



## Assurance Panel Summary

### Scheme Details

|                            |                      |                          |  |
|----------------------------|----------------------|--------------------------|--|
| <b>Project Name</b>        | Lontra Smart Factory | <b>Type of funding</b>   | Grant and Loan   |
| <b>Grant Recipient</b>     | Lontra Limited       | <b>Total Scheme Cost</b> | £17.7m   |
| <b>MCA Executive Board</b> | Business Growth      | <b>MCA Funding</b>       | £7.1m (applicant proposed at £1.97m loan and £5.16m grant) |
| <b>Programme name</b>      | Business Support     | <b>% MCA Allocation</b>  | 40%  |

### Appraisal Summary

| Project Description  |  |       |
|--|--|-------|
| This is the second of a two-phase project, with the MCA having already provided funds for phase one. This phase will deliver a manufacturing facility and cement Lontra’s footprint here in South Yorkshire. The MCA is being asked to fund the establishment and fit-out of the Smart Factory (including equipment purchase), and R&D activities. |  |       |
| Strategic Case   |  |       |
| Options assessment   | The FBC would have benefitted from a more detailed assessment of options showing why the shortlisted options were selected. Notwithstanding this, however, the FBC does present a clear and reasonable case for the selection of the preferred option compared to the viable alternative option. The argument is well made as to why the preferred option would be more likely to achieve project objectives, and the challenges associated with implementing the viable alternative option. |       |
| Statutory requirements and adverse consequences  | Given the scale of the project, approval must be subject to confirmation by the relevant local authority that there are no statutory requirements or wider impacts which need to be captured or mitigated through contract conditions.   |       |
| FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).   | The project is well aligned overall to the SEP and RAP, and this is demonstrated strongly in the FBC. If the project is delivered as set out, it can be expected to deliver against all three of the MCA’s core strategic outcomes (Stronger, Fairer, Greener) and the SEP’s overarching policy objectives (Growth, Inclusion and Sustainability).   |       |
| Value for Money  |  |       |
| Monetised Benefits:  |  |       |
|  |  |       |
| VFM Indicator  | Value  | R/A/G |

|  |  |   |
|--|--|---|
| GVA (£)  | £7.4m per annum  | G |
| GVA per £1 of SYMCA Investment   | £4.9<br><i>(NB: estimates are based on assuming five years of annual discounted GVA impact from 2025/26; as noted in the appraisal report there is a higher-level of uncertainty associated with GVA estimates in the period following the end of the project, and the data should be regarded as indicative only)</i> | G |
| Cost per Job (£)<br><i>(Infrastructure / Business Investment projects)</i>   | £51,169*<br><i>(*This represents a worst-case scenario. Depending on the actual levels of leakage and displacement cost per job may be much better).</i>   | A |
| <b>Value for Money Statement</b>   |  |   |
| <p>The project is estimated to create circa 139 net additional jobs. However, this could potentially rise to 263 ftes in the central case scenario. The former estimate represents a worst-case scenario and depending on the actual levels of leakage and displacement could be much better. GVA is estimated at £7.4m per annum once full capacity reached. Relative to the £7.1m of MCA funding sought, this project could be estimated to provide acceptable value for money. This may improve significantly once the social and environmental impacts are explored further, quantified and monitored.</p> <p>This value for money assessment rests on a number of assumptions and uncertainties that pose significant risks. Most substantively, they relate to (i) the ability of the project to deliver the scale-up of employment as set out in the application and (ii) the ability of the Applicant to secure the match funding for the project.</p> |  |   |
| <b>Risk</b>  |  |   |
| <p>There are significant risks associated with the project, notably:</p> <ul style="list-style-type: none"> <li>the ability of the project to secure match funding (and consideration of alternative options for delivery if all match funding is not achieved)</li> <li>the financial viability of the business, given the information provided in the FBC (e.g. a credit rating of 35/100)</li> <li>risks associated with the level of employment required (and mitigations if suitable personnel are not available in the region)</li> <li>risks associated with procurement and ensuring value for money is achieved.</li> </ul> <p>†These risks will need to be fully mitigated via contract conditions.</p>  |  |   |
| <b>Delivery</b>  |  |   |
| <p>The timetable for delivery set out in the FBC and Project Plan appears to be broadly reasonable. The Project Plan has a detailed timetable in relation to the purchase and installation of equipment, and outlines top level milestones across Stages A and B. This said, the FBC and Project Plan presents limited information on the timing of the proposed R&amp;D activities.</p>   |  |   |

Considering the scale, nature and risk-level of the project, and the significant procurement that will be required (including capital equipment) the level of detail provided in the Commercial Case related to the procurement strategy is limited. The Applicant has provided a Project Plan which sets out clearly the timing and costs associated with equipment purchase and wider project activities. However, how this procurement approach will be realised in practice is not set out in any detail.

The FBC indicates that the cost certainty is at 75%, which is insufficient at FBC stage. The Applicant has confirmed that they will fund any cost overruns from “share capital, profits and investors”.

The FBC identifies two SROs: the Chief Executive and Chief Operating Officer. The FBC presents an overarching governance structure for the project. However, limited information is provided on how project governance will be realised in practice.

The project has been publicised on the Applicant’s website and was announced in an article published by ‘The Manufacturer’.

The FBC sets out a very high-level overview of monitoring procedures, including a named responsible officer for monitoring (the Applicant’s Project Manager) and frequency of reporting. However, limited detail is provided on the expenditure, output or outcome indicators which will be monitored. Further, the FBC states that it does not have any monitoring obligations for other funders. It does not take into consideration any potential monitoring obligations for other funders once further funding has been confirmed (e.g. potential monitoring required by the British Growth Fund). Overall, proposed procedures for monitoring and evaluation could be further developed and should be revisited prior to any approval.

## Legal

The project has made the case, supported with legal opinion, that the project is in line with rules on subsidy control. This is being reviewed by the MCA Exec legal team

## Recommendation and Conditions

|                       |  |
|-----------------------|--|
| <b>Recommendation</b> | Approve. - Consideration should be given to the current mix of grant and loan particularly in relation to the project demonstrating value for money. |
|-----------------------|--|

|                      |   |
|----------------------|---|
| <b>Payment Basis</b> | Upfront loan and grant payment on defrayal. |
|----------------------|---|

## Conditions of Award (including clawback clauses)

***The following conditions must be satisfied before contract execution.***

- 1. Confirmation that £2m of match funding is secured prior to drawdown of loan capital.***
- 2. Confirmation that loan will be used for capital expenditure.***
- 3. Confirmation from the relevant LA that there are no statutory conditions which need to be met or impacts which need to be mitigated***
- 4. Provision of current employment baseline and proposed phasing of headcount expansion, with evidence showing proportion of SY residents recruited***

***The following conditions must be satisfied before drawdown of funding.***

**The following conditions must be included in the contract**

1. ***Confirmation that all other funds have been secured***
2. ***Agreed schedule of inclusive and environmental commitments***
3. ***Clawback on outcomes***
4. Suitable overage clause to be considered for inclusion in agreement

| Record of Recommendation, Endorsement and Approval |                                     |  |  |                           |  |
|--|-------------------------------------|--|--|---------------------------|--|
| Project Name                                       |                                     |  |  |                           |  |
| Appraisal Panel Recommendation                     |                                     | Board Endorsement  |  | MCA Approval              |  |
| Date of Meeting                                    |                                     | Date of Meeting  |  | Date of Meeting           |  |
| Head of Paid Service or Delegate                   | Ruth Adams<br>Deputy CEX            | Endorsing Officer (Board Chair)  |  | Approving Officer (Chair) |  |
| Signature  |                                     | Signature  |  | Signature                 |  |
| Date   |                                     | Date   |  | Date                      |  |
| S73 Officer or Delegate                            | Gareth Sutton<br>Finance Manager    | Statutory Finance Officer Approval<br><br>Name:<br><br>Signature:<br><br>Date: |  |                           |  |
| Signature  |                                     |  |  |                           |  |
| Date   |                                     |  |  |                           |  |
| Monitoring Officer or Delegate                     | Steve Davenport<br>SCR CA Solicitor |  |  |                           |  |
| Signature  |                                     |  |  |                           |  |
| Date   |                                     |  |  |                           |  |