

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 2 March 2017

**Subject:** Impact of the proposed Town Hall redevelopment on Manchester Central

**Report of:** The City Treasurer

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**Summary**

The following report provides an impact assessment of the proposed closure of the Town Hall on Manchester Central; a Manchester City Council owned business which currently provides conferencing and catering services to designated spaces of the Town Hall and Central Library. The report summarises the impact of the potential closure on Manchester Central's people, profit, shareholder return, brand and strategic offering, along with mitigating actions identified. The report also highlights the potential opportunities for Manchester Central post development.

**Recommendations**

The Committee is recommended to note the information contained within the report

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**Wards Affected:**

All

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**Contact Officers:**

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**Background documents (available for public inspection):**

None

## **1 Introduction**

- 1.1 The following report provides an impact assessment of the proposed closure of the Town Hall on Manchester Central; a Manchester City Council owned business which currently provides conferencing and catering services to designated spaces of the Town Hall and Central Library.

## **2 Background**

- 2.1 Manchester Central Convention Complex (MC) is 100% owned by Manchester City Council (MCC) and has a successful track record of securing and delivering conferences, exhibitions, banquets and special events.
- 2.2 Since April 2013, MC has successfully delivered the sales and marketing functions and operated the conferencing and catering facilities for eight key commercial spaces within the Town Hall (Great Hall, four State Rooms and three Committee rooms), alongside Cafe 104, the Sculpture Hall, the Central Library Cafe and five rooms on level 2 of the Central Library (post the re-opening in March 2014).
- 2.3 The agreement was for a minimum period of five years and a maximum period of ten, with guaranteed commissions payable to MCC in the early years, reverting to 100% of Earnings before interest tax depreciation and amortisation (EBITDA) from 1<sup>st</sup> April 2017 onwards. This reflects the greater uncertainty in the final year of trading before the Town Hall closes for refurbishment.
- 2.4 MCC's net return from the division has increased from £543k in Financial year ended 31 March 2012 (2011/2012) to £826k in 2016/2017, with sales at Central Library reaching £450k within two years of opening and sales at the Town Hall increasing from £1.6M in 2011/2012 to £2.3M in 2016/2017.
- 2.5 In March 2016, MC was instructed to cease taking confirmed bookings for the Town Hall from early October 2017, to facilitate the earliest possible start date of any closure. In November 2016, this was revised to mid January 2018 in line with a re-baselined closure programme and MC has been successfully back-selling the 15-week period since.
- 2.6 In June 2016, MC was also advised to cease the sale of the five commercial rooms on level 2 of the Central Library from July 2017 (one room from March 2017) to enable these spaces to be commissioned for internal City Council use. Given the shorter lead nature of bookings for these spaces, this has not proved problematic.
- 2.7 MC expects to continue to operate the Central Library Cafe and to service any internal catering requirements across the Town Hall Complex beyond January 2018.

### **3 People**

- 3.1 The workforce implications from the Town Hall closure are being actively managed by MC. A series of MC team meetings have been held during 2016 with those employees potentially affected, each held immediately following the release of new public information (typically in the form of Executive Committee papers).
- 3.2 As with any closure or major change programme there is a risk to staff morale. This has been seen through an increase in turnover. MC have sought to mitigate this through one to one meetings with staff and an early implementation of its redeployment policy. Any new vacancies arising within the Town Hall division have been filled with fixed term contract positions since Spring 2016. Once the formal decision to close the Town Hall has been made a formal consultation process will commence.

### **4 Profit**

- 4.1 Due to the commissions payable structure, MC does not generate any retained profit from operating events at the Town Hall and Central Library and as such the closure of the Town Hall does not impact on the profitability or sustainability of MC as a business. MC will continue to generate significant levels of economic impact for the local region within a sustainable business model.
- 4.2 Whilst the uncertainty surrounding any upcoming closure has impacted on staff turnover levels to date, remaining staff have stayed focused and professional, exceeding both budgeted net profit and targeted customer service satisfaction scores for the year to date.
- 4.3 A budget has been prepared for the Financial year ending 31 March 2018 (2017/2018) based on the assumptions set out in sections 2.5 – 2.7. It is expected that this will generate a return or EBITDA (earnings before interest, taxation, depreciation and amortisation) of £430k from the Town Hall and £54k from the Central Library.
- 4.4 Town Hall is forecast to contribute £69k less profit than the same period this financial year primarily due to the impact of the expected closure on the external conferencing and special events markets. Recurring clients are relocating events prior to the closure date to secure continuity of dates and mitigate any perceived risk of event failure due to the widely-publicised ageing building. This has been partly offset by strong advance wedding sales with average catering spends at a higher level than in the current financial year.
- 4.5 Central Library is forecast to contribute £40k additional profit than the same period this financial year, primarily due to a small increase in trading activities coupled with cash overhead savings with a reduced marketing spend and curtailment of a currently vacant post.

- 4.6 Earlier projections highlighted a significant risk to 2017/2018 Town Hall event sales and thus profitability as a result of the potential closure, however stabilisation of the core team and a successful sales strategy has mitigated the risk effectively.

## **5 Shareholder return**

- 5.1 The shareholder return for 2016/2017 is £826k. For the final period of trading pre-anticipated closure, MC is expecting to generate a shareholder return of £405k. This comprises EBITDA from trading activities of £484k (as set out in section 4.3), £30k net profit from operation of the Central Library café from August to March 2018. Shareholder return is reduced due to the impact of a number of factors including changes to the commission prior to closure, the impact of the planned closure of the Town Hall, largely in quarter 4 and £109k of estimated “one-off” costs. The return will be agreed on an open book basis with both parties keeping costs under tight review, with every effort taken to minimise them, whilst targeting record event sales.
- 5.2 In addition to direct shareholder return, events hosted at the Town Hall and Central Library generate economic impact for the City which is estimated in the region of £2m. It is expected that most these events will be hosted at competitor venues, largely within the City, as such the loss of economic impact to the region should not be material.

## **6 Strategic positioning**

- 6.1 The Town Hall and Central Library represent valuable additions to the MC portfolio and utilisation of both venues has been uplifted through referral of associated MC events (such as drinks receptions, fringe meetings or smaller dinners) or through placement of events which would be too small for the MC footprint.
- 6.2 Whilst the last three to four years have proved a steep learning curve for MC, the company now possesses a great deal of experience and expertise in the smaller events and private functions market. MC are looking at how such skills can be maintained during the refurbishment period.

## **7 Future opportunities**

- 7.1 Whilst the short-term impact of the planned closure to MC, and most importantly it's people, is adverse, this is considered to be outweighed by longer-term opportunities.
- 7.2 MC is fully supportive of redevelopment plans for the Town Hall to ensure this invaluable asset is protected for future generations and is appropriately utilised as the heart of the civic quarter. MC has engaged with the project team to share knowledge and expertise on operational, logistical and commercial matters and are keen to retain their relationship as an event operating for the Town Hall complex facilities.