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To: Growth, Economic Development & Communities Cabinet Committee – 10 March 2020

Subject: No Use Empty (NUE) – Update

Classification: Unrestricted

Electoral Division: All

Summary:

Kent County Council (KCC) launched the No Use Empty (NUE) initiative in 2005 in East Kent. The scheme is now delivered by KCC in partnership with all 12 districts and borough councils.

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.

Its primary aim is to improve, through a range of interventions, the physical urban environment in Kent by bringing empty properties back into use as quality housing and commercial space. NUE therefore also delivers increased Council Tax receipts and Business Rates.

The purpose of this report is to provide Cabinet Committee with an update on the scheme, performance to date and its future plans and the current status of two bids for additional sources of funding.

This is an update paper and no formal decisions are required.

Recommendations:

The Cabinet Committee is asked to note the report and the plans for the further development of the NUE scheme.

1. Introduction

1. 1. Kent County Council (KCC) launched its 'No Use Empty' (NUE) initiative in 2005 as part of its Public Service Agreement (PSA2) targets. Its primary aim was to improve Kent's physical urban environment by bringing empty properties (defined as empty for over 6 months) back into use as quality housing.
1. 2. The initiative originally focused on four districts: Thanet, Dover, Folkestone and Hythe (then called Shepway) and Swale, as research had found that the majority of empty properties (over 3,000) were located in these areas. In

January 2008, KCC expanded NUE to include all 12 Kent district council areas and has more recently extended the scheme to include bringing commercial space back into use.

- 1.3 **Interest bearing loans.** Interest free loans are available to those that participate in the initiative. However, since 2017, if a previous applicant returns to NUE with a new application for funding this will be offered but with interest applied.
- 1.4 **NUE Commercial.** In 2018-19 KCC was awarded £1m Growing Places Fund (GPF). This is being used to return long term empty commercial properties back into use for residential, alternative commercial or mixed-use purposes with a specific focus on town centres (particularly in coastal areas of Kent). This GPF funding had a target to bring back into use 8 commercial units and a total of 28 residential units by March 2022. Loans have been agreed to deliver 15 commercial units and 28 residential units and the scheme is on track to exceed the target numbers. A summary of NUE Commercial is at Appendix 1 including example projects.

2. Achievements

- 2.1 NUE is now firmly established as the longest running and most effective empty property initiative in Britain winning several national awards for partnership and regeneration.
- 2.2 Since 2005 NUE investment has created 1,053 homes from 302 derelict properties. The additional dwellings will generate extra Council Tax receipts of approximately £757,000 per year.
- 2.3 Through a range of other interventions, NUE has brought 5,273 long term empty properties back into use to the Government's Decent Homes Standard. (Long term empty is defined as dwellings that have been unoccupied or substantially unfurnished for over six months.)
- 2.4 Over the past 10 years NUE has returned 5,083 long term empty properties back into use, an average of 508 a year.

3. Finance

- 3.1 NUE operates a recycling loan fund. It provides working capital to help owners/small developers refurbish/convert empty homes or redundant commercial buildings to provide good quality residential accommodation and commercial space.
- 3.2 To date, NUE has awarded £33.6m in short term secured loans (typically over a 2-3-year period). It has leveraged £31.2m from the public/private sectors, giving a total investment of £64.8m across Kent. All loans are subject to a risk assessment and secured as a 1st or 2nd charge on the property. The loans are offered interest free to first time applicants. A summary of NUE investment is at Appendix 2.

3.3 In July 2019 the Council agreed to the continuation of the NUE initiative to at least 2021-22. Earlier this year, KCC Treasury Management agreed to provide £12 million for loans aimed at bringing dwellings back into use on derelict/vacant sites.

4. NUE Going Forward (2020/2021)

4.1 The most recent Council Tax records show there still are 5,340 long term vacant residential properties in the 12 Kent districts and a further 1,398 in Medway. (NUE does not currently cover the Medway area.)

4.2 **NUE main loan scheme.** NUE will continue to offer interest free loans to first time applicants and revenue from the interest-bearing loans will cover all operational costs.

4.3 **NUE Derelict Sites (£12m).** NUE is launching a new loan product with support from Treasury Management. £12m is being made available to provide secured (by way of first charge) short-term interest-bearing loans (recycled) to developers of derelict/vacant sites, in order to create new build residential units in Kent. The £12m programme provides for annual lending of £4m over three years. The maximum limit on the amount to be lent to any one developer is £1m and maximum duration for any loan is 3 years. All loans awarded will be subject to monitoring and site visits which is consistent with existing NUE procedures.

4.4 KCC Treasury will receive interest at a rate of 1.5% per annum on the amount lent from the date the loan is made until it is repaid. This will cover KCC management costs and any surplus will help fund other Council services. The aim is to deliver a return on Treasury investment of £1.6m and potentially generate a further surplus to KCC. Several projects have already been identified and the NUE team is now engaged with the respective owners of the derelict sites to bring forward initial applications for assessment.

4.5 NUE will charge the developers a minimum of 4% per annum on the loans and a 1% application fee, which will be set against revenue costs (the cost of the interest due to KCC treasury, admin costs and bad debt provision). NUE will review the interest rates annually to take into account any changes to base rates as requested by Treasury and the NUE programme will carry the risk of developers defaulting on the loans.

4.6 In addition to this, NUE have submitted two bids to round three of the SELEP Growing Places Fund (GPF3):

(i) **NUE Commercial Phase II (£2m).** NUE has sought further investment from an extension of the NUE Commercial loan product. The aim is to return 18 empty commercial units back into use and create 36 new residential homes.

(ii) **NUE Residential (£2.5m).** NUE has sought new investment to scale up the initiative to return an extra 100 long term empty

properties back into use. NUE has approached Medway Council with a view to providing blanket coverage across Kent.

4.7 Final decisions for funding approval are expected in May 2020. In both cases the projects, if approved, would be operational from 2020/2021 to 2022/2023 with a final repayment date to GPF by 31st March 2026.

5. Publicity

5.1 NUE is working with KCC corporate communications and with district colleagues to publicise the scheme.

5.2 Projects which NUE has previously supported continue to be featured on numerous BBC TV programmes (Homes Under The Hammer and the Britain's Empty Homes).

6. Conclusion

6.1 NUE:

- Supports economic growth by enabling new commercial activity and creating and safeguarding jobs; it also increases business rates
- Increases the number of new homes available; it also generates additional council tax receipts
- Supports wider regeneration; it improves the quality of the local environment, complementing wider regeneration activities and supporting community safety and cohesion

7. Recommendation(s):

7.1. The Cabinet Committee is asked to note the report and the plans for the further development of the NUE scheme.

8. Appendices

Appendix 1 - Summary NUE Residential (Countywide Investment)

Appendix 2 - Summary NUE Commercial and example projects

9. Contact details

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