South East Local Enterprise Partnership: Growing Places Fund

Introduction and background – Growing Places Fund Round 3

The Growing Places Fund (GPF) was established by the Ministry for Housing, Communities and Local Government (MHCLG) (formerly the Department for Communities and Local Government - DCLG) and the Department for Transport (DfT) in 2011 to unlock economic growth, create jobs, build houses and help 'kick start' development at stalled sites. GPF operates as a recyclable loans scheme. In the case of the South East Local Enterprise Partnership (SELEP) a total of £49.2m GPF was made available, of which £54.5m GPF has already been allocated through Rounds 1 and 2. Repayments are now being made on these original loan investments, creating the opportunity for reinvestment of GPF through Round 3. Through GPF Round 3, SELEP seeks to invest up to £20.724m (amount of GPF available over the next two years to 2021/22), in projects which require capital loan investment.

The process for the allocation and award of GPF includes three stages:

- *Stage 1 – Expression of Interest and Federated Area sifting and prioritisation of projects by Strategic Fit*
- *Stage 2 – Project prioritisation by SELEP Investment Panel*
- *Stage 3 – SELEP Accountability Board funding decision*

In Stage 2, schemes prioritised by the Federated Areas (during Stage 1 of the process) will be required to develop and submit a Strategic Outline Business Case which provides the strategic, economic, financial and deliverability evidence in support of the proposal. Applicants are invited to complete all sections of this document which will inform the prioritisation process undertaken by the SELEP Investment Panel.

Loan agreements

SELEP will allocate the GPF through loan agreements with the lead County Council/Unitary Authorities, who will then enter into agreements with scheme promoters.

Primary Loan Agreements will be entered into between Essex County Council (as Accountable Body for SELEP), the 'Lender' and the relevant Upper Tier authority, the 'Borrower' (County or Unitary Authorities).

The Primary Loan Agreement will include:

• A capped facility for capital expenditure	• A definition of the works (infrastructure)
• Drawdown conditions based on certification of works	• A loan term
• Drawdown profile	• Repayment profile
• Interest rate – Interest will be charged at a fixed rate of 2% below the Public Works Loan Board rate or zero (whichever is higher) at the point of the loan agreement being entered in	• Missed repayment fine – A late repayment fine will be incurred if the project fails to make loan repayments as per the schedule agreed within the Loan Agreement. The fine will be equivalent to the charging of interest at market rate from the point of default on the loan repayment
• Clawback conditions	• Monitoring requirements

Where appropriate Primary Loan Agreements will be conditional upon a subsidiary agreement being entered into between the Borrower and a third party.

<u>The Primary Loan Agreement will provide a contractual obligation for the Borrower to repay the loan according to the repayment profile</u>.

Growing Places Fund Business Case Template

*Please enter your answers in the white space beneath the question (and/or complete the table). All questions **must** be answered.*

1. Scheme Summary

Scheme Promoter: **Kent County Council**

Project Name: **No Use Empty (NUE) Empty Homes Initiative**

Federated Board: **Kent and Medway Economic Partnership**
[Kent and Medway Economic Partnership, Opportunity South Essex, Success Essex, Team East Sussex]

Lead County Council/Unitary Authority: **Kent County Council**
[East Sussex County Council, Essex County Council, Kent County Council, Medway Council, Southend on Sea Borough Council, Thurrock Council]

Development Location: **Kent**
[Specify location, including postal address and postcode]

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Project Description: NUE Residential

KCC is seeking £2.5m GPF funds to scale up the No Use Empty (NUE) initiative to return an extra 100 long term empty properties back into use to provide much needed homes. NUE wish to extend the offer of a short term secured loan to owners of empty properties in Medway, giving blanket coverage across Kent.

KCC's award winning NUE initiative is the longest running empty homes initiative in the UK. Operating since 2005, it was expanded across all 12 districts in Kent (2009) returning an average of 400 empty homes back into use per year through a variety of interventions including providing short term secured loans which currently total £43.2m. Please see **Appendix A**.

The primary objective of the NUE initiative is to improve the physical urban environment in Kent, by bringing empty properties back into use as quality housing accommodation and to raise awareness of the issues surrounding empty properties, highlighting the problems they cause to local communities. This approach is intended to provide pan-Kent benefits, with property owners from across the 12 Kent districts able to apply for a loan. NUE are also willing to work with Medway Council to extend the scheme to cover the Medway towns as well.

An investment of £2.5m form GPF will:

- Extend the NUE initiative to include the unitary authority of Medway giving blanket coverage across Kent fulling an ambition to offer a loan product in the unitary.
- Scale up the approach in order to return 100 additional empty properties back into use.

Lack of traditional finance remains a barrier when it comes to bringing empty homes back into use. NUE will support SMEs, encouraging monies spent on local goods and services, create and safeguard jobs, create new residential accommodation, generate new Council Tax receipts (larger buildings to multiple units) and has contributed to the regeneration of town centres via the NUE Commercial project (GPF Round 2) which continues to operate (GPF Round 3).

The £2.5m will be used to provide short term secured recyclable loans (units of £25k), either as a 1st or 2nd charge, using the established application, approval and monitoring processes used by the NUE team.

Latest Council Tax records show a total of 7,476 long term vacant dwellings in Kent and Medway (6,032 in Kent and 1,444 in Medway). The number of long-term vacant dwellings has increased: Kent (12 districts) by 662 and Medway by 46. Please see **Appendix B**.

In Medway the number of empty homes represents 0.87% of the housing stock, which is slightly higher than the Kent average of 0.71%.

The aim of expanding the initiative into Medway was to minimise operational costs (established NUE team and systems in place) and maximum impact by sharing best practice. The Medway officer for derelict and empty properties already participates in NUE quarterly forums with Kent districts which also provides training opportunities delivered by or organised by NUE.

NUE have a Service Level Agreement in place with Medway to provide administrative support. Medway have identified £200k funding which will fund up to 7 projects which are likely to be in contract before March 2022. KCC's NUE is an established programme with confirmed on-going financial commitment. It has not been possible to secure any further financial commitment from Medway at this stage. NUE wish to "keep the door open" and in the meantime be able to use GPF funds (subject to approval) to provide short term secured loans to owners of long term empty residential properties in Medway if directly approached as well as across Kent.

Project Development Stages:

There is no requirement for GPF funding in relation to the development of the project.

Please refer to **Appendix C** for an overview of the NUE delivery team, setting out named team members, their roles and responsibilities.

The Strategic Programme Manager will ensure all systems and processes established remain compliant with the GPF loan agreement between SELEP and KCC.

A simplified flowchart outlining the process for considering an individual project from the point of project identification to the repayment of a secured loan is set out in **Appendix D**.

Project development stages			GPF funding required (yes or no)
Stage	Partners	Status	
1. SOBC submission to SELEP. KCC to be informed of outcome via Accountability Board meetings.	SELEP/KCC/ MEDWAY (invited)	**Re-submitted Oct 2021**	NO
2. Promote investment for NUE Residential as soon as decision is known (Stage 1).	KCC and districts/ MEDWAY (invited)/SELEP	Jan/Feb 2022- ongoing	NO
3. Encourage more projects– follow up work after the launch to maximise potential to draw on GPF funds.	KCC and districts/ MEDWAY (invited)	To be completed	NO

GPF Required: **£2.5 million**

2. Strategic Fit

Policy and Strategic Context:

NUE has a proven track record primarily returning long term empty residential properties back into use. In addition to this and with funds secured from GPF Round 2, NUE operated the NUE Commercial loan product which delivered 15 empty commercial units back into use and created 28 new residential homes. NUE secured funds from GPF Round 3 to continue this successful initiative. All of this is possible by working in partnership with all 12 Kent districts. NUE provides a direct, rapid and targeted intervention in the local property market returning empty properties back into use for residential use, particularly supporting communities in urban and coastal areas that have become stuck.

NUE Empty Homes Initiative will contribute to the delivery of partners' objectives at SELEP, county and local level. Specifically:

2. Developing tomorrow's workforce: Projects under NUE have created/or safeguarded jobs in a challenging labour market. There is potential to create opportunities for those who have an interest in the building trade by way of apprenticeships and work placements.

4. Creating Place: Whilst there is a need for new builds, NUE is focused on existing communities and tackling those empty redundant properties which are having a detrimental impact. Our residential scheme is returning a minimum of 400 empty properties back into use per year.

5. Working Together: KCC launched NUE in 2005 and operates across 12 Kent districts. This project can operate across the whole of Kent including Medway. The NUE model is something that can be replicated and creates further potential opportunities to roll-out beyond Kent. Southend on Sea Borough Council have also spoken to KCC about the opportunity to administer the same initiative across South Essex (OSE).

KMEP and Kent County Council

'Setting the Course' is KCC's Interim Strategic Plan for 2021 and the first half of 2022.
Approved by County Council on 10 December 2021, it explains the immediate challenges faced and the actions KCC will prioritise to lead Kent through 2021 and into 2022. In many cases the priorities set out in our Interim Strategic Plan lay the foundations for positive change in the future. During 2021 KCC will be developing a new 5 Year Plan to set our longer-term ambitions for the county and will listen to and consult with residents, communities, and businesses. NUE is identified under the section 'Bring forward infrastructure projects to stimulate economic growth' on page 15 :
https://www.kent.gov.uk/about-the-council/strategies-and-policies/corporate-policies/interim-strategic-plan

KCC has a statutory and strategic infrastructure duty which supports Local Planning Authorities. It is vital that we work collaboratively and constructively with our district and borough council partners to help secure the right infrastructure for a growing county that takes account of the needs of local communities. Kent and Medway were the first multi-tier area nationally to agree a joint Growth and Infrastructure Framework and a Housing Strategy, which has supported us in taking a more strategic view of Kent's planning and infrastructure needs and underpinned a single, collaborative dialogue with Government.

Kent and Medway 'Growth and Infrastructure Framework – updated. A 2050 picture of Kent and Medway:
https://www.kent.gov.uk_data/assets/pdf_file/009/79920/GIF-2050-Picture.pdf

KCC Economic Development plays a corporate role in supporting all directorates and divisions to achieve its strategic outcomes, but specifically aims to contribute to 'Kent Communities feel the benefits of economic growth by being in work, healthy and enjoying a good quality of life'.

Need for Intervention:

Empty Homes is a national problem. Latest Government data shows that over 216,000 homes in England have been empty for over six months. In all, over 600,000 homes are currently vacant. The NUE initiative has been operational since 2005 working in partnership with all 12 Kent districts (Since 2009) to reduce the number of long-term empty properties.

Initially there was a lack of a corporate approach to the problem of empty properties in Kent, which resulted in Councils dealing with the issue in a piecemeal fashion. There was also a lack of understanding of the overall picture and the methods available to deal with empty properties. Creating a change in culture has facilitated a more positive approach to the problem with the initiative helping to reduce the number of long-term empty properties by 35% in Kent since the scheme started.

Leaving homes empty is a wasted resource. England needs over 300,000 additional homes each year and whilst individual Local Plans for new builds will help address this over the long term, it makes environmental sense to bring empty homes back into use to help neighbourhoods. Creating homes from empty properties saves substantial amounts of material compared to building new homes, minimises the amount of land used for development and avoids wasting embedded carbon; helping to combat climate change.

Lack of traditional finance is a barrier to bringing empty properties back into use. KCC made available funding of £6m to be used as a recyclable loan fund to provide short term secured loans to owners of long-term empty properties. To date NUE has provided loans to the value of £43.2m, leveraging £36.9m private sector to help bring back into use 1,221 residential units. Please see **Appendix A** for a countywide summary.

The Coalition Government's national Empty Homes Programme was closed in 2015. The programme was generally viewed as a successful one, with significant impacts achieved through its Clusters Programme and funding targeted to community and voluntary groups. It is likely the closure of this programme has also impacted on the increase of the number of empty homes nationally.

NUE have contributed to research undertaken by the national charity campaigning for Action on Empty Homes:
https://www.actiononemptyhomes.org/Handlers/Download.ashx?IDMF=68fa9a2d-83f5-4ca4-936b-a8d8248484c0

An investment of £2.5m GPF will return an extra 100 units back into use (based on providing a loan of £25,000 per unit).

Evidence:

Latest Government statistics are recorded under table 615 vacant dwellings:
https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants

There are a total of 6,738 long term vacant dwellings in Kent and Medway (5,340 in Kent and 1,398 in the Medway). The number of long-term vacant dwellings has increased: Kent (12 districts) by 312 and Medway by 284. Please see **Appendix B**.

Impact of Non-Intervention (Do nothing):

Should GPF funding not be forthcoming the NUE Empty Homes initiative will still operate but only in the 12 Kent districts.

The NUE initiative will continue to bring long term empty properties back into use but only in the 12 districts of Kent. Medway is a separate unitary and does not have an operational NUE initiative.

Demand for loan intervention in Kent remains high. Funding for 2020/21 was exhausted by December 2020 and funding for 2021/22 will be exhausted by November 2021. We have a growing pipeline of projects which could be accelerated with an injection of additional funding.

KCC is no longer dependent on Government grants, with much of its funding now coming from Council Tax and Business Rates. We wish to build on the success of NUE which has also tackled larger redundant buildings which have been granted planning permission to create multiple units which do generate new council tax receipts.

Doing nothing will also mean that leaving a property derelict will have a negative impact leading to anti-social behaviour impacting on local services and further work for local authorities in terms of additional enforcement and legal proceedings.

Small local developers who look to NUE for financial support because they cannot access traditional finance and therefore cannot establish a track record will be disadvantaged. We have an increasing number of local developers who are seeking derelict properties to develop and play their part in the wider regeneration of Kent.

To create an alternative scheme which would have such a positive impact would be difficult and any loss of momentum would undo all of the positive work to date.

Funding Options:

Other Public Sector Investment:
The existing NUE scheme is primarily reliant on Prudential Borrowing (£6m) and £1.7m KCC capital funds for the purpose of bringing long term empty properties back into use for residential purposes. KCC has confirmed there are no additional borrowing opportunities going forward for NUE to access. The match which is identified for this project is confirmed and within the capital funds currently available.

NUE previously accessed Homes and Communities Agency (HCA) funds in 2012-15 to deliver Affordable Homes from empty properties. However, this programme was closed in 2015.

NUE has contributed to the research undertaken by Action on Empty Homes who are calling on the government to invest in tackling empty homes. The campaign is calling for three things:

- Government investment to tackle the growth in empty homes.
- Local Authority commitment to developing strategies for community-led solutions for empty homes.
- Community-led action to refurbish empty homes in local communities.

Private sector investment: There is little in the way of significant private investment available to support the properties and locations that NUE targets; the initiative itself is a direct response to a failure of private investment. Traditional lenders remain averse to lending on dilapidated buildings which are in marginal locations and seen as high risk and requiring a disproportionate amount of security; as evidenced in **Appendix E**.

This is where NUE has become the lender of last resort and has been successful in assisting those projects deemed to be high risk. As part of the individual loan application process, borrowers are required to demonstrate that they are unable to secure viable private investment, The process through which individual projects are assessed is set out in **Appendix D** and an example of a 'high risk' project and how it was managed is set out in **Appendix F**.

3. Infrastructure requirements

NUE Empty Homes Initiative is not seeking new infrastructure as such.

All empty properties are subject to confirmation as to whether planning is required or not and this must be in place (if applicable) before any loans are awarded.

Checks are also made in relation to any conservation requirements with local authority. On the whole utilities are already on site and this de-risks the need for lengthy engagement with companies to agree service connections to site.

Projects must adhere to the decent homes standard and all projects must have correct certifications in place to comply with any building regulations. The Decent Homes Standard is set out in **Appendix G**.

Whilst specific individual projects have not been identified, it is envisaged that further empty homes in the coastal areas of Kent will be targeted with GPF investment. We will continue to assess all new project applications through the processes set out in **Appendix D**.

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4. Cost and funding

Funding breakdown:

The total project cost is yet to be identified as this will be a programme of individual empty properties being brought back into use, each individual loan will contribute to an overall package of costs.

Revenue funding for NUE is provided by KCC: £45k per annum for operational costs (Legal Services, Website, Training and Conferences), whilst staffing costs for the NUE team are core funded.

The NUE team have systems in place to cater for a continuation of the NUE Commercial project which will cover all aspects including monitoring and evaluation requirements.

The following table shows the anticipated total capital project costs (including private sector leverage). This is consistent with experience within the NUE initiative.

Funding source	Funding security	Funding profile						
		22/23 £000	23/24 £000	24/25 £000	25/26 £000	26/27 £000	27/28 £000	Total
Capital Funding sources								
SELEP – GPF	Identified but not secured	£1.25m	£1.25m					**£2.5m**
KCC (Promoter)	Committed	£1.25m	£1.25m					**£2.5m**
Private Sector	To be confirmed as projects are approved	£1.25m	£1.25m					**£2.5m**
Total funding requirement		**£3.75m**	**£3.75m**					**£7.5m**
Revenue Funding – The staffing costs are provided by KCC (promoter) and are core funded. The following confirms the operational budget for NUE.								
KCC (Promoter)	Committed	£30k	£30k	30k				**£90k**

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GPF flexibility

NUE is an established brand with a proven track record. We have submitted a considered request for funding and would not wish to reduce the level of GPF requested as this would reduce the number of empty properties brought back into use.

However, the NUE model can be scaled up or down accordingly and should there be demand to commence projects earlier then we would like the flexibility to access future funding to accelerate the delivery of those projects.

Conversely, should the take up be less than expected because projects are not forthcoming then the KCC Strategic Programme Manager would report this through the appropriate monitoring protocols of the GPF at the earliest opportunity, essentially returning funds to be re-allocated to support other projects.

The loan product is already established with no requirement for any further development meaning that subject to approval, GPF funding to support the NUE initiative can be promoted immediately. We can engage with those who are on our waiting list and those who have expressed interest in the loan product immediately.

Cost breakdown:

The individual projects have yet to be identified. However, to demonstrate a typical drawdown, the following is based on a previous loan awarded by NUE.

Total Project Cost: £600k (Loan Approved £175k condition: staged payments so that the loan to value ratio did not exceed 80% during refurbishment)

	Example Expenditure profile						
Cost type	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Total
Owners Funds (Private)	£150k	£100k	£100k	£50k	£25k	£0k	£425k
Loan Funds (KCC)	£0k	£50k	£50k	£50k	£25k	£0k	£175k
Total cost	£150k	£150k	£150k	£50k	£50k	£0k	£600k

Total Value £770k (completion of project 7 units) – provided by RICS Chartered Surveyor.
Overall loan to value ratio = 23% (on completion).
Loan Secured as a 1st Charge.

5. Deliverability

Planning, Approvals and Specialist Studies:

The empty properties are yet to be identified. However, all projects will be subject to confirmation with local authority as to whether planning is required or not and planning must be in place (if applicable) before any loans are awarded.

Checks are also made in relation to any conservation requirements. Projects must adhere to the decent homes standard and have correct certifications in place to comply with any building regulation requirements.

No project will be progressed unless there is support from the respective district authority. All projects will be subject to routine monitoring visits (frequency is based on size of project and loan).

Additional checks are carried out by the NUE team as part of the overall assessment process for proof of ownership, identity of owners, bankruptcy and insolvency checks. This information is evidenced and summarised by the KCC Programme Manager for the approval of the Head of Service.

An example project approval sheet is contained in **Annex H**.

Procurement:

The project will not be directly procuring services, as all GPF payments will be in the form of a loan to the owner of the empty property. However, all applications will be required to submit two quotes for the works to be undertaken or one quote, supported by an independent RICS (Royal Institute of Chartered Surveyors) valuation report.

Based on the experience of the established NUE residential scheme, local tradespeople and SME's are engaged in bringing the empty properties back into use.

The following link is if a short film: evidencing NUE supporting SME's and local supply chains:
https://www.no-use-empty.org.uk/wp-content/uploads/2019/04/No-Use-Empty-in-Kent-10-Years.mp4?_=1

Property Ownership and Legal Requirements*:*

This is a programme of projects, so individual project locations will be spread across Kent.

Property ownership will be confirmed by obtaining official copies of the Land Registry and Title Plan. These will be cross referenced to the application documents for a loan to ensure that information is correct and matches that which is held at Land Registry/or Companies House if applicable and that those applying for the loan have the authority to do so.

A separate Legal Charge document will be required for security of all loans offered.

Equality:

An Equality Impact Assessment (EqIA) has been completed for No Use Empty (NUE). This has been confirmed by the Diversity and Equalities team at Kent County Council as compliant and first published on KCC's website in June 2017.

The document is being reviewed in accordance with agreed timescales. A copy of the one published can be found at **Appendix I**.

Main outcomes:

Potential Impact: The longer term aims of NUE project positively impacts on the growth of SMEs and individuals in Kent by enabling them to secure a loan to renovate an empty property to bring back into use to provide commercial/or mixed use (residential) units, creating jobs and improving the environment for Kent residents.

Adverse Impact and how can these be mitigated: It is not envisaged that here will be any adverse long-term effects on any protracted characteristics as a result of NUE. Some equalities data will be collected (where applicants choose to answer monitoring data) and reviewed throughout the life of the project in order to monitor the involvement of our clients.

Positive Impact: The project will have a neutral impact upon equalities issues for the reasons outlined above.

More generally the project will have a positive impact on spatial and income equality, given its focus on supporting the revitalisation of property in disadvantaged communities.

Project milestones:

Project milestone	Description	Indicative date
GPF Stage 3	**Accountability Board for final funding decision**	**19 Nov 2021**
Agree Legal Document for loan	**ECC, KCC and SELEP ltd sign loan documents**	**01 Dec 2021**
GPF Drawdown 2021/22	**Request £2.5m from Essex CC to ensure funds are available to provide the loans awarded**	**Jan 2022 (or before if Legal Agreement in place)**
Publicise GPF funding for NUE	Publicity: Press release SELEP/KCC NUE website	Jan/Feb 2022
Projects apply for funding 22/23	Meet property owners, discuss and review applications	Feb/Mar 2022
Approve Loans (Yr. 1)	NUE commence risk assessment procedures, process loans working with Legal to produce Loan Agreements and Legal Charge documents. Agree site monitoring visits in line with staged loan payments	August 2022 ongoing
Review Year 1	Report on projects in contract vs delivery of targets	March 2023
Approve Loans (Yr. 2)	NUE commence risk assessment procedures, process loans working with Legal to produce Loan Agreements and Legal Charge documents. Agree site monitoring visits in line with staged loan payments	April 2023 on going
Review Year 2	Report on projects in contract vs delivery of targets	March 2024
Recovery of Loans in line with contractual agreements.	Ensure owners have funds in place to repay their loans to mitigate risk.	January 2026/27/28
GPF Repayment	Repayment of £1m to Essex CC	March 2026
GPF Repayment	Repayment of £1m to Essex CC	March 2027
GPF Repayment	Repayment of £0.5m to Essex CC	March 2028
Project Completion	KCC Strategic Programme Manager to produce final report and confirming repayment completed	March 2028

6. Expected benefits

Overall Project Impacts:

	Outcomes	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 onwards	Total
Direct outcomes (gross terms)	Jobs created		20	20	10			50
	Empty Homes Back Into Use (GPF)		40	40	20			100
Direct outcomes (net terms, after considering additionality)								
Indirect outcomes (gross terms)	Jobs created		16	16	8			40
	People Housed		80	80	40			200
Indirect outcomes (net terms, after considering additionality)								

Calculation of Project Impacts:

Jobs safeguarded or created: Based on the National Housing Strategy which assumes that 2 jobs are created for each new house completed.
https://www.london.gov.uk/moderngov/documents/s38594/Measuring%20Jobs_Appendix%203.pdf

To calculate the jobs for the NUE project, we have used the sum of £100,000 for a new build. GPF of £2.5m will return 100 units (based on loans of £25k per unit), which is the equivalent of 25 new builds (£2.5m/£100k = 25). Therefore, the number of jobs created is calculated at 50 (25 new builds x 2 jobs) over the lifetime of the project. We have calculated that for every construction job directly created, 0.81 jobs are created indirectly (50 x 0.81 = 40).

People housed: assumes that each unit would provide a home for a minimum of two adults.

Please refer to **Appendix J** Monitoring and Evaluation Plan

Other impacts:
Skills and training
In terms of skills and training places, for NUE this is difficult to quantify as NUE does not procure any of the trades. However, by the very nature of the initiative, those who are contracted by the property owners are working with local trades/businesses and it is those who are likely to provide opportunities such as apprenticeships.

Please refer to the NUE website, for an example of a previous project which is known to have employed apprentices for the refurbishment of a grade II listed building in Deal, Kent.
https://www.no-use-empty.org.uk/latest-property-restored/

Environmental impacts
All projects must comply with the Decent Homes Standard as referenced in Appendix 6.
NUE has encouraged projects of a 'green' nature to come forward and have examples of projects in our newsletter, including: bio-mass boilers, solar panels and ground source heat pumps. More information on these projects can be found on Page 12 of our newsletter:
https://www.no-use-empty.org.uk/newsletter-edition-no-8-10-years/

Social impacts
NUE have supported a project for a specific client group. A derelict empty property in Maidstone was converted into nine self-contained apartments. The care provider Accommodation YES offers short and long-term placements providing inspirational and positive support towards independent living to adults with mild learning difficulties. The property is close to the town centre and within a mixed commercial/residential environment giving those who live there more independence but also a more socially inclusive lifestyle.

NUE will make a positive impact on the community, improving the neighbourhood and the environment, which will increase both resident and business confidence and generate economic growth.

The Role of GPF in Benefit Realisation:

GPF will be essential in enabling the benefits to be realised, as without the GPF loan, the additional 100 empty properties proposed to be brought back into use will not be possible.

Value for Money (VfM) assessment:

Acknowledging a preference to express benefits where possible in terms of changes in land value, NUE have recorded a 2.5* increase in property values based on previous projects supported in the residential loan scheme.

This has been factored into the cost of capital calculation which is set out in **Appendix K** in accordance with the guidance provided and takes into account a risk-adjusted discount rate of 5% as being more appropriate than the standard rate of 3.5% recommended by The Green Book.

The Cost of Capital (SELEP) is calculated to be £575,000

The Benefit Cost Ratio (BCR) demonstrates of 2.9

In addition to this there are other benefits associated with the project in terms of being able to generate new Council Tax receipts and the collection of Business Rates.

7. Contribution to the Establishment of a Revolving Fund

GPF Repayment Mechanism:

NUE has a proven track record and has operated a recycling loan fund for 15 years. It has successfully recovered £26.6m of loans.

NUE will offer secured loans using GPF funds which will be repayable on an agreed date (maximum loan term will be 3 years) written into the Loan Facility Agreement between Kent County Council and the property owner.

Loans awarded from 2022 would commence repayment in 2025/26, loans awarded in 2023/24 would commence repayment in 2026/27 and so forth. Demand for NUE loans is high. The ability to access the £2.5m allocation requested in one drawdown would ensure that the funding is maximised bringing forward projects earlier by not having to wait for a further drawdown request, which will also mean reduced administration.

GPF Repayment Schedule:

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	Total £
GPF Repayment (Capital)				(£1m)	(£1m)	(0.5m)	(£2.5m)

GPF Repayment Risk:

A reminder letter will be issued 3 months before the loan is due ensuring that the borrower has adequate time to have the funds in place to repay on the agreed due date as per the Legally binding contract. The legal charge document does give Kent County Council the right to take control and sell the property if there is no repayment. We have not had to follow this course of action under the NUE initiative.

However, our experience is when properties have been refurbished and brought back into use it is at this stage that the owners look to re-finance to raise additional capital. This would trigger an early repayment of our loan.

Whilst loans offered from 2022 may not be repaid until during 2025/26 it would be our desire to encourage sufficient projects to maximise the GPF available during the first year and to be able to repay the GPF fund earlier if possible. In terms of bad debt, based on the existing NUE initiative, our default rate is below 0.5%.

Financial Viability:

Each individual project supported with GPF funds will be subjected to the same procedures and systems which have been operated by the NUE team for several years. No projects are approved if their application fails the risk assessment process The work the NUE team undertakes is to ensure that projects are fully funded and are viable.

*Please see **Appendix D** – Flowchart processes from project identification to repayment of secured loan.*

Cash flow:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Incoming							
Growing Places Fund drawdown	£2.5m						£2.5m
Outgoing							
Growing Places Fund repayment				(£1m)	(£1m)	(0.5m)	(£2.5m)
Net income							
Cumulative total	£2.5m			(£1m)	(£1m)	**(0.5m)**	**£0m**

8. Risks

Risk Register:

A risk register can be found at **Appendix L** which identifies the overall risks and GPF related project risks, likelihood, impacts and mitigations. This is based on the 15-year experience of the NUE recycled loan fund.

9. State aid

State Aid:

The aid component is not the loan itself (which must be repaid) but the advantage conferred on the borrower through not having to pay interest or having a preferential rate of interest on the loan.

Consequently, the amount of aid for each transaction, namely the present value of the interest that would be charged by a commercial lender over that part of the loan period which is interest free or lesser amount where the loan, is at a preferential interest rate. Provided that figure plus the amount of state aid received by the borrower in the three years before the aid is given, does not exceed 200,000 Euros / £ 170,400 from all sources of public sector aid, then the de Minimis rules can apply.

10. Monitoring and evaluation

The monitoring and evaluation costs associated with the NUE initiative are confirmed as available and are core funded by KCC revenue budget.

Project Level Monitoring: All projects which have been awarded a loan with GPF funding will be subject to the same systems and procedure established for the main NUE initiative and overseen by the KCC Strategic Programme Manager, which will include site visits, monitoring of expenditure and review of project timescales.

Appendix D shows a flow chart of processes from project identification to repayment of the secured loan.

The KCC Strategic Programme Manager will (subject to approval) refer to the over-arching contractual agreement to ensure compliance with the main GPF fund.

Strategic Monitoring: The KCC Strategic Programme Manager is required to complete a quarterly report with commentary for review by Growth & Communities Management Team, which then forms part of a wider KCC report which goes to CMT (Corporate Management Team), and ultimately full KCC Cabinet. NUE is also monitored for performance by the Growth, Economic Development & Communities Cabinet Committee.

The KCC Strategic Programme Manager reports to the local district partners via its own quarterly Empty Property Officer Forums. Minutes of the meetings are recorded.

Longer term evaluation: A 'lessons learnt' report **Appendix M** has been prepared for the main NUE project. A report on the performance of the NUE projects supported by GPF will be prepared during the final year of the project.

11. Declaration (To be completed by applicant)

Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?	No
Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors?	No
Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?	No

I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer, and other public sector bodies who may be involved in considering the Business Case.

I understand that a copy of the main Business Case document will be made available on the South East Local Enterprise Partnership website one month in advance of the funding decision by SELEP Accountability Board. The supporting appendices to the Business Case will not be uploaded onto the website. Redactions to the main Business Case document will only be acceptable where they fall within a category for exemption, as stated in **Appendix N.**

Where scheme promoters consider information to fall within the categories for exemption (stated in **Appendix N**) they should provide a separate version of the main Business Case document to SELEP 6 weeks in advance of the SELEP Accountability Board meeting at which the funding decision is being taken, which highlights the proposed Business Case redactions.

I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete.

I confirm that the risk analysis included in this Business Case identifies all known project risks and I agree to follow public procurement regulations to the extent applicable during the delivery of the project. I declare that the GPF investment does not contravene State Aid regulations.

All spend of Growing Places Fund funding will be compliant with the Loan Agreement.

I understand that any offer may be publicised by means of a press release giving brief details of the project and the loan amount.

Signature of applicant	
Print full name	*Steve Grimshaw*
Designation	*Strategic Programme Manager*

*The lead County Council/Unitary Authority should also provide a signed S151 Officer Letter to support the submission – see example letter in **Appendix O***

Appendices

Appendix A – NUE Countywide Loan Scheme

NUE INTERVENTION	INVESTMENT			PROPERTY VALUES			HOMES BACK INTO USE		
Local Authority Name	Total KCC NUE Loan	Public & Private Sector Investment	Total Investment	Original Value of Properties	Future Value of Properties	Increase in Value of Properties	Current Empty Residential Units	Future Residential Units	NUE New Homes Created
Ashford	£505,000	£224,700	£729,700	£1,288,000	£2,105,000	£817,000	5	12	7
Canterbury	£825,000	£4,065,124	£4,890,124	£2,882,000	£10,070,000	£7,188,000	9	45	36
Dartford	£676,000	£731,216	£1,407,216	£4,979,000	£6,493,500	£1,514,500	11	34	23
Dover	£10,794,310	£7,779,385	£18,573,695	£17,870,000	£42,418,500	£24,548,500	65	295	230
Folkestone & Hythe	£10,680,727	£3,305,564	£13,986,291	£14,103,500	£31,920,200	£17,816,700	48	217	169
Gravesham	£870,000	£537,806	£1,407,806	£1,963,500	£3,000,000	£1,036,500	2	16	14
Maidstone	£1,270,000	£922,555	£2,192,555	£2,686,800	£5,529,800	£2,843,000	3	38	35
Sevenoaks	£679,000	£1,289,424	£1,968,424	£4,974,000	£7,194,000	£2,220,000	16	26	10
Swale	£2,108,500	£2,194,909	£4,303,409	£6,155,750	£10,643,000	£4,987,250	16	78	62
Thanet	£13,235,500	£14,768,991	£28,004,491	£27,942,750	£63,385,500	£35,442,750	151	411	260
Tonbridge and Malling	£370,000	£483,249	£853,249	£1,615,000	£2,975,000	£1,360,000	7	15	8
Tunbridge Wells	£1,177,156	£647,371	£1,824,527	£6,208,000	£9,195,000	£2,987,000	21	34	13
Total Kent	**£43,191,193**	**£36,950,294**	**£80,141,487**	**£92,668,300**	**£194,929,500**	**£102,761,200**	**354**	**1,221**	**867**

The total includes loans operated under NUE including the Affordable Homes (2012-15) project co-funded with HCA.
New Homes Created as a result of converting larger empty properties with planning permission for residential use.
Future property values recorded from RICS valuation at time of application and in most cases would have risen over the lifetime of project.

Appendix B - Table 615 All long-term vacant dwellings by local authority district from 2008

Local Authority Name	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Change
Ashford	617	533	484	504	449	307	250	247	240	283	322	426	461	35
Canterbury	722	642	679	640	733	489	403	396	599	443	511	581	713	132
Dartford	389	353	294	336	250	179	169	176	188	220	253	274	300	26
Dover	808	952	908	878	725	510	436	478	624	523	471	460	575	115
Gravesham	258	311	318	282	212	175	145	193	204	255	250	204	489	0
Maidstone	602	525	533	530	422	414	323	273	306	342	485	433	246	42
Sevenoaks	460	465	455	483	444	362	330	291	379	315	367	401	433	0
Shepway	806	740	771	767	766	766	608	641	547	470	468	489	461	30
Swale	742	712	639	619	617	491	405	439	291	348	356	388	429	41
Thanet	1,429	1,406	1,331	1,322	1,138	786	748	731	899	771	781	976	1,163	187
Tonbridge and Malling	317	308	252	247	246	272	307	355	346	360	359	331	385	54
Tunbridge Wells	489	531	430	449	426	396	334	276	376	448	405	377	377	0
Total Kent	**7,639**	**7,478**	**7,094**	**7,057**	**6,428**	**5,147**	**4,458**	**4,496**	**4,999**	**4,778**	**5,028**	**5,340**	**6,032**	**662**
Change	**527**	**-161**	**-384**	**-37**	**-629**	**-1,281**	**-689**	**38**	**503**	**-221**	**250**	**312**	**662**	
Local Authority Name	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Change**
Medway UA	1,606	1,332	1,478	1,455	1,417	938	1,004	879	817	986	1,114	1,398	1,444	46
Change	**-1**	**-274**	**146**	**-23**	**-38**	**-479**	**66**	**-125**	**-62**	**169**	**128**	**284**	**46**	

Source: Council Tax Base (CTB)

Appendix C - NUE delivery team roles and responsibilities

The Initiative is delivered by the NUE team - this is made up of

KCC Strategic Programme Manager – Steve Grimshaw
KCC Project Officer – Jackie Gibb
Private Sector Housing Specialist – Andrew Lavender
and the district empty property officers (predominantly part time)

This team operates as a "virtual team" as they are not employed by one body and work from different locations. Additional resources are provided by Kent Invicta Law (Loan Facility Agreement and Legal Charge documents) and KCC property group as and when required.

NUE Team:

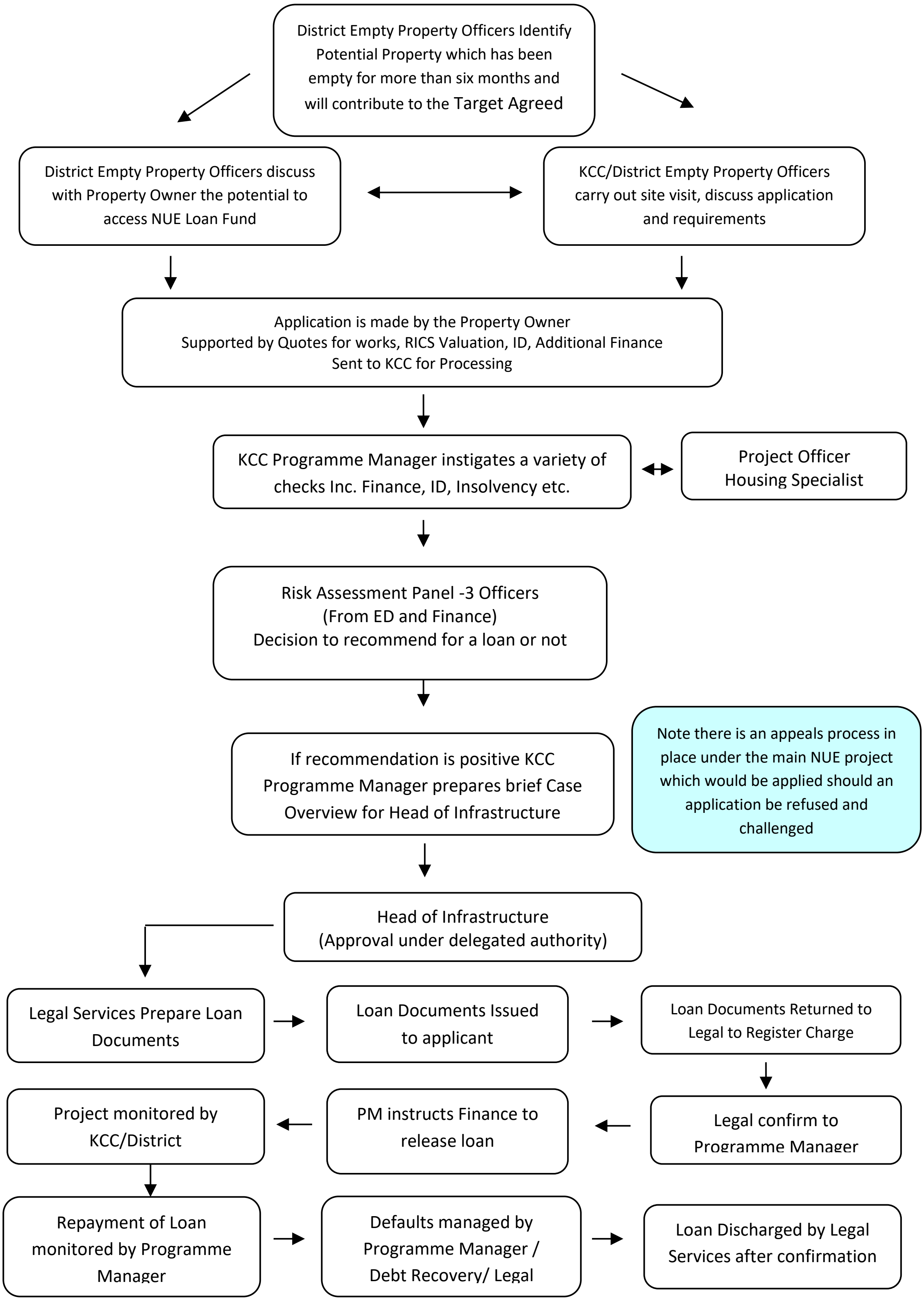
- Site Visit and meet with potential loan applicants
- Reviewing application forms
- Checking with District Councils if planning and building regulations as required
- Carrying out insolvency search
- Assisting with assessment of the loan
- Completion of Loan Approval Form and sign of by Head of Service
- Instruct Kent Invicta Law re completion of the loan documents
- Maintaining a register of Loans
- Administering Loans
- Site Visits with District Officers
- Recovery of Loans

Kent Invicta Law

- Obtaining up-to-date official copy of the register and title plan
- Investigating title to check that the borrower has a good and marketable title
- Lodging Local land Charges search
- Examining ID1
- Drafting the Loan Facility Agreement and Legal Charge for approval by NUE Team
- Preparing engrossments for execution
- Carrying out a bankruptcy search and OS1 and checking the results
- Liaising with NUE Team re: completion of the Loan Facility Agreement and Legal Charge
- Lodging application for registration at the Land Registry for registration of charge and note restriction
- Advising NUE Team of registration of charge
- Forwarding copies of register entries to NUE Team for their records
- Scheduling and storing original Loan Facility Agreement and Legal Charge documents

Support is also provided to the NUE team for its communication strategy by the KCC communications Team.

Appendix D - NUE Flowchart



Appendix E – Example of project which would have stalled without NUE intervention

<table>
<tr><th colspan="2">Marine Parade
Folkestone</th></tr>
<tr><td colspan="2">No Use Empty supported the stunning redevelopment on a Grade II listed long-term empty building in Folkestone that was once the home to Army Intelligence during the First World War.

Property Owner, Martin Neame: “This was a challenge to fund this refurbishment for 12 units as the bank was reluctant to lend. I approached NUE for support and together with my own funds I have been able to progress this project (6 units). NUE loan fund is a good enabler to allow a small developer like me to take on a project of this scale”.

NUE loan of £150,000 has allowed the first 6 units to be completed and marketed for sale. The owner has been able to raise additional finance (on the increased value) to commence works on the final 6 units which is now near completion. Loan to be repaid on sale of 5th unit (Phase 1).</td></tr>
<tr><td>Empty: 4 Years</td><td>Original Value: £380k</td></tr>
<tr><td>Residential Units: 12</td><td>Loan of £150k (LTV40%)</td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
</table>

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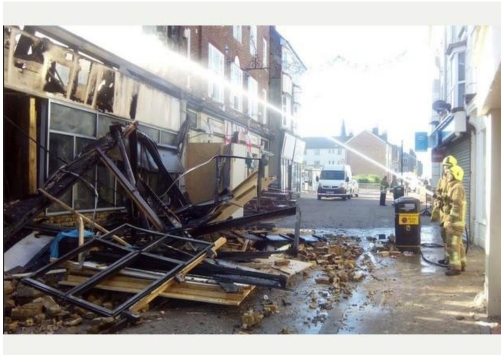
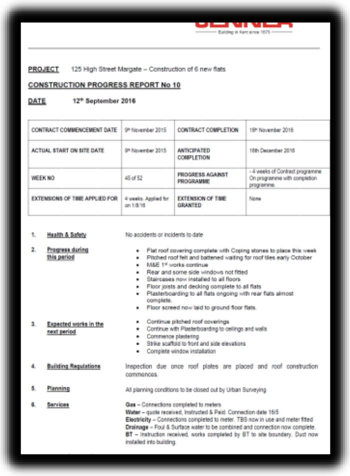
Appendix F – Example of a high risk project and processes

Project: High Street, Margate (previously subject to arson attack and remained empty)
Loan Approved: £150,000
Project Costs: £241,000
Evidence of new owner with funds on file: £ 91,000
Value Property at time of loan: £180,000 (£550,000 on completion)
LTV: 83.4% (reduces to 28% on completion)
KCC secured as 1st Charge

Terms: Staged Payments of 3 x £50,000 on evidence of progress reports and project updates.
Condition: Owner to spend their funds first to increase property value.



Examples of evidence required to access NUE Loan



Building in Kent since 1875

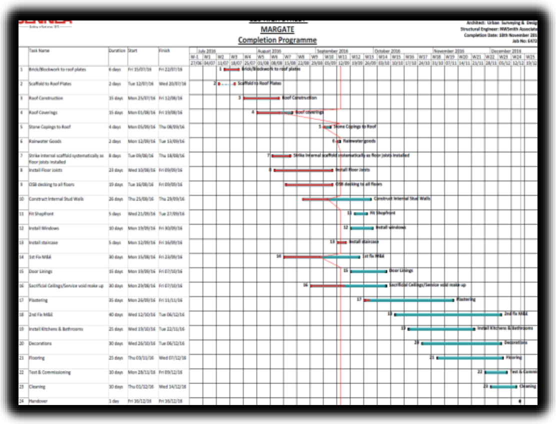
PROJECT 125 High Street Margate – Construction of 6 new flats

CONSTRUCTION PROGRESS REPORT No 10

DATE 12th September 2016

CONTRACT COMMENCEMENT DATE	9th November 2015	CONTRACT COMPLETION	18th November 2016
ACTUAL START ON SITE DATE	9th November 2015	ANTICIPATED COMPLETION	16th December 2016
WEEK NO	45 of 52	PROGRESS AGAINST PROGRAMME	- 4 weeks of Contract programme On programme with completion programme.
EXTENSIONS OF TIME APPLIED FOR	4 weeks. Applied for on 1/8/16	EXTENSION OF TIME GRANTED	None

1. **Health & Safety** No accidents or incidents to date
2. **Progress during this period**
   - Flat roof covering complete with Coping stones to place this week
   - Pitched roof felt and battened waiting for roof tiles early October
   - M&E 1st works continue
   - Rear and some side windows not fitted
   - Staircases now installed to all floors
   - Floor joists and decking complete to all flats
   - Plasterboarding to all flats ongoing with rear flats almost complete.
   - Floor screed now laid to ground floor flats.
3. **Expected works in the next period**
   - Continue pitched roof coverings
   - Continue with Plasterboarding to ceilings and walls
   - Commence plastering
   - Strike scaffold to front and side elevations
   - Complete window installation
4. **Building Regulations** Inspection due once roof plates are placed and roof construction commences.
5. **Planning** All planning conditions to be closed out by Urban Surveying
6. **Services** **Gas** – Connections completed to meters
   Water – quote received, Instructed & Paid. Connection date 16/5
   Electricity – Connections completed to meter. TBS now in use and meter fitted
   Drainage – Foul & Surface water to be combined and connection now complete.
   BT – Instruction received, works completed by BT to site boundary. Duct now installed into building.



Property was received highly commended Margate Civic Pride Award (May 2017)

https://www.no-use-empty.org.uk/margate-civic-society-town-pride-awards-nue-project-highly-commended/

Loan has been repaid in full.

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Appendix G – Decent Homes Standard

The Decent Homes Standard

To achieve the Decent Homes Standard, a dwelling must comply with the following four criteria.

Criterion a: It meets the current statutory minimum standard for housing

To be decent, a dwelling should be free of category 1 hazards as assessed through the Housing Health and Safety Rating System.

Criterion b: It is in a reasonable state of repair

A dwelling satisfies this criterion unless:
- one or more key building components are old and, because of their condition need replacing or major repair; or
- two or more other building components are old and, because of their condition need replacing or major repair.

A building component can only fail to satisfy this criterion by being old and requiring replacing or repair. A component cannot fail this criterion based on age alone.

<u>Building components</u>
Building components are the structural parts of a dwelling (e.g. wall structure, roof structure), other external elements (e.g. roof covering, chimneys) and internal services and amenities (e.g. kitchens, heating systems).

Key building components are those which, if in poor condition, could have an immediate impact on the integrity of the building and cause further deterioration in other components.
They are the external components plus internal components that have potential safety implications and include:
- external walls;
- roof structure and covering;
- windows/doors;
- chimneys;
- central heating boilers;
- gas fires;
- storage heaters;
- plumbing; and
- electrics.

Lifts are not considered to be a key component unless the lift or the lift shafts have a direct effect upon the integrity of the building.

If any of these components are old and need replacing, or require immediate major repair, then the dwelling is not in a reasonable state of repair.

Other building components are those that have a less immediate impact on the integrity of the dwelling. Their combined effect must therefore considered, with a dwelling not being in a reasonable state of repair if two or more are old and need replacing or require immediate major repair.
<u>Old and in poor condition</u>

A component is defined as ‘old’ if it is older than its standard lifetime. Components are in poor condition if they need major work, either full replacement or major repair.

One or more key components, or two or more other components, must be both old and in poor condition to render the dwelling non-decent on grounds of disrepair.
Components that are old but in good condition or in poor condition but not old would not, in themselves, cause the dwelling to fail the standard.
A building component, which requires replacing before it reaches its expected lifetime has failed early. Under the terms of the definition, this early failure does not render the dwelling non-decent.

Criterion c: It has reasonably modern facilities and services

A dwelling is considered not to meet this criterion if it lacks three or more of the following facilities:

- a kitchen which is 20 years old or less;
- a kitchen with adequate space and layout;
- a bathroom which is 30 years old or less;
- an appropriately located bathroom and WC;
- adequate external noise insulation; and
- adequate size and layout of common entrance areas for blocks of flats.

A kitchen failing on adequate space and layout would be one that was too small to contain all the required items (sink, cupboards cooker space, worktops etc) appropriate to the size of the dwelling;
An inappropriately located bathroom and WC is one where the main bathroom or WC is located in a bedroom or accessed through a bedroom (unless the bedroom is not used or the dwelling is for a single person). A dwelling would also fail if the main WC is external or located on a different floor to the nearest wash hand basin, or if a WC without a wash hand basin opens on to a kitchen in an inappropriate area, for example next to the food preparation area;

Inadequate insulation from external airborne noise would be where there are problems with, for example, traffic (rail, road and aeroplanes) or factory noise.

Inadequate size and layout of common entrance areas for blocks of flats would be one with insufficient room to manoeuvre easily for example where there are narrow access ways with awkward corners and turnings, steep staircases, inadequate landings, absence of handrails, low headroom etc.
In some instances, there may be factors which may make the improvements required to meet the Decent Homes standards' challenging, or impossible, factors such as physical or planning restrictions. Where such limiting factors occur the property should be assessed to determine the most satisfactory course of action in consultation with the relevant body or agency so as to determine the best solution. The outcome may determine that some improvements may be possible even if all are not.

<u>A dwelling would not fail this criterion, where it is impossible to make the required improvements to components for physical or planning reasons.</u>

Criterion d: It provides a reasonable degree of thermal comfort

The definition requires a dwelling to have both efficient heating; and effective insulation.
Efficient heating is defined as any gas or oil programmable central heating; or

- electric storage heaters; or
- warm air systems; or
- underfloor systems; or
- programmable LPG/solid fuel central heating; or
- similarly efficient heating systems which are developed in the future.

The primary heating system must have a distribution system sufficient to provide heat to two or more rooms of the home. There may be storage heaters in two or more rooms, or other heaters that use the same fuel in two or more rooms. Even if the central heating system covers most of the house making a dwelling decent, under the HHSRS the home should be warm enough for the occupant.

Heating sources, which provide less energy efficient options fail the Decent Homes standard.
Programmable heating is where the timing and the temperature of the heating can be controlled by the occupants.

Because of the differences in efficiency between gas/oil heating systems and the other heating systems listed, the level of insulation that is appropriate also differs:
For dwellings with gas/oil programmable heating, cavity wall insulation (if there are cavity walls that can be insulated effectively) and at least 50mm loft insulation (if there is loft space) is an effective package of insulation.
For dwellings heated by electric storage heaters/LPG/programmable solid fuel central heating a higher specification of insulation is required: at least 200mm of loft insulation (if there is a loft) and cavity wall insulation (if there are cavity walls that can be insulated effectively).

A SAP rating of less than 35 (using the 2001 SAP methodology) has been established as a proxy for the likely presence of a Category 1 hazard from excess cold.

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Appendix H – Loan Approval Sheet

VERSION 1/APR 18

LOAN Approval Form - 59 [redacted]eet, D[redacted], [redacted]
(KEN001:[redacted])

Applicant(s):	H[redacted]n		CRN	N/A	
Address:	37 [redacted], Kent, C[redacted]				
Property for refurbishment	59[redacted]ver, Kent, CT[redacted]			**Title No: / Status**	[redacted] Freehold
Property for security of loan	59[redacted]r, Kent, CT[redacted]			**Title No: / Status**	T[redacted] Freehold
KCC will be registered	1st Charge		**1st Lender**	None	
Loan Type	Loan to Let		**Bank Consent Required**	N/A	
Total Loan Amount	**£40,000**	Conditions: 1 x 20,000 and 1 x £20,000	**Deed of Priority Required Y/N**	N/A	
Loan Agreement No:	GPF 005		**Loan Repayment Terms**	3[redacted] unless property is sold before his date.	
Default Rate:	6.00%		**Project Timescale**	7 months	
Planning Permission	Approved: Dover District Council DOV/1[redacted] on 6 [redacted]8. Copies of certifications on completion to comply with Building Regulations.		**Summary of works**	Change of use and conversion of first and second floors to a self-contained flat and a replacement shopfront on the ground floor.	
ID Check (State)	Undertaken attached		**Empty**	7 Years	

Summary - The property was purchased for £186,000 + VAT on 6th [redacted]. The development will renovate this three storey and terraced shop in Dover Town Centre. It was built around 1900 and will create a ground floor lock-up shop (105 square metres plus 20 square metres for storage/WC facilities) and a self-contained maisonette on the first and second floors. NUE and Dover DC have independently been to the site and are supportive of the application. Planning permission is in place and all works will be subject to current building regulations and it will be a requirement that all certificates are to be provided on project completion.

Finance Summary - NUE wish to support a loan of £40,000. Total cost of works in region of £ 63,000 (supported by 2 quotations) on. KCC will be the 1st and only charge on the title. Evidence of funds £25,000 [redacted](on file)

Project Risk - Project does not complete within the allotted timescale. Properties are not sold. Loan is not repaid within the agreed terms.

Project Control - A schedule of works has been incorporated into the loan agreement, ensuring that works are completed to decent homes standard. All supporting documents have been risk assessed as low risk project. The RICS valuation was undertaken by R[redacted]. The property has a current value of £ 186,000 giving a loan to value ratio of 21.5% (£40,000/£186,000) and on completion will have a value of £90,000 for the flat and £150,000 for the shop, reducing the loan to value ratio to 16.3% (£40,000/£245,000). The rental income for the commercial unit is expected to achieve £15,000 per year. Rental income from the flat will be in region of £7.800 per year. The loan will be released in two payments. Credit checks have been undertaken in relation to the applicant to ensure there is no bankruptcy or insolvency issues. Indemnity insurance certificate will be obtained by Project Manager following completion of loan documentation by Invicta Law.

Risk assessment completed on 7 Mar[redacted].

A Minimum of 3 initials must appear here Signatories [redacted] [redacted] [redacted]

[redacted] [redacted]aw
KCC Programme Manager 08/[redacted]9

[redacted] [redacted]
Head of Infrastructure 08/[redacted]19

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Appendix I – NUE Equality Impact Assessment

https://kentcountycouncil.sharepoint.com/sites/get/EqIA/ED/Forms/AllItems.aspx

Kent County Council

Equalities Impact Assessment (EqIA)

Directorate: Growth Environment and Transport - GET

Name of policy, procedure, project or service: No Use Empty Initiative

What is being assessed?

Access to secured loans to bring empty properties back into use.

Senior Officer: Nigel Smith, Head of Infrastructure.

Officer: Steve Grimshaw, Programme Manager, Kent County Council.

Date of Initial Screening: 19/04/2017

Date of Full EqIA :

Version	Author	Date	Comment
V1	S Grimshaw	19-04-17	Draft
V2	A Agyepong	02-05-17	Comments for review
V3	N Smith	03-05-17	For approval

Sign Off

I have noted the content of the equality impact assessment and agree the actions to mitigate the adverse impact(s) that have been identified.

Senior Officer

Signed: [redacted]

Name: Job Title: Head of Infrastructure

Date: 9 May 2017

DMT Member

Signed: [redacted]

Name: [redacted]

Job Title: Director Economic Development.

Date: 11 May 2017

Please forward a final signed electronic copy to the Equality Team by emailing

diversityinfo@kent.gov.uk

The original signed hard copy and electronic copy should be kept with your team for audit purpose.

Appendix J – Monitoring and Evaluation Plan

All individual projects will be subject to a routine monitoring plan undertaken by KCC/or districts

Outcome/benefit to be measured	Expected outcome	Monitoring approach	Benefit realisation timetable
Empty Properties brought back into use	**100 residential units back into use with GPF funds**	**Successful applications will be tracked, projects will be monitored as routine, and once projects have been completed, the number of empty residential units brought back into use will be recorded and counted for reporting purposes.**	**Indicative dates: 40 units by March 2025 40 units by March 2026 20 units by March 2027**
People Housed	**200 people provide with accommodation**	**This will be tracked through the number of new residential homes created and recording the number of available bedrooms. NUE will request that the property owner (if they are retaining the property for rental investment purposes) can provide evidence. If a property on refurbishment is sold on then it will be assumed at least 2 people per residential unit will be accommodated.**	**Indicative dates: 80 people housed by March 2025 80 people housed by March 2026 40 people housed by March 2027**
Jobs Created (refurbishment of properties)	**50 jobs created/safeguarded**	**Based on the National Housing Strategy which assumes that two net jobs are created for each house completed. NUE will request information from each project and monitor during refurbishment to completion.**	**March 2027**

The Monitoring and Evaluation Plan should include all outcomes stated in section 6 and should set out how the delivery of these outcomes will be measured. Updates on benefits realisation will be sought quarterly both during project delivery and post project completion.

Appendix K – Cost of Capital Calculation

South East Local Enterprise Partnership
Growing Places Fund - Round 3
Cost of Capital Calculation

PWLB Interest Rate**	1.45%
GPF Interest Rate*	0.00%
Annual cost of capital	5.0%

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Capital drawn down	-	2,500,000					
Capital held	-	2,500,000	2,500,000	2,500,000	2,500,000	1,500,000	500,000
Interest	-	-	-	-	-	-	-
Capital plus interest	-	2,500,000	2,500,000	2,500,000	1,500,000	500,000	-
Repayment				-	1,000,000	1,000,000	500,000
Cost of capital	-	125,000	125,000	125,000	125,000	75,000	25,000
Interest due***	-						
Cost of capital (SELEP)	575,000						

* Interest will be charged on GPF loans at 2% below the Public Works Loan Board (PWLB) Fixed Loan Maturity Rate or zero percent – whichever is higher.

** Current interest rates available here: https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D7A.2

*** The exact rate of interest will be determined on the day of the credit agreement being finalised and is therefore likely to differ from the rate set out above. If the project fails to meet the agreed repayment schedule interest will be charged at the full PWLB interest rate from the point of default on the loan repayment

END

Benefit Cost Ratio Calculation

	Benefits	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**Total**
Line	Discount factor	1.0000	0.9962	0.9335	0.9019	0.8714		
1	Land value at start of project (assume 80% LTV)	3,125,000	3,125,000					6,250,000
2	Land value on final sale (based on 2.5 x value increase based on previous NUE projects)			7,292,969	7,046,094			14,339,063
3	Property inflation - 5%	1.0000	0.9500	0.9025	0.8574	0.8145	0.7738	
4	Present value of property on final sale			6,581,904	6,041,145			12,623,049
5 (4-1)	Increase in property value			3,456,904	2,916,145			6,373,049
6	Increase attributable to GPF (33.33%)			1,140,778	962,328			2,103,106
7	Additionality assumption as properties long term empty			80%	80%			80%
8 (6*7)	Net benefits			912,623	769,862			1,682,485
9	Discounted value of benefits	1,682,485						
10	Cost of capital (SELEP)	575,000						
11 (9/10)	**BCR (Benefit Cost Ratio)**	**2.9**						

A risk-adjusted discount rate of 5% has been applied rather than the standard rate of 3.5% recommended by The Green Book.

Appendix L – Risk register

Description of Risk	Impact of risk	Risk Owner	Risk Manager	Likelihood*	Impact **	Risk Rating ***	Risk Mitigation	Residual Risk Rating
Return of Capital Investment	Whenever monies are loaned there will be an element of risk both financial in that the loan is not repaid and does not achieve sufficient value to clear the loan amount.	KCC	Strategic Programme Manager	Medium (3)	Medium (3)	9	All loans are subject to a risk assessment. Loans are secured as a 1st or 2nd Charge. Any scheme which scores more than 50 marks will not be considered appropriate for a loan.	1*3=3
A sufficient number of properties are not identified which could be brought to the project.	Failure to draw down GPF Funds. Failure to meet agreed targets.	KCC	Strategic Programme Manager	Medium (3)	Very Low (1)	3	NUE operates across Kent. Local intelligence from districts regarding potential empty properties which may meet the criteria. We also monitor auction and web sites offering commercial properties for sale.	3*1=1
Inaccurate property valuations	KCC exposed to excessive risk. Unable to second guess future market values.	KCC	Strategic Programme Manager	Low (2)	Medium (3)	6	Independent Royal Institute of Chartered Surveyors (RICS) valuation to be undertaken to provide the existing and future value of properties. NUE would not lend more than 80% of the current value taking into account any first charges (mortgages) on the property being developed. (Risk assessment process).	1*2=2

Description of Risk	Impact of risk	Risk Owner	Risk Manager	Likelihood*	Impact **	Risk Rating ***	Risk Mitigation	Residual Risk Rating
Return of Capital Investment to GPF	**Whenever monies are loaned, there will be an element of risk both financial in that the loan is not repaid on time. This could delay the repayment to GPF within the agreed timescales.**	**KCC**	**Strategic Programme Manager/Section 151 Officer**	**Medium (3)**	**Medium (3)**	**9**	**All loans are secured as a 1st or 2nd charge. (Currently 70% of NUE loans are 1st charge and 30% second charge). Reminder letters are issued 3 months prior to loan repayment to mitigate any delays.**	**1*3=3**
Changes to staff or reduced capacity (NUE is a team of 3 staff)	**NUE increased from 2 to 3 in 2015. KCC has a business support function that can be called upon for additional support.**	**KCC**	**Strategic Programme Manager**	**Medium (3)**	**Low (2)**	**6**	**Within KCC Economic Development there are a sufficient number of Project Managers/Officers with skill sets to cover if required, should one of the team leave/be off sick on a temporary basis until a replacement was found.** **NUE have developed desk procedures for loan scheme covering all tasks.**	**2*1=2**

** Likelihood of occurrence scale: Very Low (1) more than 1 chance in 1000; Low (2) more than 1 chance in 100; Medium (3) more than 1 chance in 50; High (4) more than 1 chance in 25; Very High (5) more than 1 chance in 10.*

*** Impact scale: Very Low (1) likely that impact could be resolved within 2 days; Low (2) potential for a few days' delay; Medium (3) potential for significant delay; High (4) potential for many weeks' delay; Very High (5) potential for many months' delay.*

**** Risk rating = Likelihood x Impact*

Appendix M – Lessons Learnt

Kent County Council – No Use Empty: Kent Empty Property Initiative

Overview

Kent County Council (KCC) launched its 'No Use Empty' campaign in 2005 as part of its Public Sector Service Agreement (PSA2) targets, to examine better ways of delivering services, and particularly at working 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 accommodation.

The initiative was originally focused on the towns of the four districts of Thanet, Dover, Shepway and Swale, as research has found that the majority of empty properties (over 3,000) are located within these four districts. Additionally, 19 of the 20 most deprived wards are also located within these same areas.

In January 2008, due to the success of the scheme Kent County Council expanded the initiative to include all 12 district councils in the county.

Objectives

Overall the aim of the initiative has been to substantially increase the number of long-term empty homes returned to use as good quality housing accommodation. A specific numerical target to return 372 empty properties to use over three years was set, which represented a doubling of previous targets. This was to be achieved through the development of new and innovative practice and improved partnership working. The total of 487 properties was achieved in the three-year period, which was a 262% increase on previous performance prior to the Initiative commencing.

Setting up the Scheme

Prior to the launch of the Initiative a large amount of research was undertaken to:

- Identify the location of the empty properties through an empty property condition survey in the four districts to establish their condition and likely costs for refurbishment;
- Business and local resident's perceptions survey;
- Appointment of PR and media company to raise and promote the profile of the initiative;
- Development of No Use Empty Campaign and associated website;
- Appointment through competitive tendering, a specialist private sector housing company to work with the Districts;
- Research and develop the full range of options available (in conjunction with the Empty Homes Agency) to help bring these properties back into use; and
- To establish what help and assistance would encourage owners to return their properties back into use.

Using this research, the Initiative developed a project plan that focussed on the following to achieve the aim and objectives of the project:

- An awareness campaign to highlight the issue of empty homes to be targeted at owners;
- The development of an information resource for owners, residents, and anyone else with an interest in empty properties. This led to the creation of the No Use Empty web site www.no-use-empty.org, and the production of regular newsletters;
- Financial support to encourage owners to refurbish and bring their properties back into use;

- Training for empty property officers and other local authority personnel involved in this work e.g. solicitors, planners, environmental health officers, building control on the enforcement options; and
- Practical one-to-one on the ground guidance for empty property officers /local authority staff provided by the project consultant. Enabling them to utilise the full range of legislative options and wider mechanisms / methods to bring empty homes back into use.

Additionally, a residents' and business survey was undertaken to gauge the impact of empty properties on resident and business confidence in their locality. A follow-up survey was undertaken in Summer 2008, which demonstrated a clear increase in business and resident confidence. The Initiative undertook and a series of events, to which owners were invited, to launch the Initiative and outline the assistance available.

Annual empty property surgeries are undertaken to encourage owners of empty properties to bring their properties back into use.

The Initiative has now developed three strands of financial assistance to use its capital funding (£6 million) to encourage the re-use of empty properties. These are as follows:

Interest Free *Loan Scheme* – loans are available to help owners/developers for the refurbish/conversion of empty homes or redundant commercial buildings to provide good quality residential accommodation. On completion properties must be made available for sale or rent. The loan fund is operated as a revolving fund, so that as loans are repaid, the money is then re-lent to support new schemes. Max £25K per unit, max £175K per applicant, secured as 1st or 2nd charge based on a maximum 80% LTV (loan to value) on the property offered as security.

Partnership Fund – funding available to help the Districts undertake enforcement where deemed necessary e.g. Compulsory Purchase Orders, works in default or direct purchase. District Councils have extensive powers to deal with run down empty properties but often lack both financial resources and personnel or knowledge to effectively utilise these powers.

Direct Purchase Scheme – involving the acquisition of empty properties by KCC for redevelopment into good quality housing accommodation.

Resources

The Initiative is delivered by the Empty Property team - this is made up of the KCC Strategic Programme Manager, KCC Project Officer, Private Sector consultant and the district empty property officers (predominantly part time Officers). This team operates as a "virtual team" as they are not employed by one body and work from different locations. Additional resources are provided by KCC's legal services dept. and its property group as and when required. Support is also provided to the team for its communication strategy by the PR firm engaged specifically for the Initiative.

The main funding for the Initiative, both revenue and capital has been provided by KCC. The scheme had a capital funding of £5million (Capital & Prudential Borrowing).

In 2012, KCC launched an Affordable Housing loan scheme which has a Capital fund of £2 million. The scheme is jointly funded by KCC and the Homes & Community Agency and works with AmicusHorizon, who manage the refurbished properties on behalf of the owners for a 5-year period, providing a guaranteed monthly rental income (affordable rent). It returned 42 affordable units by March 2015.

NUE are continuing to support Affordable Homes projects without HCA funding.

In addition, we have seen an increase in the number of commercial properties coming forward with planning permission for conversion to residential or a mixture of residential and commercial.

The districts have provided "in-kind" support through the involvement by their empty property officers and other staff.

Evaluation

The success of the project has been measured by the tangible results achieved through the number of empty homes brought back into use, which amounted to 487 properties in the first three-year period. In total, since its inception the scheme has brought back into over 6,083 properties (up to January 2019).

The scheme has approved over £43.2 Million of interest free loans, which equates to 1,021 units of accommodation. This has leveraged in excess of £36.9 Million of private sector funding (owner's contribution), giving a total investment through the loan scheme of £80.1 Million (up to Sep 2021).

- The average cost to renovate a unit = £58.2k (often very worst properties)
- KCC average investment per unit £28.5k (excludes Affordable Homes Project but includes Top Up from districts where available)
- Actual cost to KCC = £1,900 per unit (loss of interest and management costs)
- Repayment of loans to date £26.6 Million
- Loans scheme created over 1,439 jobs & homes for approximately 2,699 people
- For each £1 spent on interest and administration, this translates to £20 being spent in local economy (labour & materials)

The completed business and resident survey demonstrated an increase in confidence in localities as a result of bringing empty properties back into use. *No Use Empty* is now widely regarded as one of the most effective initiatives to deal with empty properties in the UK. The scheme and their partners have won multiple awards from Regeneration & Renewal for their partnership working 2011, shortlisted for an award by the Chartered Institute of Housing in 2012 and won Regeneration and Renewal Awards in 2014 (Partnership Working). Highly commended twice in 2015: LGC Awards for partnership working and best housing initiative. Winners of the 'outstanding approach to regeneration' category in UK Housing Awards 2018.

In partnership with Bristol City Council, the No Use Empty Initiative brand was rolled out to the West of England Local Authorities. No Use Empty introduced KCC Legal Services to a number of other Councils to assist with their smaller loan scheme which is now operational across six local authorities.

The Audit Commission cited the scheme as good practice to other Local Authorities and has been recognised by a number of organisations including the Scottish Government, Welsh Government and the Empty Homes Agency as a beacon of good practice.

The Empty Property Initiative has been incorporated into KCC's Housing Strategy as a target to support its joint wider regeneration projects within the partner districts and increase housing provision and quality. Specifically, the Initiative has linked with these regeneration projects to identify key properties to target for action. All districts had an empty property strategy in place prior to the commencement of the project. The Initiative has contributed to the aims and objectives of these strategies and increased the numbers of empty properties that have been brought back into use.

Lessons Learnt

The main lessons learnt from establishing the project were firstly, an awareness of the time taken to develop this type of Initiative. Although not overly complex bringing together the resources, information and personnel required took much longer than originally anticipated and there was a time lag between the launch in December 2006 and the availability of the main financial funding. Good customer care was essential to keep clients informed of progress (or lack at times) to keep them on board.

The lack of resources at District level to undertake empty property work – both in terms of personnel and financial was a limiting factor. The provision of the capital funding by KCC has in the main overcome the issue of financial resources, but manpower remains an issue. Only two of the districts have dedicated empty property officers (and to some extent the numbers returned to use by the individual districts reflect this situation). For the other districts empty property work is just one of a number of tasks undertaken by person allocated with this role.

Initially there was a lack of a corporate approach to the problem of empty properties, which resulted in Councils dealing with the issue in a piecemeal fashion. There was also a lack of understanding of the overall picture and the methods available to deal with empty properties. Creating a change in culture has facilitated a more positive approach to the problem.

The importance of training both for personnel directly involved in empty property work and for departments that can contribute to this area of work e.g. legal, building control, environmental health and planning. For departments that contribute a "supporting" role an increased awareness and knowledge has brought about an increased level of support for empty property work, which is helping to tackle particularly difficult cases.

Shared learning, this has brought about an increasingly improved level of skills and knowledge, which are being effectively utilised in empty property work. Low cost training has been provided to over 1,047 officers, through the initiative. One aspect that has proved invaluable has been the services of the project consultant, who has provided ground support and practical training and implementation on the use of the wide-ranging legislation.

P.R. and communications: throughout the project we have achieved wide coverage both nationally and locally, including television, radio, national and local press. This has not only achieved a strong brand name in the partner districts, but has also created a ripple effect within the County and beyond through publishing our successes. This has resulted in owners becoming more open to constructive dialogue with the Councils, knowing that they are prepared to follow through their threat.

Contact Details
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Appendix N – Categories of exempt information

There is a clear public interest in publishing information and being open and transparent. But sometimes there is information which we can't publish because it would cause significant harm to the scheme promoter - for example by damaging a commercial deal or harming their position in a court case. Equally sometimes publishing information can harm someone who receives a service from the scheme promoter or one of their partners.

The law recognises this and allows for information to be placed in a confidential appendix if:

a) it falls within any of paragraphs 1 to 7 below; and

b) in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1. Information relating to any individual;
2. Information which is likely to reveal the identity of an individual;
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information);
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority;
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings;
6. Information which reveals that the authority proposes – (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) to make an order of direction under any enactment;
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

Appendix O – S151 Officer Letter to support Business Case submission – Growing Places Fund

Dear Colleague,

In submitting this project Business Case, I confirm on behalf of Kent County Council that:

- The information presented in this Business Case is accurate and complete.
- The funding has been identified to deliver the project and project benefits, as specified within the Business Case. Where insufficient funding has been identified to deliver the project, this risk has been identified within the Business Case.
- The identified project expenditure represents capital spend. GPF cannot be used to cover revenue costs.
- The risk assessment included in the project Business Case identifies all substantial project risks known at the time of Business Case submission.
- The delivery body has considered the public sector equality duty and has had regard to the requirements under s.149 of the Equality Act 2010 throughout their decision-making process. This should include the development of an Equality Impact Assessment which will remain as a live document through the project's development and delivery stages.
- The delivery body has access to the skills, expertise and resource to support the delivery of the project.
- Adequate revenue budget has been or will be allocated to support the post scheme completion monitoring and benefit realisation reporting.
- The project will be delivered under the conditions of the Loan Agreement which will be agreed with the SELEP Accountable Body, including the repayment of the Growing Places Fund loan in accordance with an approved repayment schedule.
- The requested GPF investment does not contravene State Aid regulations.
- The appropriate checks have been undertaken and it has been confirmed that this funding application is from a creditable source which has the means to repay the loan.

I note that the Business Case will be made available on the SELEP website one month in advance of the funding decision being taken, subject to the removal of those parts of the Business Case which are commercially sensitive and confidential as agreed with the SELEP Accountable Body.

Yours Sincerely,

[redacted]

S151 Officer Zena Cooke Dated 6 October 2021