



Report to: Cabinet Meeting: 23 July 2024

Portfolio Holder: Cllr. Paul Peacock - Strategy Performance & Finance  
Cllr. Matthew Spoons - Sustainable Economic Growth

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

Lead Officer: Robert Ball - Major Capital Projects Delivery Manager (Corporate Property)  
Ellie Buchanan - Senior Regeneration Officer (Regeneration & Housing Strategy)

Report Summary	
<b>Type of Report</b>	Open (Key Decision)
<b>Report Title</b>	Levelling Up Fund (LUF) 3 Update
<b>Purpose of Report</b>	To provide an update to Cabinet regarding the ongoing delay in receiving the Levelling Up Fund 3 (LUF 3) grant from Government and to seek agreement to pause further work on the project until the Council receives a response from government as set out in this report.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. That Cabinet note the contents of this report and agrees to pause the Ollerton and Clipstone Scheme after competition of RIBA2 design due to ongoing delays with the issue of funding from Government and endorse that the Chief Executive or/and the Deputy Chief Executive/Director of Resources write to Government expressing deep concerns and disappointment at the delays and seeking the following:  That Government:               <ol style="list-style-type: none"> <li>a) Confirms to the Council, that given the delays since the original LUF submission in summer 2022 and the delays since the LUF 3 announcement in November 2023, an agreed extension to the requirements to defray all LUF3 funding by 31 March 2026 to 31 March 2027;</li> <li>b) Executes the Memorandum of Understanding (MoU) before the 31<sup>st</sup> July 2024 to allow <i>immediate</i></li> </ol> </li> </ol>

	<p>access to any needed funds from the LUF 3 grant, allowing the project to continue to be developed at pace; or</p> <p>c) Release advance funding of £821,000 before 31<sup>st</sup> July 2024, to be deducted from the overall LUF3 grant allocation to allow the project to continue to be developed at pace.</p> <p>2. That subject to Government releasing the advance funding of £821,000 as detailed at Recommendation 1c) above that Cabinet approves the addition of £821,000 to the Capital Programme. For the avoidance of doubt if the Government executes the MoU as detailed at recommendation 1b) above the full amount of Levelling Up Fund 3 grant will be transferred into the Capital Program in accordance with the June Cabinet resolutions.</p>
<p><b>Alternative Options Considered</b></p>	<ul style="list-style-type: none"> <li>• Withdraw delivery of the Ollerton and Clipstone Levelling-up projects. This option is discounted as the scheme remains a priority for the Council.</li> <li>• Carry on with the scheme at risk. Meeting the deadline for mandated defrayal of the full grant by 31 March 2026, is extremely challenging particularly since the Council has not yet received the MOU from government. The Council has already funded £541,000 with a further £40,000 made available in June 2024 from UKSPF (for both Ollerton and Clipstone projects). To continue to fund architectural and design works to RIBA stage 3 for Ollerton would further expose the Council to an additional £700,000. This level of exposure, when particularly considered together with the present uncertainty of funding support from Nottinghamshire County Council and the outcome of the bid for the Brown Field Land Release Fund is not acceptable.</li> </ul>
<p><b>Reason for Recommendations</b></p>	<p>The recommended approach, if actioned by Government, will enable delivery of the projects to continue in the absence of an executed MoU and release of funds from Government.</p>

**1.0 Updates and delay in receipt of Grant**

1.1 Members will recall that in November 2023 it was announced by the Government that Newark and Sherwood had been awarded, in principle just short of £20m LUF 3 funding to support the ‘Shaping Sherwood’s Revival’ scheme, including both Ollerton and Clipstone regeneration projects. In late December, the Department of Levelling up, Homes and Communities (DLUHC) commenced the validation process in order for the funding Memorandum of Understanding (MoU) to be issued. These validation forms were completed and returned by the Council to Government early February 2024, and

confirmation of the completed validation process was provided towards in May 2024. The release of the MoU was anticipated following receipt of this confirmation, however recent correspondence from DLUHC now suggests the release and formal confirmation of LUF 3 via an MoU will not be addressed until after the election despite all checks having been completed and approved.

- 1.2 It is assumed that the Government will need time to instruct the release of the funds. Whilst the risk of Government withdrawing LUF3 funding is considered minimal it is nevertheless a risk. Without grant funding it will be necessary to either pause the projects or for the Council to continue to forward fund design works (as we have done on several occasions, most recently in May) underwriting financial risk pending an executed MoU with Government.

### **Balance of Risk**

- 1.3 At the time of writing there are various risks associated with each of the projects which are monitored and mitigated by Officers, as would be the case with any Capital Build project. Such risks relate principally, as set out in previous Cabinet reports, to funding gaps, land ownership (now agreed with all parties, pending legal), and the critical path of activities required to meet the spend deadline of the LUF3 grant. Whilst risks remain, the provision of the LUF3 Funding allows financial risks to be mitigated as each project develops and matures. Without LUF3 funding the Council carries all of the financial risk if project design and development is to continue.
- 1.4 At the time of writing the Council has already funded to the tune of £541,000 with a further £40,000 made available in June 2024 from UKSPF (for both Ollerton and Clipstone projects). This allows for all required fees to progress to complete RIBA 2 designs.
- 1.5 The Council is in an invidious position. It has been pre-approved as part of a funding regime, as confirmed by Civil Service officials. The LUF3 grant for Sherwood has been well publicised and there is an expectation from the Council, its regeneration partners and most importantly the Sherwood communities that the funding will be forthcoming. The Government has not stated that LUF 3 funding will not continue (nor has it said that it will). It is considered that Government will release the funds, albeit this cannot be guaranteed. If Members wish for the projects to continue on track for the 31 March 2026 deadline, a different decision of Cabinet would be needed to that recommended in this report. To conclude RIBA 3 a further £700,000 would be required, of which £350,000 would be needed to keep on the critical path until the end of September 2024 (by which time a decision on Government release of funding would be expected). This is not the recommended approach, with the preferred alternative being to apply as much pressure as possible to seek both release of requisite funds and to seek an extension for defrayal of all LUF 3 grant given the unacceptable delays to date from Government.
- 1.6 For the avoidance of doubt, the previous resolution of Cabinet makes clear that neither of the LUF 3 projects can progress to planning stage until land ownership and funding risks have been appropriately mitigated. This will not change as a result of any resolution.

- 1.7 Notwithstanding the delay from Government with regard to the MOU, there remains uncertainty about the anticipated but not confirmed £3m funding from Nottinghamshire County Council for the Library and £1.106m from the EMCCA Brownfield Land Release fund. A pause in the project will enable the Council to obtain certainty about these two funding streams.

## 2.0 Implications

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

- 2.1 The execution of a memorandum of understanding by Government would provide assurance to the Council regarding funding commitment, although it does not create a legal obligation.

### Financial Implications (FIN24-25/937)

- 3.1 The table below shows the feasibility costs for each scheme, including the funding source. This identifies the £541,937 forward funding mentioned above.

Source	Ollerton	Clipstone	Total
<b>Capacity Funding</b>		<b>214,998</b>	<b>214,998</b>
<b>Other Funding Committed</b>			
UKSPF 2022/23	49,650	31,377	81,027
UKSPF 2024/25	100,000		100,000
S106	31,654		31,654
Change Management Reserve	173,256	121,000 *	294,256
Capital Feasibility Reserve	35,000		35,000
<b>Subtotal NSDC Funding</b>	<b>389,560</b>	<b>152,377</b>	<b>541,937</b>
Additional UKSPF 2024/25	40,000		40,000
<b>Total NSDC Funding</b>	<b>429,560</b>	<b>152,377</b>	<b>581,937</b>
<b>Total Funding including Capacity</b>	<b>429,560</b>	<b>367,375</b>	<b>796,935</b>

\*£121,000 to be replaced by LUF Grant.

- 3.2 The total spend of £429,560 for Ollerton takes the project to the end of July 2024 and the completion of RIBA stage 2. In order to continue on the critical path, by the beginning of August, the Council needs to instruct consultants to start RIBA stage 3, which will take the project up to the point of submitting a planning application. The full costs of completing RIBA stage 3 is £700,000.

- 3.3 The Clipstone Project contribution from the Change Management reserve of £121,000 was set up as per June Cabinet approval, with a view to it being replaced by LUF Grant once the MOU was received, will take this project to RIBA 3 (pre planning application).
- 3.4 Due to the uncertainties around the MOU as set out in paragraph 1.5, if the deadline remains at 31 March 2026, then spending £821,000 (£700,000 Ollerton and £121,000 Clipstone) using the Council's own funds is a risk.
- 3.3 Should the recommendations be approved; either some of the funding be released or an MOU be forthcoming, an equivalent budget be made available in the Capital Programme to continue work on the project.
- 3.4 Should this not be the case and approval is given to extend the deadline, a short pause to wait for the MOU will not risk the project progression.

### **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

UK Shared Prosperity Fund Prospectus, 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