

From: Derek Murphy, Cabinet Member, Economic Development
Simon Jones, Corporate Director of Growth, Environment and Transport

To: Growth, Economic Development & Communities Cabinet Committee -
14 March 2023

Subject: No Use Empty (NUE) update and continuation of the initiative

Key Decision 23/00013

Classification: Unrestricted

Electoral Division: All

Past pathway of paper: N/A

Future pathway of paper: For Cabinet Member Decision

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

The purpose of this report is to provide Cabinet with an update on NUE's performance to date, including the £24m Derelict Conversion/New Builds NUE Scheme (investing the Council's cash balances in accordance with KCC's Treasury Management Strategy) which is helping contribute to accelerating the delivery of good quality housing in the County.

Recommendation(s):

The Cabinet Committee is asked to comment on and consider and endorse or make recommendations to the Cabinet Member Economic Development to support:

- a) the continuation of the NUE initiative to at least 2027-28 with a further update to be provided at that time;
- b) how NUE is funded and seek the agreement of the Section 151 Officer or the Cabinet Member for Finance as appropriate for approval to spend; and

c) for authority to be delegated to the Director of Growth and Communities to take appropriate actions including, but not limited to, KCC entering into legal agreements (loan agreements, legal charges, personal guarantees, equity loans, joint ventures, deed of priority, deed of postponement), consider and approve requests which may require KCC consent and discharge of legal charges, recovery of loans through legal action, as necessary to implement this decision.

The Proposed Record of Decision is at Appendix A.

1. Introduction

1. 1. Kent County Council (KCC) launched its 'No Use Empty' (NUE) campaign in 2005 as part of its Public Sector Agreement (PSA2) targets, to examine better ways of delivering services, and how we might work more effectively with district councils. The primary aim of the initiative is to improve the physical urban environment in Kent by bringing empty properties back into use as quality housing.
1. 2. The initiative originally focused on the following districts: Thanet, Dover, Folkestone and Hythe (Shepway) and Swale, as the research found most empty properties (over 3,000) were in these areas. As the project was very successful KCC expanded NUE to include all 12 Kent district councils in January 2008.
1. 3. NUE is now firmly established as the longest running and most effective empty property initiative in the country winning several national awards including UK Housing Award for Regeneration (2018) and shortlisted for Council of the Year in the UK Housing Awards (2020 and 2022).

2. Achievements

- 2.1 NUE has a proven track record returning 7,676 long-term empty properties back into use across the County to the decent home standard. Long term empty means those dwellings that have been unoccupied or substantially unfurnished for over six months.
- 2.2 Latest Council Tax records show there are a total of 6,204 long term vacant dwellings in the Kent area (source data: Department for Levelling Up, Housing and Communities). This represents a reduction of 594 compared to the previous year's data. There are a further 1,303 long term empty properties in Medway.
- 2.3 NUE on average is returning 523 long-term empty properties back into use per annum (based on performance over the last 10 years). Without NUE intervention the number of long-term empty properties would probably be more than 15,000. For clarity this excludes investment activity which is focused on new builds.
- 2.4 A summary by district is at Appendix 1.

3. Finance – Capital (NUE Empty Property)

- 3.1 NUE was launched with an initial investment of £5m – a mixture of prudential borrowing and re-investment of the PSA2 reward grant.

- 3.2 The Loan Scheme operates as a recycling loan funds and provides working capital funding to help owners/small developers refurbish and convert empty home or redundant commercial buildings with planning permission to provide good quality residential accommodation.
- 3.3 In the early years of the scheme empty properties attracted Council Tax concessions. NUE loans were provided interest free with an administration fee charged to help bring these properties back into use and generated additional Council Tax receipts.
- 3.4 As NUE has evolved we have also introduced interest bearing loans for larger empty property projects which require a greater financial support or to those small developers who return to the scheme with new projects. The interest rate reflects the increased risk of these loans and is used to provide for a small element of bad debt risk as well as assisting with the administration costs of the scheme. The loans continue to be offered interest free to first time applicants and an application fee is charged.
- 3.5 To date, NUE has awarded £55.5m in short term secured loans and has levered in £41.8m from the public/private sectors, giving a total investment of £97.3m across Kent. All loans are subject to a risk assessment and secured as a 1st or 2nd charge and offered typically over a three-year period.
- 3.6 The average renovation cost to return one unit to occupation is £71,000 with KCC investment being £40,000 per unit.
- 3.7 The investment has funded 1,376 homes of which 983 of these are classified as new homes (change in numbers). The new homes are generating new Council Tax receipts worth approximately £1,595,461 per year (based on completions to date), rising to £1,736,052 by 2023/24 (based on projects due to complete).
- 3.8 NUE has calculated that creating 71 new homes per year from larger redundant buildings would increase the new Council Tax receipts to £2,238,164 by 2027-28.
- 3.9 A summary of investment by district and Council Tax calculations is at Appendix 2.
- 3.10 NUE as a service has seen a steady increase in loan applications since 2017-18. Only three loan applications received during the year did not progress, primarily due to the required supporting evidence not being provided. The pre-application work NUE undertakes with our district empty property officers and the required upfront application fee minimises the number of applications which are not supported.
- 3.11 It has been NUE practice to offer the first loan up to a maximum of £175,000 as interest free. However, should a customer return with a second application for consideration, the loan is offered on interest bearing terms.
- 3.12 The table below records the loans approved under the main empty property initiative over the last 10 years including the value of loans and the number of homes created under the Capital Programme.

Financial Year	NUE (Empty Property)		
	Loans Approved	Value Approved	Homes Created
2014-15	20	£1.3m	67
2015-16	27	£3.0m	111
2016-17	23	£2.0m	46
2017-18	25	£3.9m	84
2018-19	34	£6.8m	111
2019-20	35	£5.2m	89
2020-21	41	£4.0m	80
2021-22	40	£9.8m	132
2022-23 (to date)	42	£7.9m	112

3.13 NUE newsletter with example projects is at Appendix 3.

3.14 The following is a summary of the NUE initiative as described in the Draft Budget Report 2023-24 (since approved 9 February 2023, Page 6 &10, Row 19 Appendix B – Capital Investment Summary 2023-24 to 2032-33).

CAPITAL INVESTMENT SUMMARY 2023-24 TO 2032-33				Cash Limits			
Row Ref	Project	Total Cost of Scheme	Prior Years Spend	2023-24	2024-25	2025-26	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s
19	Kent Empty Property Initiative – No Use Empty (NUE)	52,901	48,192	11,589	-4,700	-2,180	0

3.15 In 2024-25, there is a requirement to commence repayment of the original sum provided to NUE (-£4.7m) followed by a further repayment in 2025-26 (-£2.1m). NUE is seeking agreement to defer this to later years or to switch funding so that Treasury Investment funds are used to substitute loss of funding from the Capital Programme.

4. Finance - Treasury Investment (NUE New Builds Scheme)

4.1 In addition to the NUE Empty Property Initiative NUE launched a new loan product in financial year 20/21 following support from Treasury Management and agreement from the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services.

4.2 An initial £12m was allocated to NUE to provide secured, by way of first charge, short-term interest-bearing loans (recycled) to developers of derelict/vacant sites, to primarily create new build residential units in Kent and to generate a return on investment for KCC and for NUE to cover its operational costs.

4.3 The allocation was quickly exhausted due to the unprecedented demand for the new loan product. Incremental increases in subsequent years of £4m agreed with Treasury and the recycling of loans already repaid has allowed NUE to bring forward more projects.

4.4 On 12 September 2022 Nick Buckland, KCC Head of Pensions and Treasury confirmed the level of funding to be made available to NUE be increased from £20m to £24m with

immediate effect. As agreed, the interest rate charged to NUE by Treasury was increased from the original agreed rate of 1.5% to 2.5% with effect from 1st July to 31 March 2023.

4.5 The most recent Treasury Investment Strategy document can be found at <https://democracy.kent.gov.uk/documents/s116375/Appendix%20N%20-%202023-24%20draft%20TMS.pdf>

4.6 To date NUE has approved loans to the value of £25.1m supporting 182 new build residential homes. The table below records: loans approved which also includes those projects which are in phased stages (total of 10) or projects receiving additional funds due to the increased costs of materials during the pandemic (total of 2), value of loans (includes recycled funds) and number of new homes created by financial year.

Financial Year	NUE Derelict Sites		
	Loans Approved	Value Approved	Homes To be Created
20/21	21	£11.1m	108
21/22	14	£6.2m	39
22/23 (to date)	22	£7.8m	35
Total	57	£25.1m	182

4.7 A total of 67 new build residential homes have been completed to date. Following the sale or re-finance of these properties, NUE have received £8.4m in loan repayments to date and are expecting a further £0.2m before March 2023.

4.8 The projects are varied ranging from single houses, bungalows, 2-3 houses and apartment blocks all of which are in 8 of the 12 Kent districts, primarily in our coastal regions.

4.9 The following table below represents all projects supported with Treasury Investment by District.

District	No. Of Loans	NUE Loan £	Residential Units Supported
Ashford	1	£300,000	2
Canterbury	2	£776,250	1 + TBC – planning required
Dartford	1	£600,000	13
Dover	22	£8,620,000	47
Folkestone & Hythe	9	£4,923,000	58
Swale	5	£1,874,000	12
Thanet	15	£7,690,800	48
Tunbridge Wells	2	£260,000	1
Total	57	£25,044,050	182

4.10 There are two examples of districts (Dover and Folkestone & Hythe) acquiring completed NUE projects to help meet their respective housing targets. In both instances the local district has made these available via their respective housing waiting lists at affordable rents.

4.11 The new Council Tax receipts generated from new builds, is calculated to be £306,000 per year (based on Average Band C £1,700 per home x 180 units to date). This is in

addition to the traditional empty property scheme to convert existing buildings which means fewer brownfield/green sites are needed to meet housing targets.

4.12 A selection of new build projects is at Appendix 4.

5. Finance – Revenue

5.1 NUE has operated without revenue support since 2020-21. The original revenue budget was reduced from £60k to £30k in 2019-20 and removed the following year as a contribution to savings via the MTFP (Medium Term Finance Plan).

5.2 An administration fee based on the value of the loan is collected under the main empty property initiative. A typical fee would be £750.

5.3 The loans offered for new builds which are Treasury funded operate on a different fee scale, currently 1% + VAT of the total sum borrowed. Interest, typically 5-6% is applied to all loans and collected quarterly or at the end of loan term.

5.4 The fee income and interest earned is used to fund all work undertaken by the NUE team and our legal services providers (Invicta Law and Bevan Brittan) for the provision of services associated with the production of loan documentation. This falls under the overarching service level agreements between KCC and its respective service providers. The combination of fees and interest charged across both loan initiatives has allowed NUE to become self-financing. This also factors in the return on investment for Treasury.

5.5 For clarification, the NUE initiative does not procure the services to bring empty properties back into use. All payments are in the form of a loan to the empty property owner.

5.6 The table below reflects typical running costs based on current year.

Staff inc. Travel, Training	£168,700
Legal Services	£95,500
Website	£1,200
Empty Homes Membership	£1,300
Treasury Return on Investment	£283,400
Application Fees	(£161,600)
Interest Collected	(£388,500)
Total	£0

5.7 In addition to making NUE cost neutral, the following table shows the value of Revenue to Capital contributions NUE made from income generation from 2013-14 to 2020-21. The £887k generated has been re-invested to provide more loans. This is attributed to interest charged (in earlier years from late payments and then from interest bearing loans).

Financial Year	Revenue to Capital Contribution
2013-14	(£22,165)
2014-15	(£34,613)
2015-16	(£40,334)
2016-17	(£55,297)
2017-18	(£94,004)
2018-19	(£113,814)
2019-20	(£160,000)
2020-21	(£367,137)
Total	(£887,363)

5.8 No further Revenue to Capital contributions were made after 2020-21. Instead, any surplus generated has been deposited into the approved NUE reserve account set up in accordance with the requirements of the Treasury Investment funds.

6. How NUE has evolved.

6.1 The success of NUE is based on planning, dedicating resources, monitoring outcomes, adjusting delivery models to reflect current market conditions, providing financial assistance to owners by offering short term secured loans with repayments recycled for new loans.

6.2 NUE remains innovative and has taken advantage of funding opportunities as they have arisen to offer different loan products, deliver more homes and to bring vacant commercial properties back into use.

6.3 **Affordable Homes Project.** Homes and Communities Agency (HCA) awarded £750,000 to KCC for NUE to deliver an affordable homes scheme (2012-2015). Using NUE funds as match 42 affordable units in Dover, Folkestone, Hythe, and Sittingbourne were delivered.

6.4 Interest free loans were offered over a 5-year period and provided to owners of larger sized properties who agreed to let the homes at 80% of the market rental value. There is a requirement for the HCA funding loaned to be repaid to KCC and for NUE to recycle into a similar scheme in perpetuity. All the original loans were repaid by 2020-21.

6.5 **Top Up Loans.** NUE administer top up loans on behalf of the respective councils (Dover, Folkestone and Hythe and Tunbridge Wells) and are re-cycled in the same way as the NUE loan fund. An additional £15,000 per unit is available.

6.6 Since 2016, Folkestone & Hythe District Council have provided £300,000 per year (totalling £2.1m to date) recognising that some of the larger properties merit additional funds to return them back into use.

6.7 Tunbridge Wells Borough Council have allocated £100,000 for use as top-up loans.

6.8 Dover District Council allocated £300,000 in 2017-18 for top up loans specifically targeted at empty properties in wards which are adjacent to or close to the St. James Retail and Leisure development in the town centre. A further allocation of £300,000 was allocated in 2019-20.

- 6.9 **Interest bearing loans.** Interest free loans remain available to those that participate in the empty property initiative. However, since 2017 if a previous applicant returns to the NUE scheme with a further application for funding then this will be offered but interest applied. Larger projects which require additional loan support are also considered and if approved the loan is offered on interest bearing terms.
- 6.10 **Live Margate.** NUE was allocated £4.9m (£2.9m in 2018 and £2m in 2021) of the Growing Places Funds (GPF) awarded to KCC to deliver the Live Margate project. There is a target to create 66 homes by bringing long term empty properties back into use in the intervention area.
- 6.11 To date £4.5m has been awarded in short term secured loans to create 107 homes. A total of 9 homes were created prior to NUE intervention, which means 116 housing homes will be delivered by the project. A total of 86 homes are occupied. KCC are required to repay the Growing Places Fund by the contractual project completion date (March 2025).
- 6.12 **NUE Commercial.** In 2018-19 KCC were awarded £1m Growing Places Fund (GPF). The project aims to return long term empty commercial properties back into use for residential, alternative commercial or mixed-use purposes. It has a specific focus on town centres (particularly coastal areas of Kent).
- 6.13 The project builds on the NUE residential model providing short term secured loans. There was a requirement to return eight commercial units back into use and provide a total of 28 residential homes by March 2022.
- 6.14 NUE contracted with 12 projects (6 during 2018/19, 6 during 2019/20) allocating all GPF funds. Project locations: Deal (2) Dover (6) Folkestone (2) and Margate (2). The projects delivered 15 commercial units back into use and created 28 residential units. Following reconciliation of total project costs, the value of GPF loaned plus KCC NUE Loan plus Private Sector Leverage equals £4,528,86. KCC is required to repay the £1m from Growing Places Fund by the contractual project completion date (March 2023). The final payment of £200k will be repaid on time.
- 6.15 In January 2020 NUE featured in the guidance for 'Dealing with Empty Shops' produced by the Local Government Association (LGA) for councils faced with challenges around vacancy on their high streets and in their town centres. <https://www.local.gov.uk/dealing-empty-shops-guide>
- 6.16 **NUE Commercial Phase II.** In 2021-22 KCC was awarded a new allocation of £2m Growing Places Fund (GPF) to deliver a Phase II building on the success of the initial project allowing NUE to return more long term empty commercial properties back into use for residential, alternative commercial or mixed-use purposes.
- 6.17 There is a requirement to return 18 commercial units back into use and provide a total of 36 residential homes. KCC is required to repay the £2m from Growing Places Fund by the contractual project completion date (March 2027).

- 6.18 NUE has contracted with 16 projects to date. Project locations: Canterbury (3), Dover (3), Faversham, Folkestone (2), Herne Bay, Hythe, Margate, Ramsgate (2), Sheerness and Sittingbourne. On completion 20 empty commercial units will be returned to use and 51 new homes will be created exceeding the target.
- 6.19 A breakdown of funding by district and examples of projects under NUE Commercial is at Appendix 5
- 6.20 **Medway Council.** In September 2021 Medway Council joined the NUE initiative allocating an initial £200k for the provision of short term secured loans. Medway did not have a scheme such as NUE but do have 1,303 long term empty properties. The NUE Kent team provide a service to Medway to process their loan applications and the use of the KCC legal services provider. All loans are paid out by Medway Council, and they are responsible for any debt recovery. Medway Council pay KCC per application processed by the NUE team.
- 6.21 **NUE Empty Property Initiative.** In 2022, NUE secured £2.5m from the Growing Places Fund to convert additional derelict properties. To date £882,000 has been allocated which is funding 33 homes back into use.
- 6.22 The limited amount of Medway funding available has meant that only one loan to date has been approved and paid out. Medway wish to continue the relationship with NUE and are discussing the availability of more funding for 2023-24.
- 6.23 **Southend On Sea City Council (SOSCC).** In February 2022, the NUE Kent team agreed with SOSCC to support the NUE South Essex project which received funding from the South-East Local Enterprise Partnership Limited to return long-term empty commercial properties back into use for residential, alternative commercial or mixed-use purposes.
- 6.24 SOSCC received £1m from the Growing Places Fund and £1.2m from the Getting Building Fund to deliver the NUE South Essex project with locations spread across South Essex which takes in the local authority areas of Southend-on-Sea, Basildon, Brentwood, Castle Point, Rochford, and Thurrock which together form the Association of South Essex Local Authorities. Short term secured loans are offered and operate on the same terms as the Kent NUE Commercial project.
- 6.25 The NUE Kent team provide a service to SOSCC to process their loan applications and the use of the KCC legal services provider. All loans are paid out by SOSCC, and they are responsible for any debt recovery. SOSCC pay KCC per application processed by the NUE team.
- 6.26 The first two loans were processed and paid out December 2022. The Kent NUE team is currently working on three recommendations for loan approval which will mean that all the £1.2m from the Getting Building Fund will be allocated prior to March 2023.
- 6.27 SOSCC has been extremely complimentary about the advice and guidance provided by the NUE Kent team. The project officer at SOSCC has a pipeline of projects to be considered for 2023-24 which will use their GPF allocation.

7. Proposals for NUE Going forward.

- 7.1 KCC is an enabler. The recycling loan fund operated by NUE provides working capital to help owners/small developers refurbish/convert empty homes or redundant commercial buildings to provide good quality residential accommodation.
- 7.2 Bringing long term empty properties back into use is a key method of driving regeneration which not only provides new homes but also new sources of employment and a sense of community.
- 7.3 Wider regeneration initiatives continue to attract high profile investors and funding, this has led to an increase from small and medium sized property developers looking to refurbish empty buildings and turn them into homes, however, in many cases severe dilapidation and an inability to access funding on the open market for renovation costs results in buildings being left empty.
- 7.4 Demand for empty property loans has not diminished. It is not unusual to have at least 10 new enquiries each week. NUE have a steady pipeline of projects covering long term empty property loans, new build loans and commercial property loans.
- 7.5 Taking account of NUE's success, it is proposed that the NUE scheme continues as follows:
- 7.6 **NUE Empty Property Initiative**
- 7.7 NUE main loan scheme is included in the Capital Programme for 2023-24 with an expectation that NUE will commence repayment of the original sum provided to NUE from 2024-25 (-£4.7m) followed by a further repayment in 2025-26 (-£2.1m).
- 7.8 Previous discussions with finance colleagues have intimated that all NUE activity could be funded under the Treasury Investment Strategy which includes an allocation of up to £40m for NUE activity. Currently NUE have an allocation of £24m which is used to provide short term secured loans (recycled) for new builds.
- 7.9 Therefore, NUE is seeking Cabinet Committee support that from 2024-25, the traditional empty property initiative be continued under this funding stream, thus allowing the repayment of the funds attributed to the Capital Programme to commence. This would allow the empty property initiative to continue.
- 7.10 It is proposed that the Treasury Investment is increased by £5m in 2024-25 and £5m in 2025-26 raising the total investment in NUE from £24m to £34m, which gives some scope for negotiating further investment opportunities considering the new build loan scheme.
- 7.11 NUE has already demonstrated that further income from these loans can be generated with interest being applied to repeat customers or larger loans. The total interest generated is £887k as identified at 5.7 in this report. Therefore, this gives further opportunity to collect a return on investment for KCC.

7.12 NUE new builds.

7.13 There is a steady pipeline of projects and enquires as previously mentioned. The availability of this KCC loan fund is assisting our smaller local developers who still find it difficult to access mainstream funding. Bespoke lenders often require: a higher rate of interest; greater security; early exit penalty fees; more restrictive lending criteria and delays in being able to administer and process in timescales which are critical to taking projects forward. The NUE loan scheme bridges the gap for many developers between mainstream lenders and bespoke lenders.

7.14 NUE is not seeking to increase the allocation of £24m for loans for new builds in 2023-24. There is sufficient churn from the early loans awarded and now repaid to fund planned activity in 2023-24.

7.15 Having a degree of flexibility in accessing and potentially increasing the funding Treasury have made available to NUE for new builds in future years will ensure NUE is able to offer a fluid “open year-round” approach and is not solely reliant on projects to complete and be repaid before a new project can be funded and works commence.

7.16 Return on Investment.

7.17 There is an interest-bearing element to cover the cost of the NUE service and to compensate Treasury for the opportunity cost of lending NUE the funding as opposed to investment.

7.18 The difference between the actual interest charged on each individual loan and the amount required by Treasury is used to cover the operational costs of NUE management and administration over the lifetime of the initiative.

7.19 As of December 2022, the return on investment which has been paid to Treasury was £389.7k. A further return on investment of between £75-80k is expected to be paid to Treasury by 31st March 2023 based on expected drawdowns in the last quarter of the current financial year.

7.20 The following table shows the projected return on investment in future years based on loans approved to date (calculated at 2.5%). This does not consider new loans as they come on board which would continue to increase the return year on year as we continue to re-cycle the original loans.

Financial Year	Forecast Treasury ROI
FIN YR 23-24	£ 543,010
FIN YR 24-25	£ 491,147
FIN YR 25-26	£ 541,527
TOTAL	£ 1,575,684

7.21 **Top Up Loans.** The combination of NUE loans and ‘Top Ups’ are designed to help developers to bridge the gap between pre/post refurbishment values by providing a loan which takes account of costs of works, which banks and other lenders will not do. Without this joined up approach these properties would have remained empty. NUE will

continue to encourage the other districts to identify funds which could be used in the initiative.

- 7.22 **NUE Commercial Phase II.** NUE is confident that given the number of projects already in contract will exceed the required target to return 18 commercial units and the creation of 36 residential units by March 2025.
- 7.23 NUE is active in several town centres and there is merit in working with those districts that were successful in their bids for Future High Streets Funding to maximise impact.
- 7.24 **Live Margate.** The final projects approved will complete during 2023-24. NUE will continue to monitor the loan repayments due under this funding stream as there is a requirement to repay the Growing Places Fund by March 2025.
- 7.25 **Medway Council.** To continue to provide administrative support subject to their availability of funding. NUE is paid on a per application basis.
- 7.26 **Southend on Sea City Council.** To continue to provide administrative support for at least next 18 months. NUE is paid on a per application basis.

8. Equality and Diversity

- 8.1 An Equalities Impact Assessment (EQIA) was undertaken in May 2017. NUE completed the Annual Return 2021-22 for EQIA on 15 August 2022. A review was carried out in January 2023 and approved on 30th January 2023.

9. Information Governance

- 9.1 To comply with the General Data Protection Regulation (GDPR), a privacy notice for NUE is published on the KCC website (<https://www.kent.gov.uk/about-the-council/information-and-data/access-to-information/gdpr-privacy-notice/economic-development/no-use-empty-scheme>).
- 9.2 The performance of the NUE initiative is monitored and reviewed by the Growth and Communities Division.
- 9.3 The initiative was specifically audited in 2012-13 with and was included in the wider the Divisional Governance Audit Review for Economic Development 2017-18 with no specific recommendations for change identified. As part of the KCC annual audit, the external auditors have requested information from NUE regarding loans and repayments (most recently February 2023). No actions to date.
- 9.4 There is a robust application process in place. This includes:
- Confirmation with local authority regarding planning requirements and to be in place before any loans are awarded.
 - Projects must adhere to the decent homes standard and have correct certifications in place to comply with any building regulation requirements.
 - Proof of ownership
 - Identity of owners
 - Insolvency and bankruptcy checks

- Quotes for works.
- Proof of additional funds
- Independent RICS valuation(s)
- Security for loan

9.5 The project is monitored by KCC and district officers (frequency is dependent on size of project/loan).

9.6 It is recognised that there may be need to instruct Legal Service to recover a loan. Should this arise a summary with actions and key dates is presented to Head of Service by the Strategic Programme Manager to seek approval from the Director of Growth and Communities to progress should recovery be required.

9.7 This report also offers an opportunity to seek the agreement of the Section 151 Officer or the Cabinet Member for Finance as appropriate for approval to spend and to seek agreement to renew the approvals given in 2019: for Cabinet to agree that authority be delegated to the Director of Growth and Communities for the NUE initiative to take appropriate actions, including but not limited to, KCC entering into legal agreements (loan agreements, legal charges, personal guarantees, equity loans, joint ventures, deed of priority, deed of postponement), consider and approve requests which may require KCC consent and discharge of legal charges, recovery of loans through legal action, as necessary to implement this decision.

10. Policy

10.1 Framing Kent's Future is the Council's strategic plan for 2022 to 2026, setting out the priorities over the next and how to tackle the challenges and make the most of the opportunities that the county is facing.

10.2 NUE works with a range of partners including the Kent Districts and Medway taking a co-ordinated approach when it comes to tackling empty properties making a valid contribution to two of the four priorities, namely:

- Priority 1: Levelling up Kent.
- Priority 2: Infrastructure for communities

https://www.kent.gov.uk/_data/assets/pdf_file/0018/136431/Framing-Kents-Future-strategy-document.pdf

10.3 NUE also supports the South-East Local Enterprise Partnership strategy – Working Together for a faster, smarter, and more sustainable economic recovery (March 2021)
<https://www.southeastlep.com/our-strategy/economic-recovery-and-renewal-strategy/>

10.4 NUE also supports the Kent and Medway Housing Strategy 2020-25 'A Place People want to call home' also confirms its continued support for the No Use Empty campaign, bring further empty home back into use across the County.
<https://www.kenthousinggroup.org.uk/assets/uploads/large/FINAL-Kent-Medway-Housing-Strategy-2020-2025-29.7.2020.pdf>

11. Conclusion

- 11.1 NUE has a proven record and has been recognised nationally for its contribution in bringing long term empty properties back into use. It has won awards, featured in local and national press, numerous BBC, and Channel 4 programmes, and recognised by a number of organisations including the Scottish Government, Welsh Government, and the Empty Homes Agency.
- 11.2 Continued support for NUE will allow the initiative to:
- Support economic growth including through new commercial activity: attracting new business rates, creating, and safeguarding jobs.
 - Increase the number of new homes available because of mixed-use developments: generating new council tax receipts.
 - Support wider regeneration, assisting in the vitality and viability of existing commercial areas, improving the quality of the local environment, complementing wider regeneration activities, and supporting community safety and cohesion
- 11.3 Investing the Council's cash balances was deemed a more appropriate funding route for these short-term loans (two-to-three years) than borrowing from external lenders over longer periods of time (20-25 years). In this way the Council is diversifying its investments, receiving a return on its funds, and saving on borrowing costs.
- 11.4 The introduction of an interest-bearing loan (still competitive) was firstly to help cover the costs of administering the scheme but more importantly to ensure the Council still earned a return on its funds. NUE is still able to deliver its impressive benefits of Council Tax and Business rate receipts, supporting the economy and small developers, assisting District Councils deliver their Local Plan targets as well as covering the costs of the service.

12. Recommendation(s):

- 12.1 The Cabinet Committee is asked to comment on and consider and endorse or make recommendations to the Cabinet Member Economic Development to support:
- a) the continuation of the NUE initiative to at least 2027-28 with a further update to be provided at that time;
- b) how NUE is funded and seek the agreement of the Section 151 Officer or the Cabinet Member for Finance as appropriate for approval to spend; and
- c) for authority to be delegated to the Director of Growth and Communities to take appropriate actions including, but not limited to, KCC entering into legal agreements (loan agreements, legal charges, personal guarantees, equity loans, joint ventures, deed of priority, deed of postponement), consider and approve requests which may require KCC consent and discharge of legal charges, recovery of loans through legal action, as necessary to implement this decision.

The Proposed Record of Decision is at Appendix A.

13. Appendices and background document:

Appendix A - Proposed Record of Decision

[Appendix 1 NUE - Statistics by District.pdf \(kent.gov.uk\)](#)

[Appendix 2 NUE - Investment and Council Tax.pdf \(kent.gov.uk\)](#)

[Appendix 3 NUE - NUE Newsletter.pdf \(kent.gov.uk\)](#)

[Appendix 4 NUE - New Build Examples.pdf \(kent.gov.uk\)](#)

[Appendix 5 NUE - NUE Commercial Phase I and II.pdf \(kent.gov.uk\)](#)

Equality Impact Assessment: No Use Empty - Kent Empty Property Initiative

Background document: Record of key decision: July 2019:

<https://democracy.kent.gov.uk/ieDecisionDetails.aspx?ID=2270>

14. Contact details.

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