

1 – SCHEME DETAILS

Project Name	National Centre for Child Health Technology (NCCHT)	Type of funding	Grant
Grant Recipient	Sheffield Children's Hospital NHS Foundation Trust	Total Scheme Cost	£20.2m
MCA Executive Board	Business Growth	MCA Funding	£6m
Programme name	Business Growth	% MCA Allocation	30%
Current Gateway Stage	FBC	MCA Development costs	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION

The project is seeking £6m in MCA funding to develop and build a new National Centre for Child Health Technology (NCCHT), which will be the first of its kind in the world at the Sheffield Olympic Legacy Park, (SOLP). NCCHT will be an international centre of excellence for child health technology that will support world-leading research and innovation through partnerships between industry, clinical and academic experts. It will focus upon taking services and products from concept to market, using the intellectual property, products and knowledge developed in the centre to generate wealth and employment opportunities and revolutionising children's healthcare, placing the UK as a global leader in child health technology. NCCHT will be a global first, designed to drive the collaboration between clinical, academic and industry partners with a research agenda to drive significant improvements in child health at both the national and international level.

The NCCHT will:

- Catalyse the development, evaluation, and commercialisation of child health technologies
- Attract national and international investment, create jobs and establish and develop new companies
- Reduce NHS costs through early diffusion and adoption of new technology
- Create long term sustainable health change, reducing the burden of ill health for decades to come
- Address the levelling-up agenda, by addressing health inequalities in the North of England through a digital and data driven which will aim to end the geographical inequality which is such an evident feature of the UK
- Help to address the prevention agenda (Prevention is better than cure: our vision to help you live well for longer - DHSC, 2018) with the ethos of 'start-well, live well' making the North and UK a healthier place to live.

The MCA is being asked to fund a £6m grant to Sheffield Children’s NHS Foundation Trust (SCHFT) in order to close the funding gap in the project’s overall £20.2m cost. The £14.2m of non MCA funding comprises:

- £8.9m of Levelling Up Fund (LUF) (confirmed),
- £3.2m of Trust funding (confirmed),
- £2.1m of Trust Charity/other charitable contributions (agreed in principle)

The MCA funding represents a 30% of overall project costs. This will fund:

- SCHFT Spaces: Clinical Departments, Outpatient Departments, Gait Laboratory, Therapy Services
- Commercial rented spaces: Technology Zone, Immersive Technology Zone, Paediatric Technology Assessment Zone, Simulation Suite, Child Health Business Technology Centre, Creative and Manufacturing Zone.

Given the nature of the scheme, MCA funding is required to bridge the remaining gap and to safeguard the delivery of the scheme following the successful award of £8.9m of LUF funding. The LUF is specifically tied to the development of the project at the OLP. If the project does not receive MCA funding, the LUF will have to be returned to central government.

3. STRATEGIC CASE

Options assessment

The FBC provides significantly more detail on the options process, including a summary of the process and conclusions in the main form, as well as the inclusion of a supplementary options framework document. It is clear that this process adheres to HM Treasury Green Book Guidance on approach and in the development of a wide range of realistic and possible options for the delivery of the project.

A range of options were considered by the applicant to understand the scope of clinical services for the project. Once the clinical scope was decided the project team looked at a range of options to deliver this. The summary table provided in the FBC is helpful in highlighting the long list of options and how they were assessed against the project’s SMART objectives/SIOs and against the project objectives and critical success factors.

The identified short-listed options are clear and sensible. The rationale and conclusions for selecting the preferred option are clearly set out in the diagram and text provided in the FBC. The preferred option enables the project to be delivered at a lower cost with no additional site assembly costs required compared to the alternative option, while locating at the SOLP also enables the project to:

- deliver all the services required through a mix of funding sources
- deliver a wide range of clustering benefits of being at the SOLP by co-locating alongside other institutions/centres located there.
- Support wider catalytic effects around R&D, skills development, further job creation, as well as bringing forward/accelerating development at the SOLP.

The preferred option delivers a BCR of 7.16, compared to a BCR for 2.25 for the viable alternative option (new build facility on a private site). This alternative option costs more (due to site acquisition cost) and does not deliver the scale of wider economic benefits which the preferred option delivers. This is due to the preferred option delivering an accelerated role out of benefits at the SOLP and being a catalyst for further developments at the SOLP.

	<p>The preferred option delivers very high value for money for the public sector support received, and it has been appropriately selected. The preferred option also has a greater alignment with the strategic objectives of the project, as well as supporting wider objectives around the regeneration and economic development ambitions for SOLP and the clustering of knowledge intensive sectors.</p>
<p><i>Statutory requirements and adverse consequences</i></p>	<p>The applicant has received planning permission for the proposal in November 2022. All the necessary reports and documentation, including reports on traffic assessment, flooding and sustainable development were provided as part of this process, as well as a period for public consultation.</p> <p>The applicant has undertaken a detailed transport assessment of the scheme. The assessment concluded that the residual cumulative impacts of the proposed development were not considered to be severe and therefore concluded that, in terms of highways, the development proposals and mitigation measures were acceptable.</p> <p>The FBC also considers wider implications and adverse consequences from an environmental and social/economic perspective. The environmental response provided focuses on the sustainable development plan which has been put in place and outlines a series of measures for tackling issues associated with the project/building/operations (e.g.. Waste, surface water, pollution etc).</p> <p>From a socio-economic perspective, adverse consequences of the project not being able to realise localised benefits in terms of job creation were highlighted by the applicant. For example, access to skilled jobs at the centre for local people (i.e. current skills match issues) in the short-term, while the scale of public and private sector collaboration/participation being constrained was also flagged.</p> <p>As these outputs are a key component of the project's benefits in terms of jobs and GVA and contribute to the project's BCR, the MCA could work closely with the applicant to ensure there are appropriate strategies in place to mitigate these issues arising.</p>
<p><i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i></p>	<p>The applicant has made a strong case for how the project aligns with the Strategic Economic Plan (SEP). The detail presented by the applicant on the project's fit with the core broader outcomes of 'stronger, greener, fairer' for the SCR economy is very clear.</p> <p>In particular, they highlight the project's contribution to growth, inclusion and sustainability as part of creating a 'better society'. They also refer to the project's contribution to three of the SEP's aims:</p> <ul style="list-style-type: none"> - to be a net contributor to the national economy, supporting innovation and entrepreneurship, and attracting new investors to locate in the region; - leading the world in testing, developing and commercialising ideas emerging from our research community and businesses - our people will be happier, healthier, better off, better qualified and better able to access good opportunities

References are also made to how the project will play a key part in the SEP's 'transformational' agenda, through accelerating innovation-led economic growth, as well as harnessing the power of clustering within the OLP and connections to other facilities and research centres. The NCCHT project will also play a key role in using research and innovation to tackle long-term issues around children's healthcare and inequalities.

4. VALUE FOR MONEY

Monetised Benefits:

<i>VFM Indicator</i>	<i>Value</i>	<i>R/A/G</i>
<i>Net Present Social Value (£)</i>	£147.6m	G
<i>Benefit Cost Ratio / GVA per £1 of SYMCA Investment</i>	7.16	G

Value for Money Statement

The FBC provides a very clear overview of how the applicant and their consultant team, including Genecon, has assessed the scheme's benefits, costs and value for money (VFM). Following clarifications at the SBC and FBC stages, the applicant has provided further detail and explanations on the approach used and the assumptions made. Based upon the information and responses provided, the scheme represents 'very high' value for money for the MCA, with a BCR of 7.16.

The applicant has assessed the monetised and non-monetised benefits and costs of the proposal in a structured and clear way. The focus of the monetised benefits is driven by an assessment of the construction jobs and GVA secured directly from the project, which is line with recent guidance on 'place based analysis'. It also assesses the GVA associated with NCCHT employment and research impacts.

The assessment then focuses on the catalytic impact that arises at SOLP as a result of the NCCHT 'accelerating' the GVA benefits for the SCR by bringing forward further developments at SOLP that would otherwise take a further 3-5 years to materialise. This is a sensible approach and one which has been done in a conservative way given the scale of proposed development, a focus on a short time period, and based upon the assumptions used. This equates to around £145m of GVA (NPV).

The assessment also considers non-monetised impacts. A key non-monetised impact from the NCCHT is the impact the centre will have on health outcomes for children and young people – a key objective of the project. These impacts are challenging to quantify but would have a direct impact on SCR's labour market through reductions in economic inactivity (both those with ill health and those caring for them). In addition, the project will also play a key role in supporting SCR's cluster of knowledge intensive businesses/cluster and potentially play a role in attracting further inward investment to SOLP and to other locations.

5. RISK

The applicant has provided both a longer risk register and included the 'top 5' risks as part of the business case application form. These top five were chosen via scoring ranking system in the risk register based on likelihood of occurring and impact. The only quantified risks in the register were linked to labour and also material costs inflation (c.2.04m risk). Other risks were assessed qualitatively. All risks have a risk owner identified and a clear approach is outlined for mitigation and monitoring of risks.

While there are risks quantified within the risk register and business case on labour and material cost inflation (£2.04m), the 28th November 2022 cost plan includes references to 11% 'planning contingency' and 6% Optimism Bias. Through clarifications, the applicant has confirmed that these refer to general construction cost contingencies and the risk of further cost inflation.

In addition, the cost plan also states an overall project cost of £24.69m. If this is the latest cost plan, it was not clear how costs and contingencies align with the £20m cost/funding package. Further clarifications have outlined that the applicant's consultant team are looking to reduce costs through design simplification and specification changes.

Funding still needs to be confirmed for the £2.1m charitable donation in order for the £20.2m package to be realised, alongside SYMCA funding confirmation. In addition, cost certainty needs to be higher, with around £3.2m of cost savings needed to be found through design and value engineering. SYMCA will need to liaise with the applicant and be updated on this process to be reassured that the project objectives and outcomes are not comprised by any cost reductions.

In terms of the charitable contribution of £2.1m and when this will be confirmed, the applicant has clarified that SCH are working closely with the Hospital Charity, and it is anticipated that approval of funding will be confirmed in Q4 2022/3. In the event that Charitable funds were not available the Trust would undertake to make the funding required available from within its own capital allocation.

The applicant has identified that there is work ongoing between all parties and legal advisors to agree the procurement approach.

6. DELIVERY

The proposed timetable for delivery has been informed by the technical team supporting the development of the NCCHT and has been well considered given the design of the building and the need to procure a construction partner. The timetable appears reasonable, commencing in July 2023 and completion in August 2024 (c.14 months).

The business case outlines how the Trust Board is committed to ensuring there is a viable and compliant procurement route for the NCCHT. The Sheffield Olympic Legacy Park (SOLP) already has an appointed developer for the whole site. The Trust and SCC have been jointly working alongside that developer to understand the potential to develop the site for an NCCHT. The Trust intends to continue to work with the existing developer to deliver the NCCHT.

As such, the Trust is currently still working closely with SCC to identify the most appropriate viable procurement route to deliver the NCCHT and is taking legal advice to support the process. That current advice suggests that a land transaction with the developer, with details still being worked on, is the most appropriate route. As such, the Trust will not be required to procure a developer through a traditional 'procurement' process. The applicant advises that all parties see the risks associated with this process as being 'low' and there is an agreed MOU between SCC and SCHFT to support delivery.

The level of cost certainty is currently judged at 85%. The applicant outlines how they are seeking to reduce project costs to the £20.2m level from a £23.4m in the latest cost plan (Nov 2022) through design and value engineering (a fall of c£3.2m).

While this business case has been submitted as an FBC, SYMCA should continue to liaise with the applicant as the cost finalisation process continues. While the applicant has confirmed that SYMCA will not be asked for further funding, the delivery of the project is contingent on costs reducing.

Recent clarifications indicate that the applicant has judged cost certainty at 85% due to further revisions to two specific areas of the NCCHT – the GAIT analysis lab and the 4th floor business centre. Following further design meetings it is their expectation that cost certainty can now rise to the required assurance level. The MCA should clarify this once the applicant has provided further detail in due course.

In respect of making cost savings in order to meet the £20.2m funding package, the applicant has clarified that on-going work on design and specifications will continue, but not to the detriment of the proposed NCCHT service, quality of provision and outputs/outcomes are not compromised. The MCA should seek further reassurance once this work has been completed.

The applicant has provided a clear overview of the key individuals and roles within the Project Team, with John Williams identified as the SRO. The governance structure of the programme board has also been provided, providing context on how the board sits within the context of the SCHFTs overall governance structure. This is helpful to see and it is clear that there is oversight at key points on the board's approach and the key workstreams.

The business case has been signed off by John Williams as SRO, as well as Ruth Brown, Chief Executive.

The applicant has outlined the range of stakeholder engagement which has taken place through the development of the project and the business case, as well as drawing on specialist advisors and the scrutiny of the NCCHT and Trust Boards. In this context, there has been clear support for the project and the development of the business case.

In terms of wider public consultation, the applicant only references the planning application process and the ability for the public to comment on the application. The applicant has also included a number of letters of support from key businesses and potential collaborators/users (e.g. Canon Medical/IBM etc). Recent clarifications provided further detail on how the Trust has publicly communicated on the project.

There are appropriate monitoring and evaluation processes in place. These are well set out in the response in the business case. There will be a 'post project evaluation' phase which includes two stages – one completing project completion report after 6 months and a full evaluation after 2 years. In addition, a full benefit realisation plan will be developed for the project outlining the key actions to deliver project benefits (by who and by when). The SCHFT has given approval for two posts to assist with the project management of the NCCHT and monitoring and evaluation will be part of their roles. SCHFT will consult with SYMCA as part of the evaluation process.

7. LEGAL

The project has fully considered Subsidy Control, with the applicant commissioning legal advice from Capsticks on this matter. This concluded MCA grant assistance was compliant.

8. RECOMMENDATION AND CONDITIONS

Recommendation	Full grant award subject to conditions/recommendations
Payment Basis	Payment on defrayal

Conditions of Award (including clawback clauses)

The following conditions must be satisfied before drawdown of funding.

- Applicant to provide an update to the MCA and ensure that they provide the latest cost information to meet the 95% cost certainty thresholds following recent design team meetings.
- MCA to continue to liaise with the applicant as the value engineering moves forward. Applicant to reassure MCA that the project can meet the £20.2m funding envelope and that the proposed services, quality of provision and outputs/outcomes are not compromised.
- Applicant to update MCA on the status of the £2.1m charitable donation and when this will be confirmed funding.