

## Business Recovery and Growth Board

01 September 2022

### Programme Approvals

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<b>Is the paper exempt from the press and public?</b>	No
<b>Reason why exempt:</b>	Not applicable
<b>Purpose of this report:</b>	Funding Decision
<b>Is this a Key Decision?</b>	Yes
<b>Has it been included on the Forward Plan?</b>	Yes

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#### **Director Approving Submission of the Report:**

Gareth Sutton, Chief Finance Officer/s73 Officer

#### **Report Author(s):**

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#### **Executive Summary**

The paper seeks progression to full approval and award of £1.4m grant for the Canon Diagnostic Suite and Arena project and progression of a Strategic Business Case (SBC) to Full Business case (FBC)

#### **What does this mean for businesses, people and places in South Yorkshire?**

This report is seeking approval for a proposal which will support the MCA's aspirations.

#### **Recommendations**

The Board consider and approve:

- Progression of "Canon Diagnostic Suite and Arena" project to full approval and award of £1.4m grant to Canon Medical Systems Ltd subject to the conditions in the Assurance Panel Summary attached at Appendix A.
- Progression of D0036 Strategic Business Case (SBC) to the MCA Board for approval to proceed to Full Business Case (FBC)
- Delegated authority be given to the Head of Paid Service in consultation with the Section 73 and Monitoring Officer to enter into legal agreements for the scheme covered above.

## **1. Background**

1.1 This report details the results of the assurance process of one currently unfunded proposed capital investment totalling c. £1.4m. The report recognises that the proposal meets the threshold for investment – subject to a number of conditions – and in line with previous decisions recommends that the Board consider resourcing the project from the gainshare funding made available in 2022/23. .

### **1.2 Progression of schemes to full approval and award of funding**

#### **Canon Diagnostic Suite and Arena**

This investment is for £1.4m to Canon Medical Systems Ltd with total project costs of £14.2m

The project will build the UK's first sustainable and affordable community based multi-purpose arena with an integrated Sports Diagnostic and Medical Suite ("SDMS"). Over time, the facility will have an outstanding reputation for delivering a service that supports professional athletes and complements the health needs of the city's residents. This will be an integral part of the major complementary developments on the Olympic Legacy Park in Sheffield.

#### **Sports Diagnostic and Medical Suite**

Canon Medical, together with its UK R&D Division based in Edinburgh, will install the latest technology in imaging systems, data management and artificial intelligence solutions, to deliver the best patient outcomes for today and the future. Innovations developed here will be included in Canon's systems delivered around the world. The SDMS will include Canon Medical's state-of-the-art diagnostic and scanning facilities that will be available to elite performance athletes through to NHS patients.

Canon will be partnering with other establishments in and around the OLP where there will be a need for imaging as part of any research and data gathering. Some of this research will be as part of a collaboration with Canon Medical Research Europe, but with a facility located at the SDMS.

The SDMS will be a showcase for Canon Medical's latest products and a hub for its research and development division which will complement the AWRC. Canon Medical Systems are a global company, domiciled in Japan for most manufacturing but with multiple Research & Development hubs around the world including. The ambitions are to help the NHS be the first in the World to benefit from a comprehensive implementation of AI, especially in diagnostics, and our partnership with Academia and Healthcare in Sheffield, through this project, is key.

#### **Arena**

Park Community Arena Ltd has developed the project to date and is in the process of handing the ongoing development of the Arena to Canon Medical Systems. Upon completion, PCA Ltd will operate the new sustainable, multi-purpose and flexible small community arena (up to 2500 seats with 3 full-size basketball courts amongst other facilities) on the emerging, high profile Olympic Legacy Park in Sheffield, forming an accessible unique sporting, leisure and wellness campus. The project will offer the wider community, in a deprived area, affordable, quality, and flexible indoor facilities for a range of sporting, leisure, entertainment, health and educational services.

In addition, it will offer and support a range of research programmes that the Advanced Wellness Research Centre will seek to deliver around improving peoples' health and education through sport and physical activity.

Canon already have a national cryo-warehouse for MRI Scanners, which is also a training centre for its engineers nationally, based in Dinnington, Rotherham. This is also a base for the storage and maintenance of a fleet of mobile MRI and CT Scanners which require very high-power supplies and high indoor space to work in and on the trucks. Canon see the OLP development as an opportunity to develop the foundational footprint in South Yorkshire.

The MCA is being asked to support with grant funding to cover cost increases in relation to the Canon Diagnostic Suite and Arena, with build costs having increased from £11.9m to £14.2m due to increased cost of materials and labour as a result of the Covid-19 pandemic and other global factors. This is despite extending the repayment period of the loan to PCA from 15 to 20 years whilst maintaining a 3-year interest only period. This still leaves a funding gap of £1.4m to realise the full benefits of the project. This £1.4m funding gap is what is being requested from MCA.

Further details of the schemes and risks are included in the Assurance Summary at **Appendix A**.

## 1.2 Progression of scheme from SBC to FBC

### **D0036**

D0036 is a pre-authorisation financial services firm that is seeking an equity investment of £5m to support the set-up of a new national challenger bank, based in central Sheffield. The bank will focus on the provision of targeted residential mortgage lending at a high Loan-to-Value (LTV) rate (eg. 5% deposit) and retail savings products to people in secure but lower paid jobs (specifically public sector and key workers), older consumers and first time buyers who may struggle to access mortgages from high-street lenders. Potentially, the bank will also design products specifically for South Yorkshire residents only, such as mortgages with reduced fees for first time buyers and savings accounts paying higher rates of interest, as well as 'later life' products that will free up capital for older homeowners with large capital assets but small pensions. The bank aims to commence trading in late 2022/early 2023.

D0036 is being set-up by a group of former banking professionals. The applicant estimates that the bank will grow in employment from less than 10 employees in its first year of operation, to employing 226 employees in ten years, including apprentices and paid internships, with profits secured within the first three years of trading.

The applicant has estimated a Return on Investment for SYMCA of circa £50m gross by year 10. This is based on an assumed loan book value of approximately £2.3bn and total balance sheet assets of £2.5bn by year 5; funded by retail deposits and capital funding. The MCA's £5m equity stake would secure a shareholding in the equity of around 26%.

Grant Thornton conducted a Financial Assessment of the proposal in July 2022. As the applicant is a start-up business without a trading history, the assessment is based on forecast and assumed financial performance and is therefore significantly. It is also important to note that SYMCA would be the sole investor at this stage, as the £2m match-funding would not be raised until the bank commences trading.

Further details of the scheme and risks are included in the Assurance Summary at **Appendix B**.

### **3. Options Considered and Recommended Proposal**

#### **3.1 Option 1**

Approve all recommendations

#### **3.2 Option 1 Risks and Mitigations:**

Approval of the investment propositions would require a commitment being made against the MCA's 2022/23 gainshare allocation.

#### **3.3 Option 2**

Reject the recommendation

#### **3.4 Option 2 Risks and Mitigations:**

Rejection of the recommendations in this report would mean the region foregoing the forecast benefits arising from the investment.

#### **3.5 Recommended Option**

Option 1

### **4. Consultation on Proposal:**

4.1 Discussions for these projects has continued with thematic boards during project development.

## **5. Timetable and Accountability for Implementing this Decision**

- 5.1 Subject to the approval of the recommendation, the Head of Paid Service in consultation with the Section 73 Officer and Monitoring Officer will progress to enter into legal agreements.

## **6. Financial and Procurement Implications and Advice:**

- 6.1 The project presented for approval today are profiled to draw down up to £1.4m from Gainshare.

## **7. Legal Implications and Advice:**

- 7.1 The legal implications of the project have been fully considered by a representative of the Monitoring Officer and included in the recommendations agreed within the Assurance Summaries as presented in the Appendices. Projects have taken full legal advice regarding subsidy control.

## **8. Human Resources Implications and Advice**

- 8.1 N/A

## **9. Equality and Diversity Implications and Advice**

- 9.1 Appropriate equality and diversity considerations are taken into account as part of the assurance of the project business cases

## **10. Climate Change Implications and Advice**

- 10.1 Appropriate climate change considerations will be taken into account as part of the assurance of the project grant application process.

## **11. Information and Communication Technology Implications and Advice**

- 11.1 N/A

## **12. Communications and Marketing Implications and Advice:**

- 12.1 The approvals provide positive opportunities to highlight the difference the MCA's investments will make to people and passengers, businesses and places across South Yorkshire and how Members are taking action to support the region's recovery from COVID

## **List of Appendices Included**

- A Assurance Summary – D0035 - Canon Diagnostic Suite and Arena  
B Assurance Summary - D0036

## **Background Papers**

None