



*Castle House  
Great North Road  
Newark  
NG24 1BY*

*Tel: 01636 650000*  
[www.newark-sherwooddc.gov.uk](http://www.newark-sherwooddc.gov.uk)

Dear Councillor

**CABINET - TUESDAY, 10TH DECEMBER, 2024**

I now enclose, the following update report for consideration.

**Agenda No    Item**

14.    **Levelling Up Fund 3 Programme Update (Key Decision) (Pages 2 - 8)**



Report to: Cabinet Meeting - 10 December 2024

Portfolio Holder: Councillor Paul Peacock - Strategy Performance & Finance  
Councillor Claire Penny - Sustainable Economic Development

Director Lead: Matt Lamb - Director - Planning & Growth  
Sanjiv Kohli - Deputy Chief Executive & Director - Resources

Lead Officers: Neil Cuttell - Business Manager, Economic Growth and Visitor Economy,  
Ext. 5853  
Cara Clarkson - Business Manager, Regeneration and Strategic Housing,  
Ext. 5293

Report Summary	
<b>Type of Report</b>	Open Report, Key Decision – Update Report
<b>Report Title</b>	Levelling Up 3 Programme Update
<b>Purpose of Report</b>	<p>To provide an update on the Levelling Up 3 (LUF 3) programme, and to present key recommendations to Cabinet to enable ongoing delivery of the Ollerton and Clipstone regeneration projects.</p> <p>This update report is presented following further discussions with MHCLG to agree in principle the draw down of a deliverable portion of the LUF 3 grant in advance of confirmation of an extension beyond March 2025, and proposes wider recommendations.</p>

<p><b>Recommendations</b></p>	<p>It is recommended that Cabinet:</p> <p>a) note the report, including the updates associated with the LUF 3 Programme;</p> <p><u>Ollerton Project</u></p> <p>b) approves a capital budget of £500,000, financed initially by borrowing, to be replaced by the LUF 3 grant when received, to enable essential project development works associated with the Ollerton scheme, prior to the Council receiving a Memorandum of Understanding, as detailed in 1.6 of this report;</p> <p><u>Clipstone Project</u></p> <p>c) approves a capital budget of £200,000, financed by borrowing initially, to be replaced by LUF 3 grant when received, to enable essential project development associated with the Clipstone scheme (Phases 2 and 3), prior to the Council receiving a Memorandum of Understanding, as detailed in 1.9 of this report;</p> <p><u>Memorandum of Understanding (MoU)</u></p> <p>d) approves an amendment to the existing delegation to the S151 Officer, Deputy Chief Executive &amp; Director of Resources and Director of Planning and Growth, to include the acceptance of a <u>partial</u> (or full), LUF 3 grant of up to £20m, via an MoU, as detailed in 1.12 and 1.13 of this report; and</p> <p>e) notes the existing and proposed financial commitments immediately eligible for repayment by MHCLG, subject to a finalised partial, or full MoU, as detailed in 1.13 of this report.</p>
<p><b>Alternative Options Considered</b></p>	<p>It remains an option for the Council to refuse to accept any future LUF 3 grant or decide not to provide further forward funding. This approach is not recommended as it would represent a missed opportunity to deliver genuine and impactful transformative change in the communities of Ollerton and Clipstone. Without additional forward funding, risk is elevated for both projects, particularly regarding timescales to deliver against LUF 3 funding requirements, potential loss of community and partnership momentum, and increased costs due to further delays.</p>

<p><b>Reason for Recommendations</b></p>	<p>To ensure Members are aware of the recent updates and developments associated with the LUF 3 programme, and to enable ongoing progression of both schemes for delivery within potential Government timescales. Without access to further funding, there is an elevated risk that both projects are unable to meet spend timescales detailed within this report.</p> <p>It is recommended that the Council enters into an initial MoU with MHCLG at the earliest opportunity, to enable existing upfront investment to be eligible for repayment from LUF 3 Grant, in turn reducing the level of financial exposure for the Council.</p>
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## **1.0 Background**

- 1.1 In November 2023, Newark and Sherwood District Council were notified of the successful award of £20m grant funding to support the delivery of the ‘Shaping Sherwood’s Revival scheme’ via the Levelling Up Fund 3 (LUF 3) programme. The announcement followed the submission of the £20m bid in July 2022 to the Levelling Up Round 2, although previously unsuccessful at that time. The £20m funding will support the delivery of the two key district regeneration schemes including the redevelopment of Ollerton Town Centre and an enhanced commercial (Phase 1), sports (Phase 2) and education (Phase 3) offering located at Mansfield Road, Clipstone.
- 1.2 The LUF 3 grant was awarded on an ‘in-principle’ basis, subject to validation checks and departmental sign off. Confirmation of the completion of validation checks was received in Spring 2024, however the Council still remains without a Memorandum of Understanding (MoU), due to pauses in relation to the election period and a subsequent Government spend review, relating to their 2024 Autumn Budget Statement.
- 1.3 At the point of award notification in November 2023, the LUF 3 grant was caveated to a previously achievable spend deadline of March 2026. As reported recently to Cabinet, both projects are now unable to satisfy this spend deadline due to the unforeseen delays in receiving formal confirmation of funds, in the form of an MoU. In July 2024, Cabinet agreed to pause the release of any further funding for both projects, beyond spend associated with existing, approved budgets, until the formalised funding commitment is provided from Government. Additionally, it was agreed the Council will continue to request assurance of funding from Government, alongside an amended spend deadline to reflect the postponements. Despite this position, the Council is able to demonstrate positive advances through RIBA Stage 2 (Ollerton) and RIBA Stage 3 (Clipstone), including negotiations with potential future Tenants, the completion of public consultation in July 2024, and refining of designs.
- 1.4 As updated verbally to Cabinet in November 2024, the latest Government budget (released 30 October 2024) confirms continuation of funding for all LUF 3 projects, subject to discussions with relevant Local Authorities and finalisation of an MoU. Following the budget announcement, Officers have discussed programme developments with Civil Servants, who have further reinforced the Governments’ commitment to the £20m funding for Sherwood. Whilst these announcements reflect

positively for the local scheme, current conditions of the grant do not allow for an extension of spend beyond March 2026, despite the ongoing delays experienced. Furthermore, the Ministry for Housing, Communities, and Local Government (MHCLG) recently confirmed that flexibility of spend beyond March 2026, is subject to approval through the Government's 2025 Spring Budget. With this in mind, both projects are now projected to require a financial extension to March 2028, based on the Governments' current spend definition, and as a result of the prolonged release of funds, since the original announcement, 13 months ago. The Council continues to engage with MHCLG to complete key reporting returns and provide details of local spend requirements for both projects.

- 1.5 It is important to note that the key risks associated with the Ollerton and Clipstone schemes remain as presented previously to Cabinet. Aside from the absence of the LUF 3 grant, most prevalent risks comprise land acquisition, Business Case approval, planning permission and unconfirmed match funding.

#### Ollerton Project

- 1.6 In order for the Ollerton scheme to meet the revised forecasted March 2028 spend deadline, it is recommended that a sum of £500,000 is immediately established within the capital programme, from the in-principle approved Ollerton capital project budget of £20,909,757, in advance of the finalisation of an MoU. This will enable key works to progress including the RIBA stage 3 and finalisation of land acquisitions, up to Spring 2025. It is intended that the amount of £500,000 would be financed by LUF 3 upon receipt of funds, however, would require an initial forward fund by the Council.
- 1.7 It should be noted that the request relating to the £500,000 described in 1.6 was presented to Cabinet in November 2024, although approved to be released upon receipt of an MoU. This report recommends a revision to the existing approach, proposing the availability of funds, in advance of an MoU. This amendment reflects the latest positive updates provided by MHCLG regarding security of LUF 3 grant, however recognising continued uncertainty regarding timescales for receiving formal funding documentation, at a critical point within project development.
- 1.8 Officers continue to negotiate with stakeholders to secure the remaining match funding required to deliver the scheme in full, including a capital investment of £3m from Nottinghamshire County Council towards the library element of the scheme. Prior to submission of the planning application, a resolution to this match funding is required, alongside finalisation of legal land acquisition and Business Case approval.

#### Clipstone Project

- 1.9 Similar to the proposed approach to progress the Ollerton project, it is recommended that a sum of £200,000 is immediately established within the capital programme, from the in-principle approved Clipstone capital project budget of £5,784,424, in advance of the finalisation of an MoU. It is intended that the amount of £200,000 would be financed by LUF 3 upon receipt of funds, however, would require an initial forward fund by the Council.

- 1.10 The additional funds will facilitate ongoing delivery of the Clipstone project (Phases 2 and 3) until Spring 2025, working towards a LUF 3 spend date of March 2028. This will include supporting key project development work strands for Phases 2 and 3. Phase 1, Clipstone will continue to deliver against original planned timelines, led by the Corporate Property Business Unit, regardless of the delays described in this report, due to the existing budgets approved within the Council's capital programme.
- 1.11 As previously agreed, any further spend, (beyond the proposed amount detailed in paragraph 1.9) associated with the Clipstone project (Phases 2 and 3) will continue to pause until all required land-take to deliver the scheme is secured, or within control of the District Council.

#### Memorandum of Understanding (MoU)

- 1.12 In November 2024, it was agreed by Cabinet that the Director of Resources, S151 Officer and Deputy Chief Executive could sign an anticipated LUF 3 MoU on behalf of the Council, in collaboration with the Director of Planning and Growth. Following recent updates, MHCLG agreed the Council is able to draw down a deliverable proportion of the LUF 3 grant (up to forecasted spend by March 2026), through signing an initial, and partial MoU. The remaining LUF 3 grant is expected to be confirmed through an amended MoU next year, subject to approval of a revised spend deadline of March 2028, within the Government's 2025 Spring Budget.
- 1.13 The two-step approach, as described above, would provide assurance that all LUF 3 grant forward funded by the Council to date will be refunded by Government once the initial MoU is finalised. MHCLG have confirmed any LUF 3 investment (up to the amount agreed within a partial MoU), would not be subject to clawback conditions in the event that the spend deadline was not extended to March 2028, with the schemes therefore unable to deliver in full. With consideration of this opportunity, it is proposed that the November 2024 recommendation, described in 1.12, is amended to also include the acceptance of a partial LUF 3 MoU. This will enable continued project delivery, as well as additional risk mitigation associated with existing upfront investment from the Council. To date, a total of £457,000 of LUF 3 funding has been agreed to be forward funded by the Council, across both the Ollerton and Clipstone projects. When combining this amount with the additional forward funds recommended in this report, a total of £1.1m would be eligible for repayment by MHCLG, upon finalisation of an initial MoU.
- 1.14 As noted to Cabinet previously, although an MoU is not a legally binding document, it is suggested that any form of acceptance would follow a legal review of the conditions of the MoU, allowing for an additional assessment of risk.
- 1.15 It should be reinforced that the financial recommendations within this report reflect the budgets required to continue key work strands for both projects until Spring 2025, whilst the Council awaits confirmation of a funding extension to March 2028. After this point, a decision can be taken by the Council regarding any further LUF 3 investment beyond the amount detailed within this report, and up to the amount that may be available through a partial, or full MoU, depending on the outcome of the Government's Spring 2025 Budget, and the total LUF 3 grant available.

## **2.0 Implications**

- 2.1 In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

### **Legal Implications**

- 2.2 The execution of a memorandum of understanding by Government for any funding streams noted within this report would provide assurance to the Council regarding funding commitment, although it does not create a legal obligation.

### **Financial Implications (FIN24-25/5847)**

- 2.3 On 4 June 2024, Cabinet approved in principal Capital budgets of £20,909,757 for Ollerton and £5,784,424 for Clipstone (Phases 2 and 3). As set out in paragraph 1.4, further clarity has been provided on the LUF 3 grant from MHCLG, however there is still further confirmations to be received, including the spend by date.
- 2.4 The Ollerton budget is due to be financed by a number of different sources, £14,995,358 of LUF 3 grant allocation, along with land transfers and a contribution of £3,000,000 from Nottinghamshire County Council which is yet to be secured. A lesser contribution from the County Council would result in a further shortfall in funding which will need to be met either through additional third-party funding, additional council funding or/and through reduction in costs through the procurement process.
- 2.5 The funding of the Clipstone budget is a mixture of LUF Grant £4,967,212, existing Capital Budget for the provision of 3G pitches and S106 monies. With the remaining £32,788 of LUF financing Clipstone phase 1 – Clipstone Holding Centre.
- 2.6 This report provides an update to the report to Cabinet on 4 November 2024, which given the level of assurance now provided by MHCLG, it seeks to approve the forward funding of £500,000 for Ollerton and £200,000 for Clipstone to progress the schemes up to Spring 2025. Full assurance on the whole £20m grant funding and the spend by date, is due to be received after the Spring 2025.
- 2.7 These budgets are to be added to the Capital Programme and funded initially by borrowing, to be replaced by the LUF grant retrospectively once the MOU is received, requiring a forward fund from the Council. No further spend will be incurred following this until a report is brought back to Cabinet or all match funding sources are resolved as per the June 2024 report to Cabinet.
- 2.8 In the unlikely scenario the MOU and LUF funding are not forthcoming, any additional spend will be a risk the Council will need to absorb. It is anticipated an MOU will be provided in advance of the next Cabinet and thus spend exposure will be minimal. An update will be brought to the next Cabinet if the MOU remains outstanding.

2.9 The two tables below summarise committed budgets to date for both schemes, in addition to recommended budget detailed within this report (excluding Clipstone phase 1 – Clipstone holding Centre).

<b>Revenue</b>	<b>Ollerton</b>	<b>Clipstone</b>
SLT January 2023 NSDC Reserves	£23,255	
Cabinet Dec 2024 NSDC Reserves*	£150,000	
Third Party Contribution	5,000	
UKSPF	189,650	31,377
S106	31,654	
Capacity Funding		215,000
Cabinet June 2024 NSDC Reserves*	35,000	121,000
<b>Total Revenue</b>	<b>434,559</b>	<b>367,377</b>
<b>Capital</b>	<b>Ollerton</b>	<b>Clipstone</b>
S106 Clipstone Miners Welfare		220,121
Ollerton Bank Acquisition*	151,000	
Forward Funding*	500,000	200,000
<b>Total Capital</b>	<b>651,000</b>	<b>420,121</b>
<b>Overall Total Investment (Revenue and Capital)</b>	<b>1,085,559</b>	<b>787,498</b>

\*Forward funding to be replaced by LUF Grant (totalling £1,157,000)

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Levelling Up White Paper, 2022

Levelling Up Fund Prospectus and Guidance, 2022

Sherwood Levelling Up Bid, July 2022

Cabinet Report, Levelling Up Submission and UK Shared Prosperity Fund, June 2022

Cabinet Report, Sherwood Levelling Up Fund Update, November 2022

Cabinet Report, Ollerton Hall, July 2023

Cabinet Report, Ollerton Town Centre Regeneration and Bank purchase, December 2023

Cabinet Report, Sherwood Levelling Up 3 Update – Ollerton & Clipstone, March 2024

Cabinet Report, Sherwood Levelling Up 3 Update 2 – Ollerton & Clipstone, June 2024

Cabinet Report, Levelling Up Fund (LUF) 3 Update, July 2024

Cabinet Report, Sherwood Levelling Up, Long Term Plan for Towns Fund and UKSPF / UKRPF Fund Update, November 2024