

From: Simon Jones, Corporate Director of Growth, Environment and Transport

To: Paul King, Cabinet Member, Economic Development and Coastal Regeneration

Subject: **Kent & Medway Business Fund – No Use Empty (KMBF-NUE)**

Key Decision: 25/00076

Classification: Unrestricted

Electoral Division: All

Kent County Council (KCC) launched the No Use Empty (NUE) initiative in 2005 in East Kent. Following the success of NUE in East Kent, the initiative was rolled out across Kent in 2008/09 and is now delivered by KCC in partnership with all 12 district and borough councils.

The primary aim of the initiative is to improve the physical urban environment in Kent by bringing long-term empty properties back into use as quality housing accommodation through a range of interventions.

NUE operates a loan scheme providing short term secured loans registered as a first or second charge. On repayment of the loan, funds are recycled to the next project.

The Initiative has evolved and operates the following schemes: NUE Residential, NUE New Build, NUE Commercial and more recently NUE funded a pilot project known as The Tridax Business Park creating 24 Business Units.

In addition to this NUE is helping to deliver increased Council Tax receipts and collection of Business Rates.

KMBF-NUE are seeking Cabinet approval for up £6m of Kent and Medway Business Funds (KMBF) being made available to No Use Empty (NUE) Commercial scheme to still achieve the outcomes of the KMBF schemes in terms of boosting employment and economic growth within Kent, as well as generating income for KCC, both through interest payments/management fee and increasing business rate growth.

Recommendation(s):

The Cabinet Member for Economic Development and Coastal Regeneration is asked to:

(a) AGREE to up to £6m from the Kent & Medway Business Loan Fund (KMBF) being made available for No Use Empty (NUE) to administer short term secured loans to support specific NUE Commercial projects which would provide wider economic and employment opportunities and benefits as well as generating income, through interest payments. The value of an individual loan under this proposal is likely to be more than the £600k cap on loans which are administered by the KMBF team; and

(b) DELEGATE to the Corporate Director of Growth, Environment and Transport in consultation with the Section 151 officer or the Cabinet Member responsible for Finance for approval to spend: and

(c) DELEGATE to the Corporate Director for Growth Environment and Transport to take appropriate actions, including but not limited to, entering into legal agreements (loan agreements and legal charges), consider and approve requests which may require consent and discharge of legal charges, as necessary to implement this decision as shown at Appendix A.

1. Background Information

- 1.1. The primary aim of the NUE Initiative is to improve the physical urban environment in Kent by bringing long-term empty properties back into use as quality housing accommodation.
- 1.2. Delivered by KCC in partnership with all twelve district councils NUE has won several national awards and in May 2025 received a Special Recognition Award at the national Empty Homes conference in Birmingham to mark its 20th year and is recognised as the longest running empty property scheme in UK.
- 1.3. The Initiative has evolved and operates the following secured short-term loan (recycling) schemes:
 - NUE Residential (Capital Programme)
 - NUE New Build (KCC Treasury Management Investment Strategy)
 - NUE Commercial (Growing Places Funding)
- 1.4. A summary of achievements for each of the above schemes is at **Appendix 1**

2. Business Units

- 2.1 NUE delivered a pilot project known as The Tridax Business Park at Honeywood Parkway, Whitfield, Dover, creating 24 new business units which completed at the end of December 2023.
- 2.2 The project was funded from investment funds which NUE internally borrowed from KCC Treasury for which NUE are tasked with making a return on investment (currently 4%) and secured the loan as a 1st charge on the site.
- 2.3 The project has been an immense success. Demand has been such that the units could have been sold three times over compared to the total available for sale. All the business units are sold except for three retained by the developer. NUE received full repayment of the £1.7m loan plus interest and application fees charged. The final payment was made on 12 January 2024.
- 2.4 A summary of the Tridax Business Park project is at **Appendix 2**
- 2.5 Suitable workspace is in short supply across the county and demand for similar units in all the districts within Kent is high. The NUE model has proven

phenomenally successful in creating modern work space to meet the needs of local firms as well as enhancing the commercial property offer to attract businesses to Kent.

- 2.6 NUE welcomes the opportunity to provide Cabinet with an update on the initiative and gain Cabinet support for the approval for NUE to access and administer under delegated authority £6m KMBF funds to support specific NUE Commercial projects.

3. The Proposal (KMBF-NUE)

- 3.1 NUE will use the allocation of up to £6m to provide short term loans secured as a first charge for a maximum of 3 years to support specific NUE Commercial projects to deliver more business units/workspace, similar to the Tridax project, which would provide wider economic and employment opportunities and benefits as well as generating income, through interest payments, for the KMBF fund managed and administered by KCC.
- 3.2 There would be no loss to KMBF as once the loan NUE has administered plus interest is repaid this will replenish the KMBF loan fund.
- 3.3 From a marketing point of view, when the business units are sufficiently progressed and ready to be sold/leased, there is the potential opportunity for the KMBF loan fund to be publicised and to welcome new applications from those businesses who may be looking to start up, expand and create jobs and if successful receive a KMBF loan. NUE are the enabler and KMBF can then come on board with their loan support.
- 3.4 The value of each individual loan is expected to be up to £2m per project. This is beyond the £600k maximum loan KMBF can award. It is for this reason the delegation of authority to enter into a loan agreement and legal charge document under this proposal needs to sit with the Corporate Director for Growth and Communities.
- 3.5 The KMBF Investment Advisory Board, under its Terms of Reference would be fully sighted on the KMBF-NUE applications, which the NUE team will process (seeking support from Finance in line with current KMBF procedures) and subject to the Investment Advisory Board's recommendation and subsequent logged Record of Decision. Once loan contracts are in place the NUE team will liaise with the KMBF team to administer and process subsequent loan payments to the borrower, which will be released on a phased basis and subject to NUE monitoring.

4. Options considered and rejected

- 4.1 Do maximum – to proceed as planned with Treasury Investment funding which will reduce the funding available for new build residential homes if up to £6m of the £28m was ring fenced for the creation of new business units.

5. Potential Projects

- 5.1 NUE is currently aware of two potential projects that may go live within the next 3–6 months. Due to business confidentiality, further details cannot be disclosed at this stage.
- 5.2 These are projects that NUE would look to support in the first instance, subject to formal applications being received and supported with relevant documentation which will include a Royal Institution of Chartered Surveyors (RICS) valuation report to substantiate current land value and future gross development values. These projects could be considered alongside other applications.
- 5.3 NUE will work with KMBF on marketing and promoting the new KMBF NUE offer and the Kent & Medway Business Fund to potential purchasers/ingoing tenants, to maximise outputs.

6. Internal Support

- 6.1 The KMBF Investment Advisory Board (IAB) has endorsed the proposed KMBF-NUE scheme and KCC's finance department has confirmed that it is feasible from a financial and operational perspective. The NUE presentation to KMBF IAB is at **Appendix 3**

7. Financial Implications

- 7.1 There is one NUE team responsible for the NUE Residential, NUE New Build and NUE Commercial. Revenue costs are £1.2m and expected income (Application Fees/ Interest) of an offsetting £1.2m to ensure this valued service is not only self-financing but generates additional income for KCC through increased Council Tax and Business Rates.

Breakdown of 25/26 expected costs.

Staff inc. Travel, Training	£212,499
Legal Services	£139,460
Website	£1,200
Empty Homes Membership	£795
Treasury Return on Investment	£925,667
Application Fees	(£111,809)
Interest Collected	(£1,167,812)
Total	£0

- 7.2 The proposal is not designed to benefit NUE further financially as there is minimal impact on the capacity of the NUE team to take forward 2-3 additional projects. The legal costs associated with the KMBF NUE loan will be recovered from the applicant by charging an application fee of 1% + VAT of the sum borrowed (based the NUE new build scheme).

- 7.3 The proposal is in the spirit of more collaborative working within the Economy division, maximising opportunities to greater benefit of the division and ultimately Kent Businesses supporting regeneration and growth/job opportunities as outlined in the Kent & Medway Economic Framework which highlights the importance in ensuring the county has the right supply of high quality commercial and industrial space available to tackle the current shortages, The construction phase and ongoing maintenance requirements would also provide opportunities for local supply chains.
- 7.4 There are currently no other sources of funding available to NUE, which is predominantly supporting residential projects. NUE has only been able to deliver its main NUE Commercial project via the former SELEP-administered Growing Places Fund which is now exhausted.
- 7.5 The proposed £6m of will be drawn down by NUE from the KMBF budget when required. All NUE Commercial loans made will be to fund businesses and not individuals in their personal capacity.

8. Legal

- 8.1 A robust application process is in operation for the secured loans including independent risk assessments conducted by the NUE team.
- 8.2 Under delegated authority a Loan Approval Form is prepared, signed by the Strategic Programme Manager and Director for Growth and Communities. This form is used to instruct the KCC appointed legal services provider (Bevan Brittan LLP) to draw up Loan Facility Agreement and Legal Charge documents. The Loan Approval Form instructs the KCC appointed legal services provider to remove KCC charge on repayment of loans. It is proposed the Corporate Director for Growth and Communities will sign the Loan Approval Form associated with loans for the creation of Business Units under the KMBF-NUE proposal.
- 8.3 The loans approved adhere to KCC Financial delegations of responsibility for spend.
- 8.4 The Subsidy Control Act will be taken into account when considering each loan application.
- 8.5 Legal advice was obtained to confirm that recycled KMBF funding could be used to support a KMBF-NUE scheme, as the proposed approach aligns broadly with the objectives of the original KMBF programme.

9. Policy Framework

- 9.1 NUE supports:

Framing Kent's Future 2022-26

<https://www.kent.gov.uk/about-the-council/strategies-and-policies/framing-kents-future>

Priority 1 Levelling Up Kent - Our commitment is to support the Kent economy to be resilient and successfully adapt to the challenges and opportunities it faces over the coming years.

Securing Kent's Future:

<https://democracy.kent.gov.uk/documents/s121235/Securing%20Kents%20Future%20-%20Budget%20Recovery%20Strategy.pdf>

The decision does not place any additional financial burden on KCC as KMBF-NUE will be delivered with external funds and generate an income stream.

Kent & Medway Economic Framework:

Action Area 4: Supporting the conditions for growth by responding to local need for workspace.

10. Equalities Implications

- 9.1 Equality Impact Assessment (EqIA) for NUE completed by the Strategic Programme Manager and signed off by KCC Equality Team - 31 January 2023 and kept under review.

11. Data Protection

- 11.1 KMBF-NUE have completed a Data Protection Impact Assessment (DPIA) reference no 603 for this proposal which is awaiting review and approval.

12. NUE Privacy Notice

<https://www.kent.gov.uk/about-the-council/information-and-data/access-to-information/gdpr-privacy-notice/economic-development/no-use-empty-scheme-privacy-notice>

13. Recommendation

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14. Appendices:

Appendix A: Proposed Record of Decision

Appendix 1 - Summary of NUE achievements to date for each scheme

Appendix 2 - Tridax Business Park

Appendix 3 – KMBF IAB Away Day

Equality Impact Assessment

Background documents:

- NUE Record of key decision: 15 March 2023:
<https://democracy.kent.gov.uk:9071/ieDecisionDetails.aspx?ID=2689>
- Treasury Investment Strategy Appendix M of the Budget Book 2024-25.
Page 140:
https://www.kent.gov.uk/_data/assets/pdf_file/0012/164010/Budget-Book-2024-25.pdf

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