

Proposal

No Use Empty (NUE) to internally borrow up to £6m from the recycled Regional Growth Funds which are being utilised to deliver the Kent & Medway Business Fund (KMBF) to support specific NUE Commercial projects covering Kent & Medway

Steve Grimshaw



**Widem Logistics, Tridax Business Park,
Honeywood Parkway, Dover**

NUE – Self Financing from New Builds

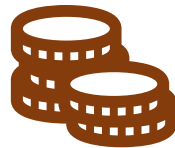


Adelaide Road, Eythorne, Dover – 5 new builds



Ashford Road, High Halden, Ashford – 9 new builds

**£12m >>> £28m KCC
investment – interest
bearing loans**



New Homes, New Council Tax receipts



Outcomes

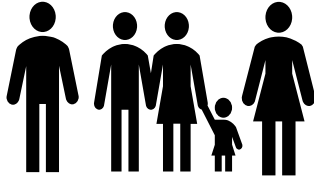
KCC invested **£5m**
Recycled interest
free loans
£60.8m



NUE is cost effective
Delivering increasing performance year on year



3,265

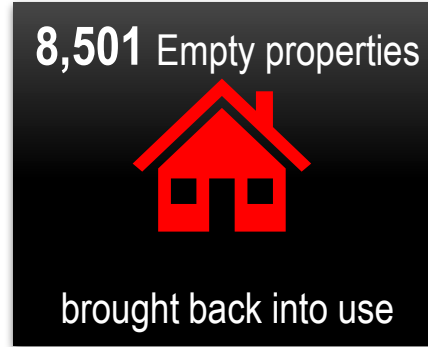


People housed

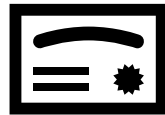


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Adopted by all
twelve district
Councils
in Kent & Medway



NUE helped to create **1,046** new homes generating
£1.6m per annum additional Council Tax receipts



NUE is nationally recognised for best practice
supported by national charity Empty Homes

NUE has introduced



Top Up Loans



Interest bearing loans for larger sites



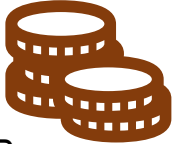
Owner occupiers Loan in Thanet



£163m

NUE Investment Value
Including £41m New Build

£61m Leverage
(private investors and developers)
Access to **£11.5m** New Homes Bonus



www.nue.org.uk

For more information and
report an empty property



**Training programmes
provided**



INSIDE
HOUSING



Chartered
Institute of
Housing

**UK HOUSING
AWARDS 2022
FINALIST**

As well as creating new homes to help address the housing shortage. NUE has helped improve the urban environment in Kent and has improved the social well-being of the local economy.

NUE Proposal

Explore the opportunity for No Use Empty (NUE) to internally borrow up to £6m from the recycled Regional Growth Funds which are being utilised to deliver the Kent & Medway Business Fund (KMBF) to support specific NUE Commercial projects 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.

TRIDAX Business Park, Whitfield, Dover



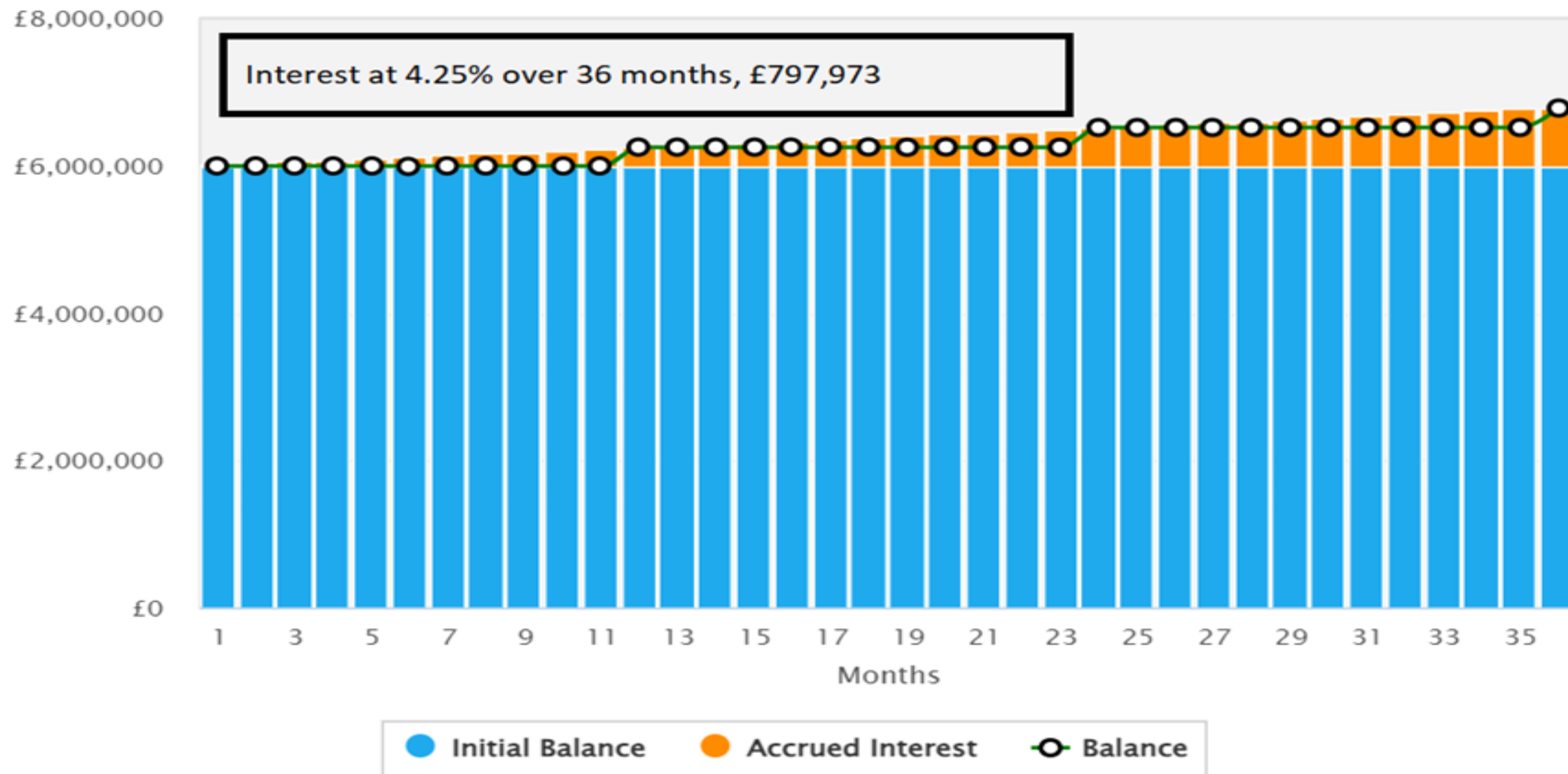
Support for NUE Proposal



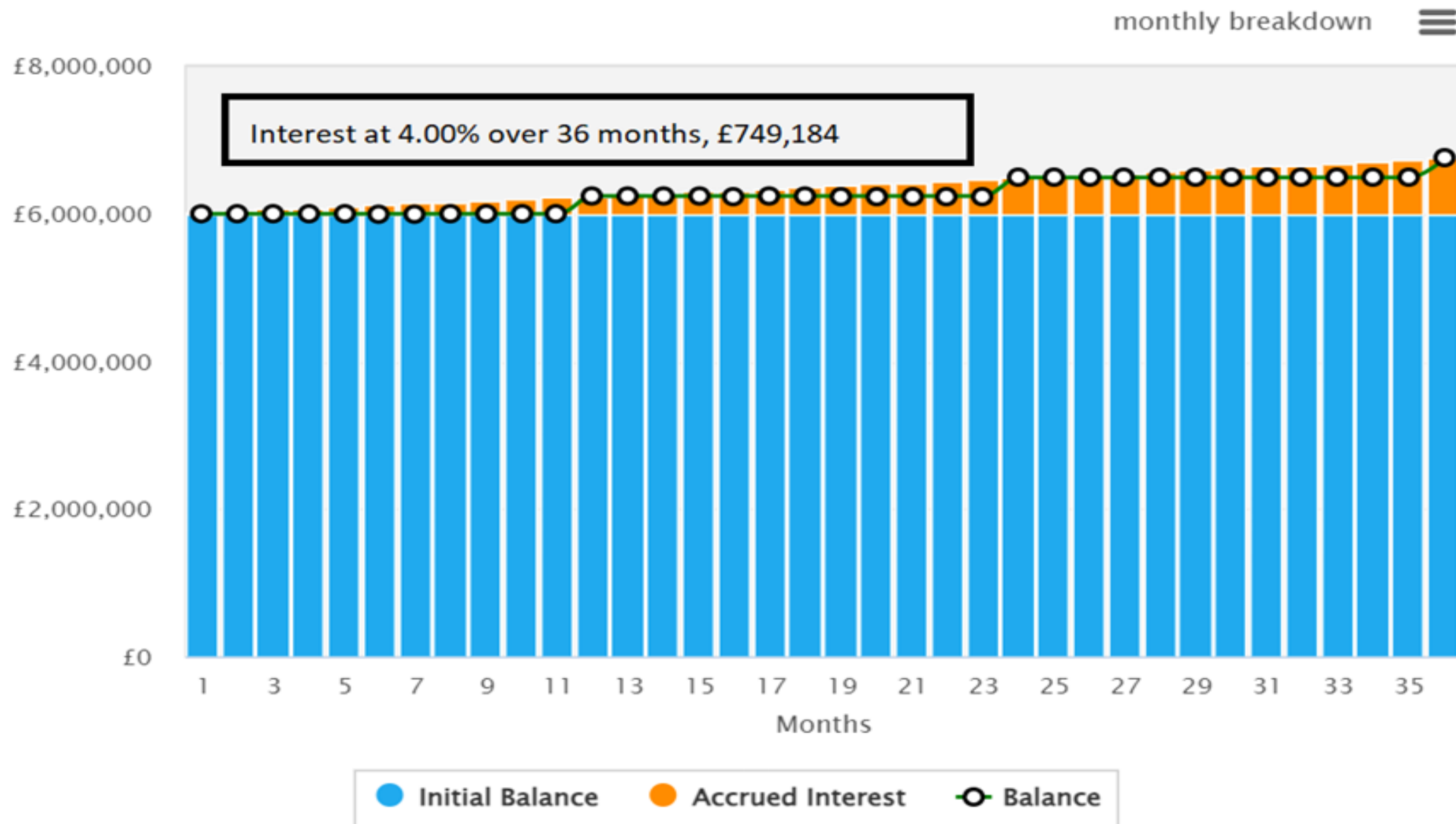
- ▶ NUE to internally borrow funds from the KMBF scheme to support specific NUE Commercial projects.
- ▶ NUE proven track record for delivery of projects and financial management.
- ▶ £94M loans awarded - £57M loans repaid to date (Bad Debt £143k dates from 2011).
- ▶ **Seeking to borrow up to £6m (e.g. £2m per project) - only draw funds from KMBF when needed.**
- ▶ No loss of interest to KMBF fund.
- ▶ No impact on KMBF funds allocated for use in future years.
- ▶ NUE to provide short term secured interest bearing loans - max 3 years and charge up to 10% interest on the loans.
- ▶ ROI for KMBF and replenish KMBF loan pot.
- ▶ NUE to administer applications and report back.
- ▶ NUE administration covered by application fee.
- ▶ Seeking support for the proposal to be discussed and approved at the KMBF away day.

KMBF - £6m ROR Interest 4.25% p.a. if left in bank

monthly breakdown 



KMBF - £6m ROR Interest 4% p.a. if left in bank



Potential KMBF Pot - 3 Years On using 4.25% comparable

Financial Year	Funds Drawn From KMBF to NUE	Interest Achieved Based On 8% (drawn to end of contract term)	Interest Achieved Based On 9% (drawn to end of contract term)	Interest Achieved Based On 10% (drawn to end of contract term)
Qtr 1 25/26	£0	£0	£0	£0
Qtr 2 25/26	£500,000	£110,000	£123,750	£137,500
Qtr 3 25/26	£750,000	£150,000	£168,750	£187,500
Qtr 4 25/26	£1,000,000	£180,000	£202,500	£225,000
Qtr 1 26/27	£1,000,000	£160,000	£180,000	£200,000
Qtr 2 26/27	£1,000,000	£140,000	£157,500	£175,000
Qtr 3 26/27	£1,000,000	£120,000	£135,000	£150,000
Qtr 4 26/27	£750,000	£75,000	£84,375	£93,750
Qtr 1 27/28	£0	£0	£0	£0
Qtr 2 27/28	£0	£0	£0	£0
Qtr 3 27/28	£0	£0	£0	£0
Qtr 4 27/28	£0	£0	£0	£0
Total	£6,000,000	£935,000	£1,051,875	£1,168,750
KMBF Interest 4.25%		£797,973	£797,973	£797,973
Extra Interest on NUE Loans		£137,027	£253,902	£370,777
Interest expected on diminishing £6M KMBF pot as NUE drawdown		£278,994	£278,994	£278,994
All interest earned at end of Year 3		£1,213,994	£1,330,869	£1,447,744
Plus original loan drawn		£6,000,000	£6,000,000	£6,000,000
KMBF Bank Account (example)		£7,213,994	£7,330,869	£7,447,744

**KMBF: £6,000,000
IN BANK**

**VALUE IF UNTOUCHED
£6,797,973
AFTER 3 YEARS**

**NUE PROPOSAL
AFTER 3 YEARS**

**KMBF: £7,213,894
IN BANK**

**POTENTIAL EXTRA
£416,021**

**NUE INTEREST PLUS KMBF INTEREST
ON DIMINISHING LOAN POT**

Potential KMBF Pot - 3 Years On using 4.00% comparable

Financial Year	Funds Drawn From KMBF to NUE	Interest Achieved Based On 8% (drawn to end of contract term)	Interest Achieved Based On 9% (drawn to end of contract term)	Interest Achieved Based On 10% (drawn to end of contract term)
Qtr 1 25/26	£0	£0	£0	£0
Qtr 2 25/26	£500,000	£110,000	£123,750	£137,500
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Qtr 1 27/28	£0	£0	£0	£0
Qtr 2 27/28	£0	£0	£0	£0
Qtr 3 27/28	£0	£0	£0	£0
Qtr 4 27/28	£0	£0	£0	£0
Total	£6,000,000	£935,000	£1,051,875	£1,168,750
KMBF Interest 4.00%		£749,184	£749,184	£749,184
Extra Interest on NUE Loans		£185,816	£302,691	£419,566
Interest expected on diminishing £6M KMBF pot as NUE drawdown		£261,676	£261,676	£261,676
All interest earned at end of Year 3		£1,196,676	£1,313,551	£1,430,426
Plus original loan drawn		£6,000,000	£6,000,000	£6,000,000
KMBF Bank Account (example)		£7,196,676	£7,313,551	£7,430,426

**KMBF: £6,000,000
IN BANK**

**VALUE IF UNTOUCHED
£6,749,184
AFTER 3 YEARS**

**NUE PROPOSAL
AFTER 3 YEARS**

**KMBF: £7,196,676
IN BANK**

**POTENTIAL EXTRA
£447,492**

**NUE INTEREST PLUS KMBF INTEREST
ON DIMINISHING LOAN POT**

Example Project

- ▶ Pre-Loan application the borrower would be seeking advice from local district authority regarding planning consent.
- ▶ Borrower acquires the site (planning approved/or subject to approval).
- ▶ The site must be unencumbered to allow KCC to take 1st and only charge on title.
- ▶ A 2nd charge could potentially be allowed but only with KCC holding a Deed of Priority for the loan amount, interest due and all associated costs, should there be a need to recover the loan.
- ▶ RICS Valuation to confirm current value, future value of units, rental income, an indication regarding cost of works.
- ▶ RICS Valuation is paid for by the borrower and must note the interests of KCC in the report document.
- ▶ RICS Valuation to be supported with quotes for works from a tendering process.
- ▶ ID, Insolvency and Company Checks undertaken.
- ▶ Bevan Brittan provide report on Title for security to Strategic Programme Manager.
- ▶ Title Enquiries raised with the borrower's solicitor.
- ▶ Evidence of insurance policies noting KCC as an interested party and as first loss payee to be verified by Bevan Brittan.
- ▶ Application is review by minimum of 3 individuals (NUE Team) and Loan approved (under delegated authority).
- ▶ Loan released in staged payments (not to exceed 80% of the current loan to value).
- ▶ Monitoring/Site visits and evidence of spend before next drawdown.
- ▶ Loan is on interest bearing terms (to be agreed) over a maximum term of 36 months. Default Rate +2% of interest.
- ▶ Interest charged from date of drawdown of funds and collected on final repayment of loan.

Marketing of available funds via NUE/KMBF - NUE Team will be responsible for liaising with potential applicants and will discuss availability of funds, process to follow etc

FLOWCHART – NUE PROCESS ON PRE-RECEIPT AND ON RECEIPT OF LOAN APPLICATION



Pre-Loan application the borrower would be seeking advice from local district authority regarding planning consent.

Potential projects identified:

Direct contact to NUE Team, (potential known developers with track record). signposting from KMBF, signposting from districts

NUE Team carry out site visits, discuss application requirements. This would cover (not exhaustive):
Proof of ownership (Title Docs, TR1)
Security, Additional Funds, Insurance ,
RICS Report, Quotes, ID, Details of acting solicitors (if applicable)

Application received with supporting documents. NUE Team instruct KCC Legal Services Provider to open a file and undertake conflict searches – if clear – to then review Land Registry Title to flag early any issues requiring further investigation.

NUE Team provide feedback to applicant on progress and clarify any outstanding issues to resolve. This is where the insurance required can be quantified following KCC Legal Services Provider input.

KCC Legal Services Provider will inform the NUE Team of the insurance cover required . This would include site (if required), Contractors Insurance and if any indemnity insurance is required

NUE Team review supporting documents (not exhaustive): ID cross checking details to Passports, read through the RICS reports for valuations, quotes to ensure comparable for works required.

NUE Team undertake a variety of checks (not exhaustive) Insolvency Checks, Director Checks, Companies House, Land Registry, Review Company Accounts,

NUE Team meet to discuss the application in detail and confirm that there is sufficient information now available to commence the formal Risk Assessment

Risk Assessment is carried out by a minimum of 3 KCC Officers. This is normally the NUE Team with when required input from district/or finance.

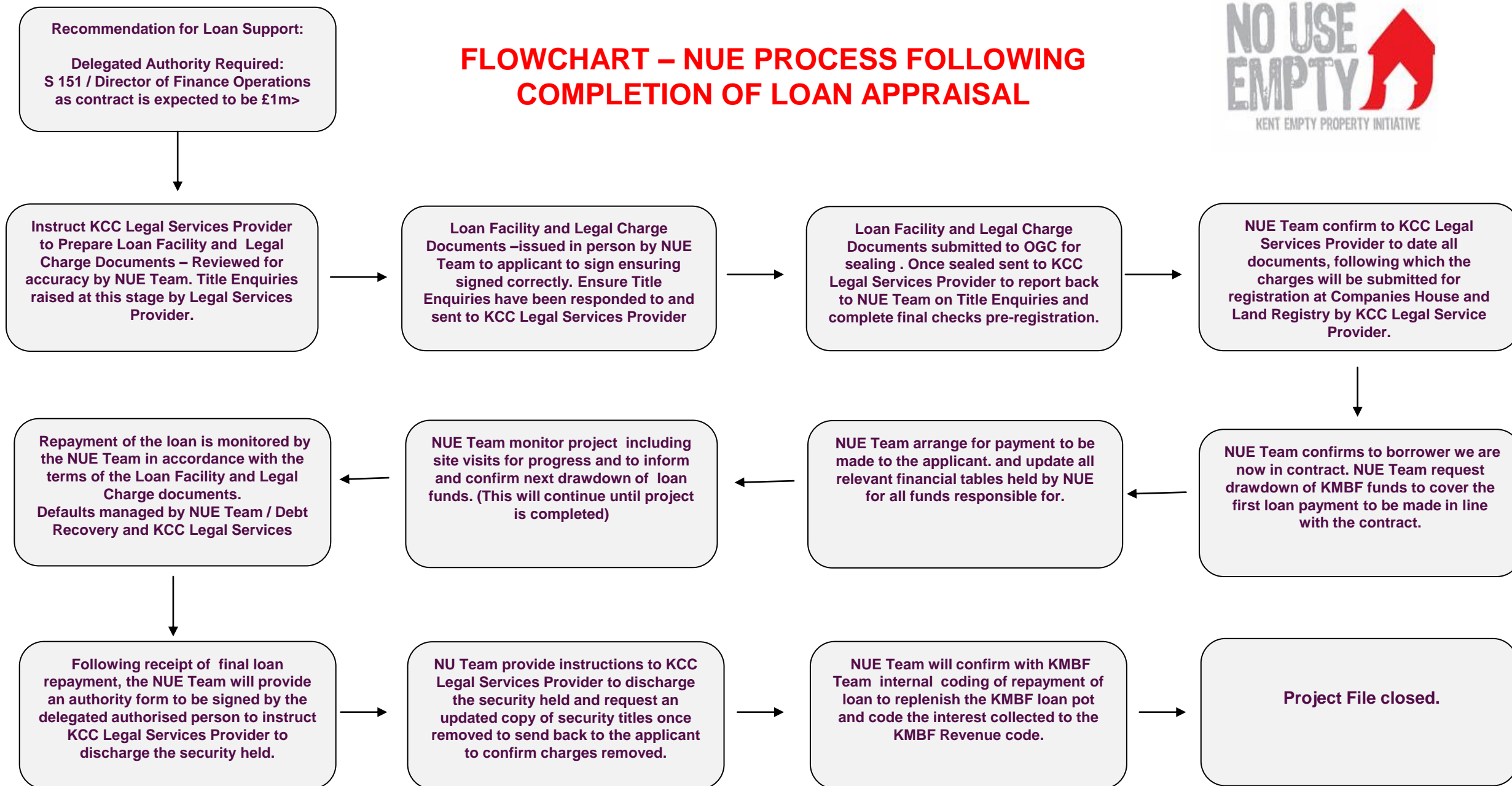
Decision to approve/not approve

If approved NUE Team prepare a summary of the project, including location, details of loan, security in the form of a “Recommend For Loan Approval Form” which also acts as the formal instruction to KCC Legal Services Provider.

Recommendation for Loan Support:

Delegated Authority Required: S 151 / Director of Finance Operations as contract is expected to be £1m>

FLOWCHART – NUE PROCESS FOLLOWING COMPLETION OF LOAN APPRAISAL



Thank You

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www.nue.org.uk



Q&A