Alan Ridgers

Substitutes: To be notified

Special Cabinet Advisory Committee

Tuesday, 27 February 2024 **7.30 pm**

Present:

Cllr Lenny Rolles (Chair)
Cllr Ektaveen Thandi (Acting Vice-Chair)

Councillors: David Beattie
Deborah Croxton
Lee Croxton
Samir Jassal
Alan Metcalf
Leslie Pearton
Tony Rana

Tom Reynolds	Assistant Director (Inclusive Growth)
Anita Tysoe	Head of Community Support
Michelle Batstone	Corporate Change Manager
Tina Kwegan	Estates & Valuation Manager
Alan Rhind	Estates & Valuation Manager
Carlie Simmonds	Committee Services Manager (Minutes)

47. Apologies

Apologies for absence were received from Councillors Gurdip Ram Bungar, Alison Williams, Jordan Meade and Alan Ridgers. Councillors Deborah Croxton, Ektaveen Thandi, David Beattie and Alan Metcalf attended as their substitutes.

48. Minutes

The minutes of the meeting held on Tuesday 7 November 2023 were signed by the Chair.

49. Declarations of Interest

There were no declarations of interest.

50. Social Value

The Head of Community Support advised that social value was added value generated for communities over and above core business functions. It included anything that positively contributed towards social wellbeing, the economy or environment.

Social value was often linked to procurement and contracts but can also be achieved through voluntary input from local organisations, such as staff volunteering, contributions of resources or funding donations.

With the significant financial pressures being faced by local authorities, it was more important than ever to draw on opportunities to maximise social value in order to deliver functions and activities within the limited resources available. The benefits of social value go much wider than Council related outcomes ranging from tackling climate change, delivering significant community developments, to increasing work related skills and access to work or improving health and wellbeing outcomes.

The Public Services (Social Value) Act came into force on 31 January 2013, requiring those who commission public services to consider how they could also secure wider social, economic and environmental benefits. This was linked to the procurement process and required commissioners to think about whether the services they were procuring could secure these benefits for their local areas and communities. The Act also required a minimum 10% weighting on social value in procurement contracts above the public procurement threshold.

Whilst Gravesham developed its own Social Value Policy a few years ago, this was relatively high level and focussed on the opportunities that could be derived from procurement activity, it did not recognise those wider opportunities of contract management or voluntary social value contributions.

The Council was now in a position to develop its own social value commitments and to support other organisations in achieving outcomes that benefit the Borough. Through collaboration, the potential of what social value could deliver could be significant.

To progress this work, an updated draft Social Value Policy, Statement and Framework had been prepared and were appended to the report:-

- the Policy set out the Council's principles and how the Council will adhere to the Public Services (Social Value) Act 2012 by including Social Value in its Procurement exercises; but also how it will further commit by including it in contract management arrangements and supporting local organisations to deliver and achieve their own social value outcomes;
- the Statement aims to communicate key messages and secure support from staff, partners, suppliers and other locally based organisations to help create social value benefits for the community; and
- the Framework set out a list of priority areas which will be shared with other parties to help focus Social Value outcomes on areas that were important to the Council and its community.

The Head of Community Support advised that the next step will be to develop an action plan to focus on the direction of travel and support the delivery of social value outcomes. This will be done by using the Social Maturity Index, attached at Appendix IV of the report, which had been designed to assist organisations in understanding their current position and what actions they can take over the next 3-5 years to further develop Social Value outputs and achievements.

The Committee was informed that 2024 will be the Council's Year of Volunteering and discussions had already taken place about how officer volunteer days can be used to support social value achievements across the Borough. There will be opportunities to partner with other organisations and local employers to increase volunteer capacity and achieve greater outcomes. The Head of Community Support advised that the intention will be for officers to volunteer within the Borough to provide local support and that the scheme will be promoted to local organisations, businesses etc.

The Committee was invited to review and comment on the policy and supporting documents.

The Committee considered the policy together with the supporting documents and highlighted the following:-

- a number of small businesses will not have the expertise on how to maximise social value so it would be beneficial if the Council could offer advice via the business network or a social value day. The Assistant Director (Inclusive Growth) and Head of Community Support advised that they would look to include this as part of the business network;
- it can be difficult to measure the life span of a contract and whether social value targets will be met therefore some authorities opt for a social value payment which can then be distributed. The Head of Community Support advised that she would investigate this further;
- with regards to section 106 agreements via the planning process, the Council should consider how large developments/developers could contribute to local residents/communities around those areas affected by large developments;
- explore opportunities where social value can give back to/contribute towards the community such as supporting people with learning disabilities, long-term unemployment, providing art classes, sport facilities etc;
- the initiative must be well publicised/promoted to local organisations, businesses etc. The Head of Community Support advised that she would be working with the Communications Team in relation to promotion and also asked Members if they could publicise within their wards; and
- in relation to the officer volunteer days, it was important for the Council to monitor the hours volunteered and to calculate it in terms of monetary value so that the Council can promote the support provided. Officers should also be encouraged to undertake volunteer days as it can contribute towards their professional training and development plans.

The Committee noted the report subject to the above being taken into consideration.

51. Review of the Working in Partnership Framework

The Corporate Change Manager advised that, in April 2021, the Council adopted an updated Working in Partnership Framework, with clear guidelines to review the framework every three years or when it was prudent to do so.

Appendix one to the report set out the revised Framework (and accompanying appendices) for the Council.

Following a review of the Framework, the proposed changes were minimal. This was due to an in-depth review being undertaken in April 2021, following the COVID-19 pandemic, which implemented a number of changes and as such, the Framework was considered to be still fit for purpose, subject to Members comments.

The proposed changes were as follows:-

- minor amendments to paragraphs throughout to provide further clarification on processes to be followed and to support better understanding of the Framework in its entirety;

- updates to the core principles to be followed when considering establishing shared services. These were previously reflective of the 'North Kent' principles agreed some time ago and had been updated to reflect the key principles for Gravesham Borough Council; and
- minor amendments throughout to update references to 'Heads of Service' in line with the restructure approved by Full Council last year where applicable (to replace previous references to Service Managers).

The Corporate Change Manager advised that the next step will be for the Framework to be presented to Cabinet for approval, followed by submission to Full Council for formal adoption into the Council's Policy Framework. The Framework will continue to be reviewed at least once every three years, or more frequently if deemed necessary during this period.

The Corporate Change Manager invited the Committee to review and comment on the Framework.

The Committee considered the Framework and highlighted the following:-

- inclusion of an executive summary at the start of the document to provide an overview of the benefits of partnership working, and the Framework itself; and
- inclusion of reference to Social Value considerations in the assessment of any new partnerships where applicable.

The Corporate Change Manager advised that she would incorporate the suggestions into the draft Framework for consideration by Cabinet/Full Council.

The Committee noted the report subject to the above being taken into consideration.

Close of meeting

The meeting ended at 7.58 pm.

Sponsored by: anderson wilde & harris EXPERTS IN PROPERTY

Economy and Property Market Update

February 2024

Easing inflation and subdued macro environment points to lower base rates as the year wears on

ECONOMICS

Summary

The Bank of England is likely to start cutting interest rates during the second half of the year given the recent moderation in inflationary pressures. The prospect of an easing in credit conditions is now being reflected in the feedback received to the RICS suite of surveys (covering the residential and commercial markets, as well as the construction industry). That said, many significant challenges remain, whether these are around affordability in housing, repurposing of the unviable parts of the commercial property estate, or skill shortages in construction.

Economy

Recent forecasts from both the IMF and the OECD, as well a number of well regarded consultancies, point to a subdued outlook for the UK economy for the best part of this year. That said, a slightly stronger picture is envisaged for 2025. Chart 1 suggests that GDP growth will struggle to reach much more than 0.5% (average for the twelve month period) following the miserly quarter point expansion in 2023.

A key ingredient in driving the macro performance will be the behaviour of inflation. Chart 2 tracks the recent trend in both the headline and core rates; significantly, the latter has made more modest progress than the former since peaking. Even so, the headline measure is likely to continue to fall sharply over the coming months, and could actually hit the 2% target over the spring helped by lower oil and wholesale gas prices. Indeed, the Ofgem energy price cap should drop by around 15% in April. There is rather more debate about what happens beyond this point. One view (put forward by the likes of Capital Economics) is that further declines in utility prices, allied to the more moderate trend in wage growth, will not just sustain inflation around this level but could actually push it closer to zero later this year. The Bank of England is, perhaps understandably, more cautious in its assessment suggesting (in the February Monetary Policy Report), that the headline rate will bounce off its April low and remain above target for much of the next three years.

How the inflation story plays will inevitably have a significant bearing on the timing of interest rate cuts; it will also have ramifications for the spending power of consumers. Interestingly, the Bank of England's Chief Economist recently remarked that 'we do not need to see inflation back to 2% on an underlying basis to begin to reduce the bank rate because we are at a restrictive level'. Chart 3 demonstrates how the mood music around this issue has shifted over the past few months, and that markets are now scaling back their expectations. Notwithstanding the signal provided by Hugh Pill, the inference of the latest money market curve (Feb 7th) is that base rates will not begin to fall until the middle of the year and then perhaps reach 4.5% by the end of 2024 (from 5.25% currently). Crucially, there is also a bigger question mark over how low interest rates will go over the medium term.

Meanwhile, the debate around the fiscal headroom the Chancellor will have to play with in his forthcoming budget continues to rage. Given that softer inflation will weigh on tax revenues, it may not prove to be all that much bigger than was projected back in November.

Chart 1: Growth forecasts for this year remain subdued although a slightly stronger picture is envisaged for 2025

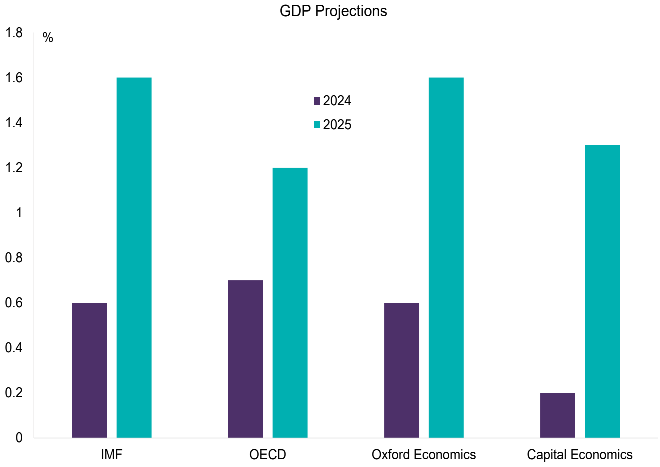


Chart 2: The core measure of inflation is falling more slowly than the headline rate for now

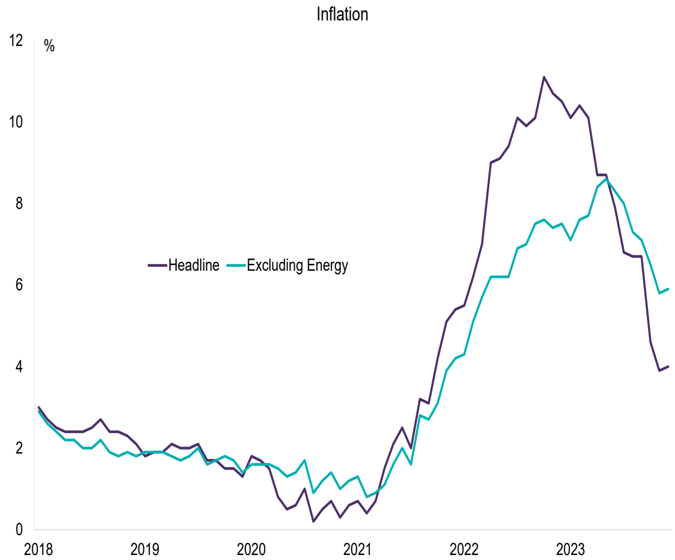
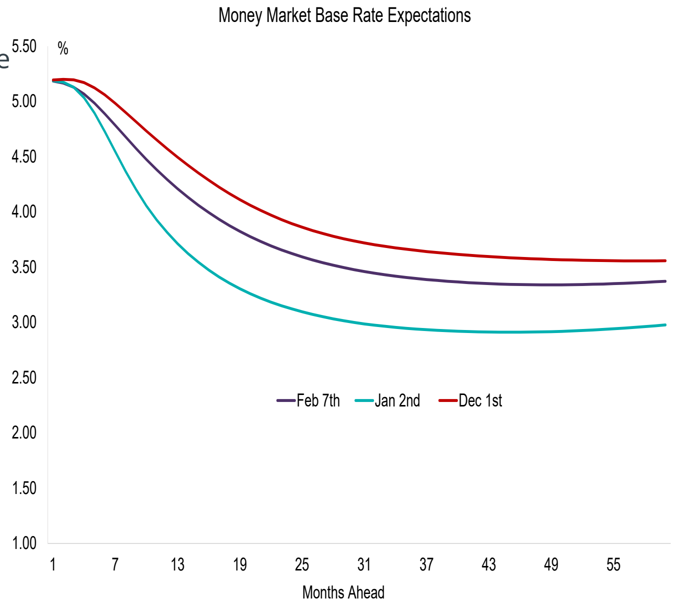


Chart 3: Interest rate expectations have eased a little but remain elevated



Commercial Property

Transaction activity picked-up in the final quarter of the year with £10.2bn of property assets changing hands in the three month period (as highlighted in Chart 4). This represents a 14% increase on the preceding quarter and the first £10bn plus outturn since Q3 2022. Stronger activity at the larger end of the market was primarily responsible for this improvement with the number of deals over £100m up 37% on Q3. Despite this, the latest numbers from CBRE are not indicative of a material change in pricing, with the All-Property equivalent yield estimate remaining around the 6% mark.

The latest RICS Commercial Property Monitor also paints a somewhat mixed picture, with the headline metrics for both occupier and investment demand still in negative territory to a greater or lesser extent. However, as Chart 5 demonstrates, the proportion of respondents seeing the real estate market in a downturn has fallen and the share perceiving it to either be at the bottom of the cycle or (more encouragingly) in the early stages of an upturn has increased. This shift is in part linked to increased confidence that interest rates will begin to fall through the course of the year; in the Q3, a net balance of -44% were reporting a tightening in credit conditions but this improved to just -5% in the latest iteration of the survey. It is arguably also significant that around two thirds of respondents now believe the market is around fair value despite the prevailing level of gilt yields.

Chart 6 shows the response to the forward looking questions regarding the outlook for both rents and capital values at a twelve month time horizon. In truth, the story is little different from last quarter with the so-called alternative assets including multifamily, student living, life sciences and aged care continuing to be viewed as the likely stronger performers. Once again, the marked polarisation between best in class and the rest is particularly visible in the case of the office sector and, albeit to a lesser extent, retail.

Although there are mounting signs of distress in the US real estate market, this is not currently a significant feature in the UK domestic market. Although there are some parallels between two, the lessons learnt and the changes implemented in the wake of the GFC means that the loans linked commercial property are generally in better shape with the aggregate loan to value ratio less than half the level reached at that time.

Chart 4: Lambert Smith Hampton data shows investment activity picked-up modestly in the final quarter

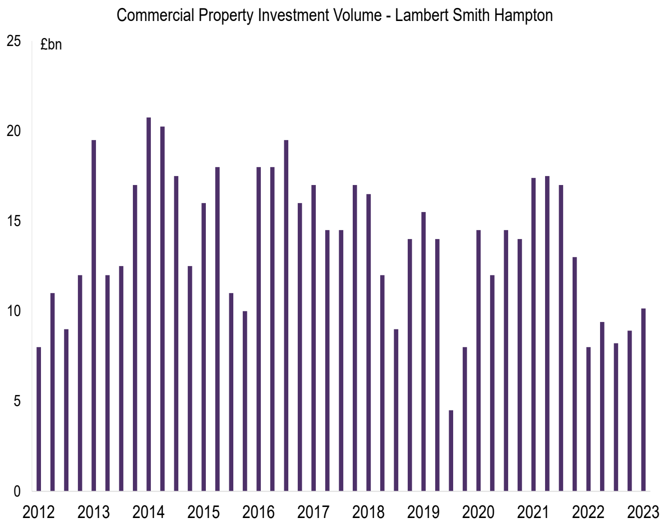


Chart 5: The RICS Commercial Monitor shows more respondents believing the market has now reached the bottom of the cycle

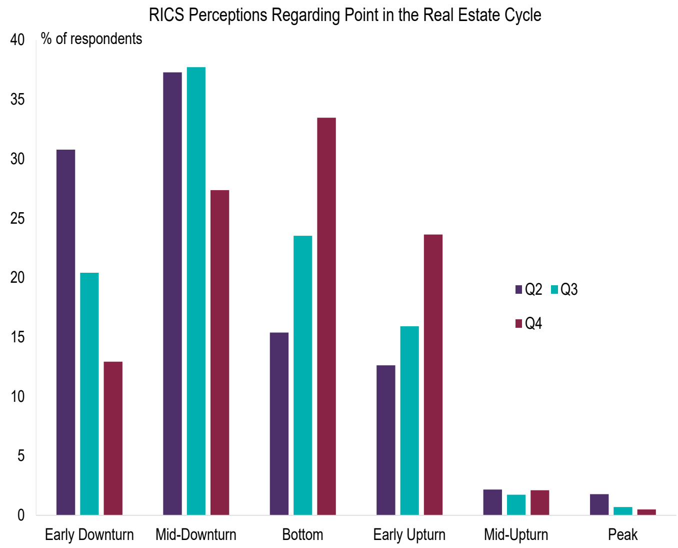
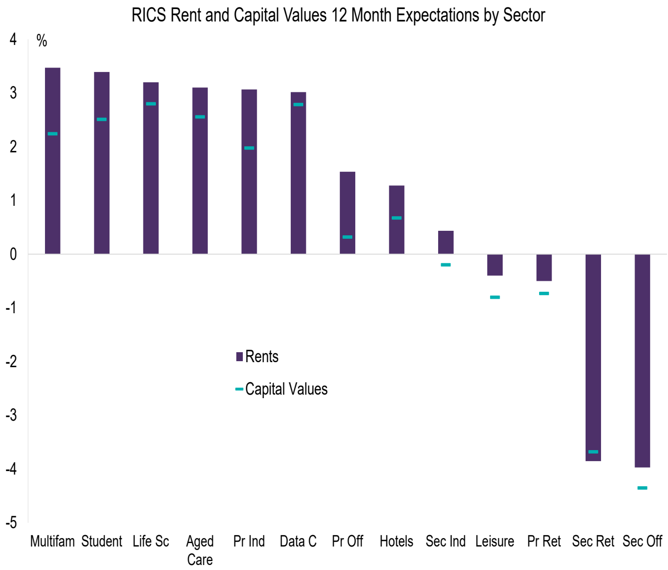


Chart 6: Expectations for the next twelve months are stronger for alternative real estate assets



Residential Property

Evidence is emerging of a better tone to the residential market. Projections of further price declines this year have given way to indications of a flatter trend if not a return to modest gains. This is exemplified by the turnaround in the Nationwide house price index which captures data at mortgage approval stage (Chart 7). The Rightmove 'ask' price index also appears to be turning albeit after posting a more modest drop. The Land Registry measure, in contrast, is still heading down but this is partly because the data is released in a less timely fashion and also as it reflects the price at completion stage (so tends to be a lagging signal). Alongside this, the RICS House Price metric (which measures sentiment but is a good leading indicator of turning points) has improved from a net balance reading of -68% last August to -18% in January.

Meanwhile, there are also signs of an uplift in activity. Bank of England data on mortgage approvals for new house purchases has climbed from 44k in September to close to 50.5k in the latest (December) release. This pattern is also evident in the RICS New Buyer Enquiries data which recorded a net balance of +7% in January; this is first time since the early part of 20222 that this series has shown a positive result (Chart 8). The growing confidence of respondents to the survey is, moreover, visible in the forward looking indicator for sales; the twelve month sales expectations series has risen particularly sharply in recent months.

While the sales market appears to now be exhibiting a more stable trend, the feedback around the lettings market is still challenging. The growth in tenant demand (captured in the RICS survey in net balance terms) does seem to be losing momentum although still remains in positive territory. However, landlord instructions are continuing to fall (Chart 9). The modest closing in the gap does point to slowing in the pace of rental growth from the double digits increases recorded on new lets over the past twelve months but still suggests that they will likely run ahead of wage gains.

Higher interest rates are resulting in more borrowers falling into arrears. Data from UK Finance shows homeowner mortgages in arrears increased by 7% to 93,680 compared to the previous quarter. More significantly, buy-to-let mortgages in arrears increased 18 per cent to 13,570 on the same basis. That said, a total of just 1,040 were repossessed in Q4 2023. This compares with nearly 2,000 in Q4 2019 before the onset of the pandemic.

Chart 7: House prices appear to be turning the corner according to the most timely indices

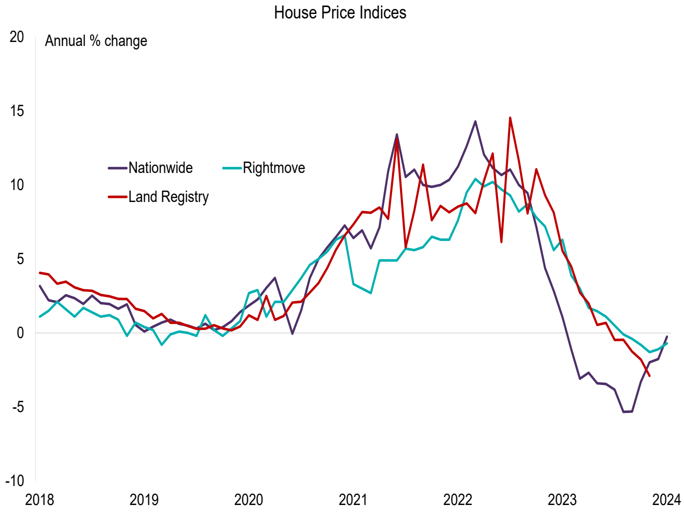


Chart 8: Forward looking activity indicators from the RICS survey are pointing to an upturn in sales

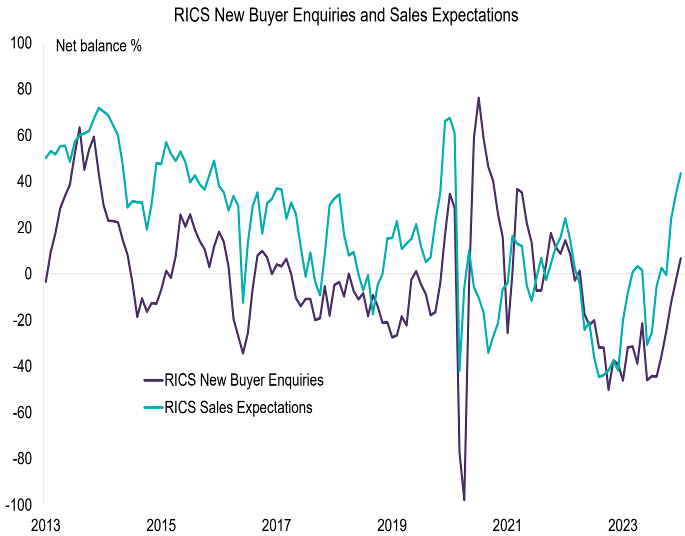
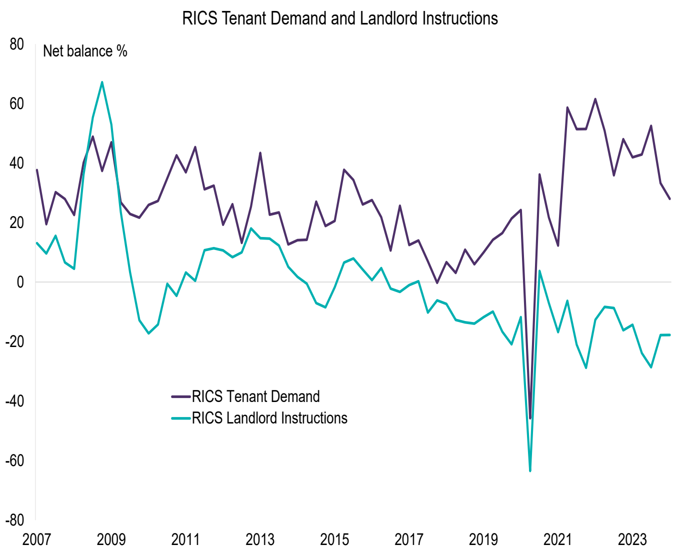


Chart 9: The growth in tenant demand using the RICS metric is slowing but still running ahead of new instructions



Construction

Official data around construction comes out with something of a lag and is indicative of a mixed picture. The latest reading (covering November) shows output 0.9% higher than a year ago and 5.8% above the pre-pandemic level of January 2020. Year-on-year changes in new activity at a sector level are captured in Chart 10. This suggests that commercial and other public work are recording gains while private housing and industrial are posting significant declines. That said, the latest RICS sentiment data on current workloads paints a slightly different picture in signalling a modestly positive trend in infrastructure while being more downbeat on commercial. Another area of contention is highlighted by the Construction Products Association who continue to draw attention to (what they see as) the overestimation of private housing repair and maintenance output; their judgement is that the deflator in this area in particular is being underestimated.

Meanwhile, construction material prices were dipping into the year end, a point illustrated by Chart 11. However, the most recent numbers only extend to December before the disruption to Red Sea shipping took hold. This is likely to begin to become visible as more timely data is published, reflecting if nothing else the sharp jump in freight prices (one measure of this has already climbed by around 250%).

Nevertheless, feedback to the RICS survey suggests that respondents generally hold a positive assessment of the outlook with the net balance for workloads expectations particularly strong in infrastructure. This is despite concerns about some high-profile projects. At the same time, forward-looking views are also upbeat, albeit to a lesser degree, when it comes to private non-residential workloads (Chart 12). One area of concern still evident is around profit margins, which are viewed as likely to remain under some pressure. This is also consistent with feedback to the question regarding the major impediment to activity at the present time. Close to two-thirds of respondents identified financial constraints while just over half reference planning and regulation. Alongside this, skill shortages remain a challenge even if the acute pressure has lessened somewhat on the back of the softer trend in activity. That said, around one half of contributors are still reporting difficulties in hiring quantity surveyors.

Meanwhile, 4,370 construction firms in the UK went out of business in the year to November 2023, a rise of 7.0% on a year ago with the biggest impact on smaller specialist sub-contractors. The likelihood is that this rising trend will persist for a while yet.

Chart 10: The latest official data shows R&M work growing most strongly with new private housing under most pressure

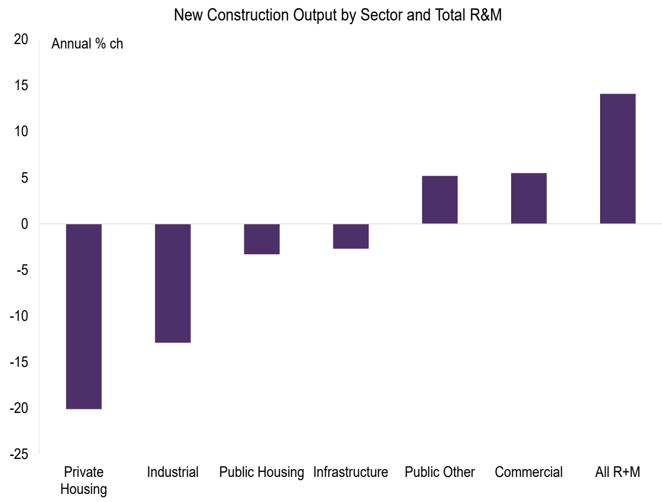
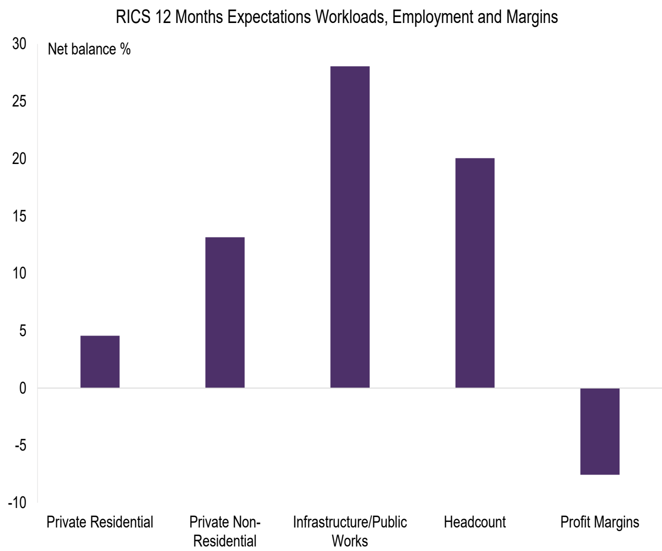


Chart 11: Construction material prices were falling prior to the onset of the disruptions to Red Sea shipping

Chart 12: The latest RICS Monitor continues to show infrastructure workloads growing most strongly



For enquiries about the Economy and Property Update and the use of the charts, please contact:

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Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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Agenda Item 8

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