

Manchester City Council Report for Resolution

Report to: The Executive - 27 July 2016

Subject: Updated Draft St. John's Strategic Regeneration Framework and Factory Manchester

Report of: The Chief Executive

Summary

This report provides an update on the St. John's Strategic Regeneration Framework (SRF) and the opportunity that exists to lead the next phases of regeneration of the city centre, and to deliver significant investment in a critical mass of land, readily available to deliver comprehensive redevelopment.

The report also advises Members on the continued progress in taking forward proposals for Factory Manchester which is located in the heart of St John's and which is planned to open at the end of 2019.

Recommendations

The Executive is recommended to:

1. Approve the updated draft St. John's Strategic Regeneration Framework in principle and request that the Chief Executive undertake a public consultation exercise in relation to the framework, and report back to the Executive on the outcome of the consultation.
2. Note the progress since the last report to Executive on 29th July 2015 on Factory Manchester.
3. Note that the business case for the capital investment in the Factory has been submitted to Arts Council England (ACE). This is now subject to the Treasury Review Gateway process, with a decision due by January 2017 on the approval of the £78m allocation (of which £10.64m has already been approved for development of the project).
4. Recommend the Council to approve the capital funding arrangements outlined in paragraphs 4.12 to 4.16 of this report and approve in principle the proposal outlined at paragraphs 4.17 to 4.18 to provide a contribution to the project of up to £20m to be funded from a mix of capital receipts and other Council resources.
5. Request a further report be presented to the Executive ahead of making a commitment to the building contract, setting out the detailed funding arrangements and seeking the appropriate formal approvals.

Wards Affected: City Centre

Manchester Strategy outcomes	Summary of the contribution to the strategy
<p>A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities</p>	<p>The Factory Manchester will accelerate economic growth in the region by playing an integral part in helping Manchester and the North of England enhance and diversify its cultural infrastructure and attracting clusters of related creative industry activities and extra visitors to the city, it will also provide a genuine cultural counterbalance to London. The Council will be working with central government over the next 12 months to develop a Creative Enterprise Zone proposal to support and incentivise creative SME co-location, and maximise training and educational opportunities for the area.</p>
<p>A highly skilled city: world class and home grown talent sustaining the city's economic success</p>	<p>The Factory Manchester will make a direct contribution to the growth of creative industries, improve talent retention in the North, and reduce the dependency on London as the provider of creative industries training and employment. New direct jobs to run the venue will also be created. It is calculated that within a decade it will help create, directly or indirectly, the equivalent of 2,453 full time jobs and add £137.7m a year to our economy.</p> <p>The Factory will develop partnerships with the cities leading higher education institutions and will further support the cities drive for high calibre graduate talent retention through job creation. It will act as a UK leader in creative sector/HE led training to expand access for Greater Manchester young people into creative jobs.</p>
<p>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</p>	<p>The Factory and wider St. John's development will create a vibrant new neighbourhood based around the former ITV: Granada Studios site. The proposed mixed-use developments, and quality of the public realm is a significant factor in determining the character of the area. The intention is to encourage independent, niche and creative uses and businesses with new office, cultural, workspace and leisure development and in excess of 2,500 residential units, comprising apartments, live-work units and high rise living.</p> <p>The presence of Factory as ' cultural anchor ' has already had a catalytic effect in terms of reimagining the creative redevelopment of the MSI</p>

	<p>site and Upper and Lower Campfield Markets as a creative district.</p> <p>The Factory will lead to a younger, more culturally diverse audience, combined with expanded, adventurous older audiences.</p>
<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>The Factory will benefit from excellent public transport connectivity, ensuring the site can be accessed by visitors.</p> <p>Sustainable design and development principles will be tested at planning application stage.</p> <p>The benefit of cultural investment are much broader that the direct impact of expenditure by visitors, with cultural activities making an important contribution to community engagement and initiatives targeted at young people, underrepresented and disadvantaged groups.</p>
<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>The Factory will benefit from strong public transport links with both rail and Metrolink stations and a choice of multi-storey car parks for visitors.</p> <p>The development will be well served by new pedestrian walkways and cycle routes including the replacement Princes Bridge scheme under construction and improved pedestrian connectivity as part of the St. John's developments and proposals by the Museum of Science and Industry, which will provide residents with improved linkages to surrounding neighbourhoods and city centre districts. New public spaces and connections are proposed, which will significantly improve the environment of this part of the city centre.</p>

Further details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Nil at this stage. The Council currently makes an annual revenue contribution of £1.25m to support artistic activities within the Factory. Future contributions are deemed to begin in the year prior to opening i.e. 2018/19 and will be considered as part of the regular budgeting process.

The business plan for the Factory assumes a recurring revenue funding requirement of circa £10m which is assumed to be underpinned by an ACE contribution of £9m per annum which has been placed in the necessary funds by Government for this to happen. The formal funding application for the £9m will be submitted to ACE towards the end of 2016.

A further £1.25 million is required annually to achieve the highest artistic ambitions for Factory, and this forms part of the fundraising work for the Factory Project Director. Should this level of funds not be secured, the business model can flex to reduce expenditure and increase commercial income.

Financial Consequences – Capital

The current budget for The Factory Manchester is estimated to be up to £110m. Central government has identified £78m, and ACE £7m, with the balance of £25m to be delivered through fundraising and the Council's contribution.

The Council's contribution of up to £20m will be funded from identified capital receipts and other Council resources. Approval in principle is being requested to this plan, with a further report to the Executive to be presented setting out the detailed funding arrangements when these are known in greater detail.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

St John's

1. Draft St. John's Strategic Regeneration Framework Update July 2016
2. St Johns SRF – February 2015
3. Draft St Johns, Manchester Strategic Regeneration Framework October 2014
4. Report to the Executive – 29 October 2014
5. Report to the Executive – 14 March 2012
6. Draft Quay Street and Water Street Development Framework February 2012
7. Report to the Executive – 26 July 2006
8. Report to the Executive – 18 January 2006
9. Report to the Executive – 10 March 2005
10. Report to the Executive – 8 December 2004
11. Report to the Executive – 21 July 2004
12. Report to the Executive – 13 February 2002

Factory Manchester

13. Training and Education Prospectus
14. Fundraising and Development Strategy
15. Business Plan April 2016
16. Factory Manchester Project Overview 31st May 2016
17. Report to The Executive 29 July 2015

All held in Room 303, Town Hall.

1. Introduction

- 1.1 This report provides an update on the revised draft St. John's Strategic Regeneration Framework (SRF) including progress to date, the location of Factory Manchester in the heart of the area, and proposals to extend the SRF to include opportunities to connect to the Museum of Science and Industry (MSI) and the inclusion of Upper Campfield Market, Lower Campfield Market and Castlefield House.
- 1.2 The report also sets out progress in taking forward proposals for Factory Manchester which is located in the heart of St John's. The venue is planned to open at the end of 2019, and this report updates members on the full business plan including the vision, investment strategy and legal structure, and arrangements for the delivery and management of the project.

2. Updated Draft St. John's Strategic Regeneration Framework (SRF)

- 2.1 The St John's SRF was approved in February 2015. The SRF identified St. John's as a significant opportunity to lead the next phases of regeneration of the City Centre with a "best in class" residential-led mixed use development. It recognises that the considerable scale of the site presents a critical mass of land, readily available to deliver comprehensive redevelopment. Since the SRF was approved, much work has taken place on the evolution of design proposals. A refreshed SRF is now required for a number of reasons:
- 2.2 Firstly, in order to reflect and record the significant progress that has been made towards delivering the original SRF proposals. The size and scale of the opportunity at St John's is such that development needs to be carefully planned and managed to ensure it delivers the right outcomes for the city.
- 2.3 Secondly, the refreshed strategy incorporates proposals for Factory Manchester, which were not fully articulated in the original SRF, nor was its potential significant contribution to the creation of place at St John's.
- 2.4 Thirdly, the updated strategy reflects the extending influence of the SRF following collaboration with MSI. It also reflects the Manchester Quays Limited (the joint venture partnership between Allied London and the Council) acquisition programme, and further opportunities that can add significant value and strengthen the regeneration outcomes and economic benefits of new investment in this part of the city centre. The updated SRF will foster enhanced permeability and better connections between St. John's and MSI as well as back to Deansgate and Castlefield.
- 2.5 The existing SRF established a vision and set of development principles for the area including:
 - a new residential neighbourhood, a place to live, work and play, a place for enterprise and innovation, for culture, entertainment and leisure and an area which will raise even further Manchester's international profile and set it apart from its peer cities;

- development that is fully integrated both functionally and physically with adjoining neighbourhoods;
 - re-establish Manchester's tight knit urban grain and create a meandering network of public spaces;
 - retain and reutilise the key heritage assets and integrate those features into the new urban form;
 - provide a series of existing and new public spaces that support a new network of routes and linkages, which connect the different parts of the site to its neighbours and the River Irwell, as well as anchoring the major buildings; and
 - a scale of building form that in height and plan extends the scale of the St. John's Street district across the site. To the west of the site, adjacent to the River Irwell, there is the potential to introduce taller, elegant residential buildings.
- 2.6 These principles have underpinned a significant amount of planned development, with a number of detailed planning permissions now in place. These include: the Bonded Warehouse – refurbishment of the building for conversion as a mix of office, retail, restaurant and café use; Manchester Grande – refurbishment and redevelopment of the former Granada Headquarters building and studios for a hotel and associated event space, and a new building; Village Phase 1 – residential-led redevelopment of the former Coronation street set and adjoining land, to provide 57 residential units together with retail and workspace at lower levels and associated public realm and car parking.
- 2.7 An application has now been submitted for St. John's Place: which includes the construction of four buildings (15, 18, 8 and 4 storeys respectively) comprising 387 apartments; 2 hotels with ground floor retail and associated public realm including a section of riverside walkway; car parking and cycle parking. It has recently been announced that the luxury, boutique hotel brand, Nadler Hotels, will create a 10 floor hotel within a new landmark tower at St. John's Place.
- 2.8 Other applications for planning permission for Central Village, Riverside and Trinity Islands will be submitted during 2016, jointly delivering residential, retail and leisure uses combined with workspace.
- 2.9 The Factory Manchester scheme (see paragraph 3.12 below) has evolved significantly in design terms, and a planning application will be submitted at the end of August. The new Trinity Islands scheme will include a new education facility for performing arts. This proposal has been developed in order to enhance the creative ecosystem around the Factory and other cultural uses within the St. John's area.

- 2.10 The inclusion of Upper Campfield and Lower Campfield Markets in the refreshed SRF, as well as Castlefield House represents a significant added value opportunity to extend the influence of St. John's SRF by bringing additional uses to the wider area.
- 2.11 The MSI is one of the North West's most visited cultural attractions with 700,000 visitors a year. The site is of considerable historic importance. Manchester's modern economic growth model is centred on the science economy, evidenced by its designation as the first UK city to become the European City of Science in 2015/16. The site includes some of the city's finest 19th century warehouses - including the world's first passenger railway warehouse - and it is home to the world's oldest surviving passenger railway station. MSI is a vibrant and important tourist attraction for the city; however, it is recognised that in its current form, the complex is predominantly inward facing. As such, there is a clear aspiration to achieve better connectivity with Water Street, Castlefield, St. John's, Deansgate and the wider city centre. MSI is developing its own masterplan and is collaborating with the Council and MQL on how the two estates can best complement each other, and enhance their respective offers.
- 2.12 A first phase of the strategy will result in the creation of a new international standard Special Exhibition Gallery. It will create a beacon for contemporary science and will assist in addressing London's dominance for such exhibitions. The proposals which will be submitted for Planning in August will offer a significantly enhanced visitor experience through the provision of high quality space and an improved relationship with other parts of the complex. To deliver the new exhibition space, internal works are proposed at the basement level of the 1830 Warehouse, Viaduct and former Liverpool Road Railway Station to create an improved gallery space. In addition to the gallery space, there are proposals for improved permeability through MSI, including a link under the viaduct for the Factory ground floor lobby. A key objective is improved outdoor public spaces throughout the complex and discussions are underway with Network Rail to lease and landscape land on top of the Zig Zag Viaduct alongside the new Ordsall Chord and Factory site as a picnic area for visitors.
- 2.13 Upper Campfield Market is a largely vacant Grade II Listed Building which requires a permanent economically viable use to secure its future. It is a building of tremendous character and history and it presents a unique opportunity to provide a new experience for the city centre. MQL has developed a concept proposal for the site - *Union City* - which is to develop a free flowing, visually and culturally interesting space that will integrate some of the region's most talented and ambitious operators, and curate a space for culinary experience, innovation and enterprise. The building will be enlivened, with a quality food offer, cultural activity and a space for neighbourhood development.
- 2.14 Lower Campfield Market is currently used as MSI's Air and Space Gallery; however, the existing use requires re-evaluation in order to create a viable future for the site. An opportunity exists to create a multi-use space that could incorporate events. This proposal may retain key exhibits from the MSI

collection at its heart, whilst also accommodating flexible workspace units and co-work space, building upon the existing initiatives, place – making projects and enterprise platforms that MQL has developed at old Granada Studios. In combination, Upper and Lower Campfield provide a unique opportunity to build a multi-use space for innovation, cultural experience and enterprise, linking through to St. John's, and supporting continued growth objectives, whilst celebrating the city's architectural and industrial history. The acquisition of Castlefield House between these historic buildings by Allied London presents an opportunity to better integrate the two sites both physically and in terms of complementary uses.

- 2.15 The above updated and refreshed SRF proposals identify progress in the creation of a new city centre neighbourhood in the heart of Manchester. St John's will be a place for enterprise, culture and living. The planned significant private and public sector investment will raise the international profile of Manchester and will re-connect this area with adjacent developments planned at Water Street, and Great Northern Complex, Manchester Central and Castlefield Quay and improve permeability to Spinningfields, Castlefield and developments taking place across the River Irwell in Salford: see other reports included on this agenda. A site plan is attached at Appendix A.

3. Factory Manchester

- 3.1 In July 2015, the Executive received a report setting out progress in taking forward proposals for Factory Manchester, which included the creative proposition, an economic impact assessment, investment case and the planned procurement process and arrangements for the management and delivery of the project.
- 3.2 This section sets out a summary of the business plan, the investment strategy, and the legal structure necessary to satisfy Council, Treasury and DCMS requirements on the delivery of Factory Manchester (see attached report at Appendix B).
- 3.3 The Government confirmed its commitment to investing £78m towards the £110m of capital cost for the building in November 2015 and announced that, from 1 April 2018, it will provide ACE with an additional £9m per annum to offer revenue support to Factory. ACE National Council have approved development funding of £10.64m to date from the £78m grant to support the appointment of design consultants and the main contractor to progress the developed design through to December 2016.
- 3.4 Factory Manchester is where the art of the future will be made. Designed by leading international architectural practice OMA, the Factory will combine digital capability, hyper-flexibility and wide open space, encouraging artists to collaborate in new ways and imagine the previously unimagined. It will be a new kind of large-scale venue that combines the extraordinary creative vision of Manchester International Festival (MIF) with the partnerships, production capacity and technical sophistication to produce and present innovative

contemporary work year-round as a genuine cultural counterweight to London. It is scheduled to open at the end of 2019.

- 3.5 Factory will be a building capable of making and presenting the widest range of art forms and culture plus a rich variety of technologies: film, TV, media, VR, live relays, and the connections between all of these – all under one roof. With a total floor space in excess of 13,000 square meters, high-spec tech throughout and very flexible seating options, the Factory will be large enough and adaptable enough to allow more than one new work of significant scale to be shown and/or created at the same time, accommodating combined audiences of up to 7,000.
- 3.6 It will be able to operate as a 1,600 seat theatre space as well as a 5,000 capacity warehouse for immersive, flexible use - with the option for these elements to be used together, or separately, with advanced acoustic separation. It will be a laboratory as much as a showcase, a training ground as well as a destination. Artists and companies from across the globe, as well as from Manchester, will see it as the place where they can explore and realise dream projects that might never come to fruition elsewhere.
- 3.7 Factory's artistic programme will be based upon MIF's co-commissioning and co-producing model. It will work in partnership with local, national and international arts organisations to co-commission and co-produce new work, realising projects that because of their scale, ambition or complexity would not be achievable by those organisations on their own. For audiences and users of the building there will be a tangible sense that this is a place where art is being made; that as they move around the building they encounter not the polish and glitz of a temple to high art but the down to earth hum of a 21st century cultural factory. And because its programme and design will be different to that of any other type of cultural space, so its audiences will be more diverse and reflective of contemporary Manchester.
- 3.8 Factory will play a critical role in cultural innovation, growth, skills development and talent retention across the Northern Powerhouse. As well as being a major new force in the UK and international arts ecology, it will also springboard promising local talent into successful future careers. Working with a consortium of publically funded and commercial industry partners and FE and HE providers, Factory will be a new centre of excellence for training the next generation of technicians, producers and creatives for the performing arts and events industries.
- 3.9 Factory will deliver an extensive skills, engagement and training programme, divided into two elements – i) *Factory Plant* and ii) *Factory Academy*.
 - *Factory Plant* will build on MIF's existing learning programme to deliver enrichment and engagement activities connecting with diverse communities of interest across the city and region - building a dynamic pool of advocates, contributors and audiences for Factory's work.

- *Factory Academy* will be a new, virtual academy and centre for excellence in training the next generation of technicians, producers and creatives for the performing arts and live events industries across the Northern Powerhouse. Factory Academy will be a consortium of publically funded and commercial partners from the creative industries - together with FE and HE providers - to deliver a new industry-defined models of training and skills development for backstage technical and professional skill sets (e.g. *technical & production, venue & operations* and *audience & participation skills*) and on developing digitally-enabled, agile work candidates with the skills to thrive in a sector dominated by self-employment and portfolio careers.
- 3.10 For Manchester, Factory will be a bold statement of the city's future – as a creative city, a city of invention.
- 3.11 Factory will be at the heart of a creative enterprise and production district. The presence of Factory as a 'cultural anchor' for St John's redevelopment has already catalysed new thinking between partners in the area. The Council, Allied London, as development partner, and MSI have been exploring how the presence of Factory opens up new possibilities for revitalising the whole area below Deansgate as a creative hub, with a joined up and extensive public realm. MSI's own developments plans are being aligned with this creative vision and the museum itself will become part of the creative public realm, with MSI's creative science offer balancing the creative and cultural production of Factory. St John's will provide a catalyst for beneficial economic and social change, driving economic growth by clustering creative industries, digital and higher education partners. Work is underway to explore different mechanisms to ensure the area achieves its full potential as a cluster of regional significance. This will be the subject of a future report in due course.
- 3.12 The site for the Factory sits partly on viaduct land off Water Street between the MSI to the south, the Bonded Warehouse to the east, Central Village to the north and Riverside to the west. New public realm both at the lower ground floor connecting to Water Street and the new Network Rail pedestrian and cycle bridge (being delivered as part of the Ordsall Chord Northern Hub project) and upper ground floor connecting to new public realm alongside MSI and the Bonded Warehouse, will be delivered by MQL and MSI as part of the wider masterplan.

4. Progress with Factory Since July 2015

Appointment of Design Consultants

- 4.1 In November 2015 a design team for the full range of design services was appointed, led by OMA a world leading architectural practice supported by Charcoalblue, theatre consultants; Buro Happold Limited, building services and structural engineers; Gardiner and Theobald, cost consultants; Ove Arup, acoustic engineers; and WSP, fire engineers.

Business Case

- 4.2 An outline business case and appraisal of the proposed investment in Factory Manchester was approved by government departments in March 2015. A full business plan has now been developed and was submitted to ACE in April 2016.
- 4.3 The business plan will become a working document for the new organisation once constituted, and it is expected that it will evolve over time as the new Executive team are recruited and the building moves closer to opening. It is likely that a number of the assumptions that underpin the forecast will be refined as the management team develop their strategy; however, the plan as drafted represents a robust set of assumptions to act as the foundation of the strategy that the management team will ultimately adopt.
- 4.4 The plan has been developed in conjunction with a range of sources and operating models, most notably, MIF and other comparable venues. The key purpose of this iteration of the trading forecast, is to provide a robust starting point to understand the likely cost of the Factory in order to form a view of how this might be funded.

Revenue Cost

- 4.5 The business plan provides that the Factory requires an annual contribution of circa £10m to deliver its cultural and artistic programme and cover the operating overheads. A £9m annual sum has been allocated by the government to support the revenue costs.
- 4.6 The Factory will apply for a recurring £9m revenue grant from ACE in 2017/18 onwards in order to meet its annual revenue requirement. The Council will continue to fund MIF at a level in line with current commitments. It is anticipated that any excess funding requirement beyond the £9m will be either met through additional sponsorship / external resource or through enhanced trading performance (for example, an additional music concert instead of an in-house production may generate up to £0.8m of additional net income). There is also a contingency of £1m - £1.5m pa within this budget.
- 4.7 The key driver of the plan is the artistic programme. The purpose of the Factory is well documented around enhancing the cultural offer of Manchester, and it is therefore imperative that ACE are satisfied with the quality and range of the programme in order to approve the funding. The programme underpinning the business plan comprises a range of in-house and touring productions of various types and has been developed in conjunction with MIF, who are expected to form a part of the new organisation that will be constituted to be responsible for the Factory.
- 4.8 Factory's business model is based on a mixed economy of co-productions, artistic hires and commercial hires. It assumes just over 300 performances/exhibition days per annum attracting 500,000 ticket buyers. It assumes an integrated permanent staff base of 125 FTEs (plus 15

apprentices) and an initial annual turnover of £33m (£28m in non Festival years). Provision is made for an operating contingency of £1.5m per annum (£1m on non Festival years) with appropriate levels of annual transfer to reserves.

- 4.9 Factory's business model is based on low fixed overheads (less than 12% of turnover), compared to cultural organisations of similar scale in the UK. This will enable it to adapt flexibly and quickly to changes in the market place.
- 4.10 MIF itself is assumed to continue every two years and its trading performance has been included within the forecast. Overheads have been built on a bottom up basis, with particular reference to the cost base of similar theatres making adjustments for known factors. It is expected that some of the building overheads can be further refined as the design is concluded.
- 4.11 The Council support is assumed to continue at the existing level for MIF of £1.25m pa.

Capital Cost and Future Management Arrangements

- 4.12 The current assumed capital cost of the building is £110m comprising a construction budget of £92.3m and the July 2016 cost report confirms that the developed design is on budget. It is anticipated this would be funded as follows: ACE grant, £78m; ACE Lottery grant, £7m; local and third party contributions of £25m.
- 4.13 The Council is the applicant for the grant, and as such will remain as the accountable body for delivery of the project. The Council will grant a peppercorn lease to a new entity, which will operate the Factory. This will include elements of directly delivered activity (e.g. training and learning as well as the productions) and outsourced activity such as catering and FM services. The MIF Board has accepted the proposal that they grow to become the body that operates Factory, and acts as receiver for the ACE revenue funding, as well as continuing to deliver the Festival every two years. This will require an expanded Board, with national and international representatives on it, as well as strong representation from the Council. This will fulfil all the legal requirements for receiving ACE grant-in-aid. The Council will work with MIF to develop appropriate commercial partnerships to ensure the building and its commercial activities are run to maximise benefit for the charitable organisation, as well as offering the highest quality experience for users and visitors to the building.
- 4.14 As is currently the case, the expanded MIF will be a charity that is limited by guarantee, with its own independent board of trustees responsible for stewardship of public funds. These trustees will be responsible for ensuring that Factory delivers on its mission and is accountable to its funders for the use of public funding. They will also be responsible for appointing a suitably qualified executive to deliver an agreed business plan. The Council will have strong representation on this board and will support the board to develop suitable commercial partnerships to ensure the successful running of the

building and all its activities. Further consideration will be given to the ultimate operating model in the coming months as the new management team is recruited.

- 4.15 The grant application process for the £78m is expected to be concluded around the end of the calendar year. Some £3.5m has been advanced to date and a further £7.14m grant was approved by the ACE National Council on the 6th July 2016, and the total of £10.64m will allow the developed design and survey works to continue to December 2016.
- 4.16 An application will be made to ACE's Lottery Capital Grant fund later this year for an additional £7m. A fundraising and development report has reviewed the potential for fundraising and it is considered by MIF and from the Council's previous experience of other cultural fundraising in the city, that £5m is a prudent and achievable sum to fundraise. Officers will now oversee the strategy which will seek funds from a combination of: Trusts and Foundations; various corporate sponsors; and a public giving campaign. The fundraising will be the responsibility of the management team, and fundraising support will now be commissioned to make progress in meeting this target.
- 4.17 In order to underpin the wider funding package it is necessary that the Council declares its funding commitment to the project. It is therefore proposed that the Council provide a contribution of up to £20m to complete the funding plan necessary to underpin the delivery of the project.
- 4.18 In order to fund this contribution, potential capital receipts and other Council resources have been identified of £20m, which together with the fundraising target of £5m provides a credible plan towards securing the full £110m funding necessary to deliver the scheme.
- 4.19 In the view of officers, however, the overall funding package and Council contribution should be reviewed later this year when further progress will have been made in overseeing the execution of the sponsorship (or third party) funding strategy, and crucially when a building contract to deliver the building is in place, and ready to secure delivery. A review at this time will enable the capital risks to be clearly evaluated before a final decision is taken to commit to the scheme.

5.0 Legal Structure

- 5.1 MQL, as the land owners of the former Granada Studios site, are in a position to effectively co-ordinate the design and build of the Factory as an integral part of the development phases of the wider St. Johns masterplan and to deliver the surrounding public realm. The City Council will be entering into three legal agreements with MQL regarding Factory, as set out below:
- A development delivery agreement (the DDA) which sets out the delivery obligations for MQL as Factory Development Manager, who will provide management and delivery support during both the design and construction process under the direction of the City Council. This role will include advising

on surveys and site investigations, and monitoring the development programme and costs and the cash flow against the programme. The design team and contractor will be appointed by the Council.

- An Agreement for Lease for the Factory site between MQL and the City Council, under which MQL shall grant a long lease of the Property for 250 years (less one day).
- A lease to be contracted out for a term of 250 years at a peppercorn rent with a clear covenant for the Council to carry out the development by the date of practical completion. The Lease includes an estate service charge with the services to be provided by a management company.

5.2 The Agreement for Lease provides that the lease shall be granted once the conditions set out in the DDA are satisfied but before commencement of the works. There is a potential Stamp Duty Land Tax implication for the transfer of the site to the Council and when this is clearer it will be reported to the Executive.

6.0 Project Delivery

6.1 The site for Factory Manchester involves the utilisation of viaduct land off Water Street adjoining the Museum of Science and Industry, and land adjacent to the Bonded Warehouse.

6.2 The Project Board have established the initial following key milestones to be achieved for Factory Manchester:

- Planning Application submission – Aug 2016
- Construction – February 2017 to September 2019
- Commissioning of facilities and test events – August 2019 to November 2019
- Opening Ceremony – End of 2019

6.3 A Contractor will be appointed from the North West Construction Hub High Value design and construct framework in August 2016. They will join the existing design team to develop the technical design, and lead on the development of the detailed construction programme.

6.4 A further report will be submitted to the Executive no later than December, setting out the final funding plan and any update on the design evolution.

7.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

7.1 Factory will accelerate economic growth in the region by playing an integral part in helping Manchester and the North of England enhance and diversify its cultural infrastructure and attracting clusters of related activities and extra visitors to the city, the scale and potential of development within St. Johns

area will provide a major focus for new investment in the city and the growth of jobs.

(b) A highly skilled city

- 7.2 Factory will make a direct contribution to the growth of creative industries, improve talent retention in the North, and reduce the dependency on London as the provider of creative industries training and employment. Factory Manchester will develop partnerships with the cities leading higher education institutions and will further support the cities drive for high calibre graduate talent retention through job creation.

(c) A progressive and equitable city

- 7.3 The wider St. John's development will create a new neighbourhood which will encourage independent, niche and creative uses and businesses with new office, cultural, workspace and leisure development and in excess of 2,500 residential units, comprising apartments, live-work units and high rise living. Factory will attract a younger, more culturally diverse audience, combined with expanded, adventurous older audiences

(d) A liveable and low carbon city

- 7.4 Cultural activities make an important contribution to community engagement and initiatives will be targeted at young people, underrepresented and disadvantaged groups. Sustainable design features will be incorporated into the developed design.

(e) A connected city

- 7.5 Factory will benefit from strong public transport links with both rail and metrolink stations and a choice of multi-storey car parks for visitors. The development will be well served by new pedestrian walkways and cycle routes including the replacement Princes Bridge scheme. New public spaces and connections are proposed, which will significantly improve the environment of this part of the city centre.

8.0 Key Policies and Considerations

(a) Equal Opportunities

- 8.1 Factory will within a decade help create directly or indirectly, the equivalent of 2,453 full time jobs and add £137,7m a year to our economy and a significant employment and training programme will be developed to support local residents. The wider St. John's developments will provide significant private sector employment opportunities and 2,500 residential units, comprising apartments, live – work units and high rise living.

(b) Risk Management

- 8.2 Risk management is a key consideration in the procurement process and the Project Board has developed an active Risk Register which will be fully monitored and managed throughout the delivery of the Factory development.

(c) Legal Considerations

- 8.3 This transaction represents a material legal risk for the City Council in that it is procuring a major building project as direct employer. This risk will be properly defined by way of an active Risk Register and allocated appropriately through the building contract and ancillary documents. Any residual risk that may remain with the City Council will be identified and priced in so far as possible with further mitigation and management measures being introduced as necessary.

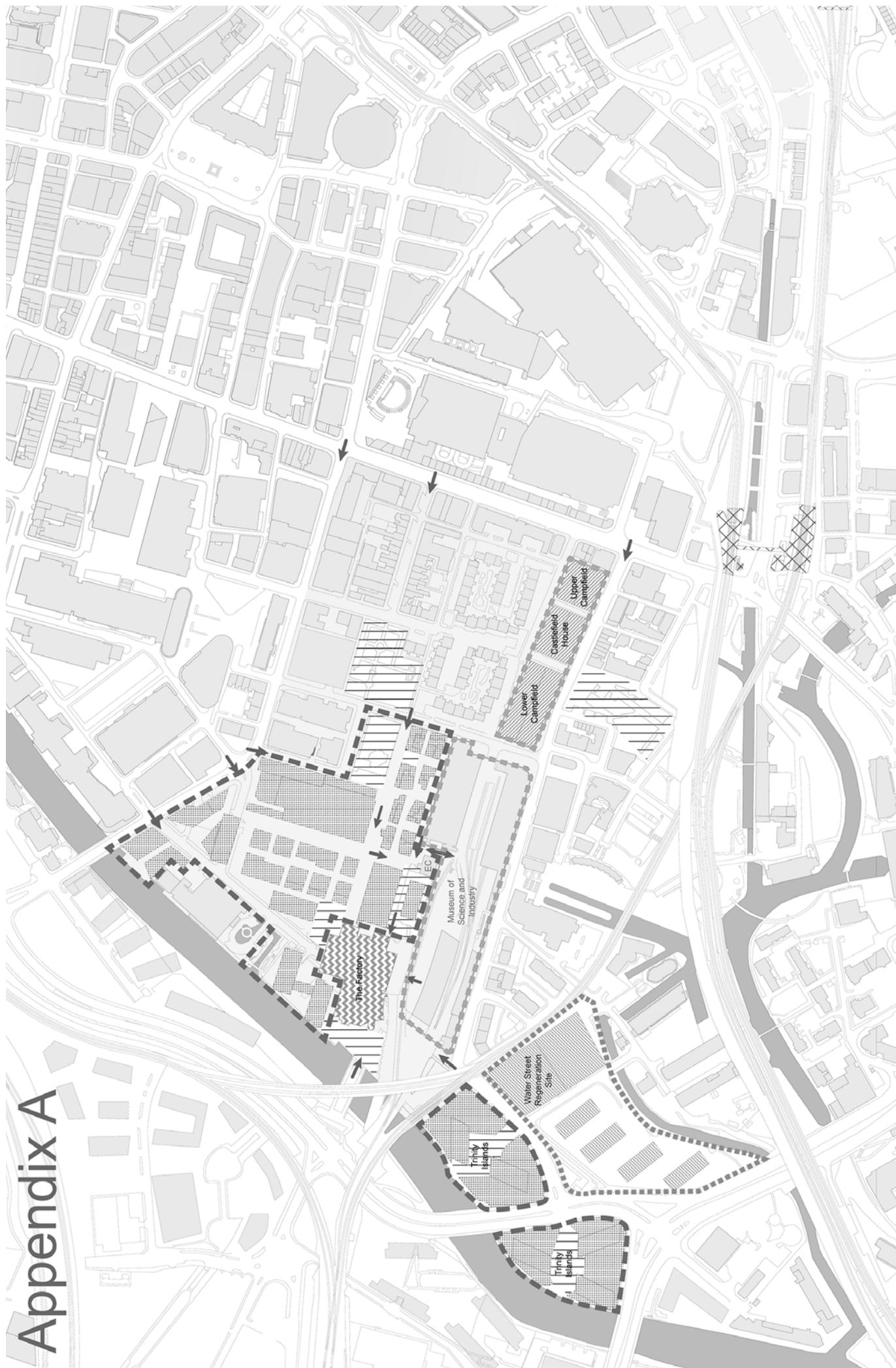
9.0 Conclusion

- 9.1 Factory Manchester project has the potential to transform the artistic landscape not just of the city but the wider region. It would build upon an existing diverse range of outstanding cultural facilities but crucially provide the essential platform for delivering all year round MIF-type events which will extend significantly the artistic output of the city, re-balance the cultural life of the UK, and create new pathways for work and skills development. The combination of these characteristics and the development of the St John's area will maximise jobs and investment opportunities and create a unique extension of the city centre. This report sets out the programme of work which needs to be undertaken over the next 12 months to support the delivery of Factory Manchester. A further report to the Executive will be presented ahead of making a commitment to the building contract, setting out the detailed funding arrangements. The report also provides an update on the significant investments planned for the St. John's SRF area and should the Executive endorse the updated SRF in principle, officers would undertake a wide ranging public consultation exercise and report back to the Executive on the outcome.

10.0 Recommendations

- 10.1 Recommendations can be found at the front of this report.

Appendix A



- St. John's Development Area
- Water Street Regeneration Area
- Campfield Markets
- The Factory
- Transport Hub
- Public Realm
- Key Route
- Recently Added to Masterplan

ST. JOHN'S

{MANCHESTER}

ALLIED LO

JULY 2016