

**Manchester City Council
Report for Resolution**

Report to: Executive – 19 January 2022

Subject: Culture in the City Levelling Up Fund Project

Report of: Director of City Centre Growth & Infrastructure

Summary

This report informs the Executive of the details of the Culture in the City Levelling Up Fund project and the Council's successful bid to the Department for Levelling Up, Housing & Communities (DLUHC) for £19.8 million of grant funding. It also seeks approval to enter into an agreement with DLUHC for the grant, and an accompanying onward funding agreement for up to £17.5m with Allied London, in order to facilitate the delivery of the Campfield element of the project, and an increase in the capital budget to reflect the receipt of the external grant funding.

Recommendations

The Executive is recommended:

- (i) To approve the Council accepting a £19.82 million Levelling up Fund grant from the Department for Levelling Up, Housing & Communities (DLUHC) and entering into all necessary agreements in order to receive the funding;
- (ii) To delegate authority to the Strategic Director – Growth & Development, the Deputy Chief Executive & City Treasurer and the City Solicitor to negotiate and agree the detailed terms of a Memorandum of Understanding (MOU) and any other agreement necessary with DLUHC to secure this funding;
- (iii) To approve the Council entering into an onward funding agreement for a maximum sum of £17.52m with Allied London, in order to facilitate the delivery of the Campfield element of the project;
- (iv) To delegate authority to the Strategic Director – Growth & Development, the Deputy Chief Executive & City Treasurer and the City Solicitor to negotiate and finalise the detailed terms of the onward funding agreement and any other necessary agreements with Allied London in respect of the Campfield element of the project;
- (v) Approve a capital budget increase of £19.82m (£17.52m for Campfield and £2.3m for the Arches), funded from the external grant funding, for the activities included within the Culture in the City application, noting that spend will not be incurred until the completion of the necessary agreements; and
- (vi) To authorise the City Solicitor or the Deputy Chief Executive and City Treasurer, as applicable, to complete and enter into all necessary agreements

or documents to give effect to the above recommendations.

Wards Affected – Deansgate

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city

Through the repurposing of existing, heritage buildings, the project reduces the environmental impact of creating new provision. Carbon reduction considerations will be made at the design and construction stages. The buildings are located close to Deansgate and Oxford Road railway stations, a Metrolink stop, bus routes and secure cycle parking, making them accessible to workers and visitors from across the conurbation through public transport and active travel.

Greater Manchester Arts Centre, who will operate the Arches element of the project, is a founding member of the Manchester Arts Sustainability Team (MAST) initiative – a national and international exemplar of collective carbon reduction targets and engaging audiences and customers. HOME is the first arts and cultural venue in the world to have 100% of staff trained in Carbon Literacy (certified by the Carbon Literacy Project) and is one of the first organisations worldwide to be recognised with Platinum Carbon Literate Organisation status. This leading practice will be implemented in the development and management of the Arches.

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	<p>The Culture in the City project will support the growth of the tech and creative sectors in the city, which have a key role in supporting economic recovery and ongoing growth in the Manchester economy. The tech and creative sectors provide an important source of new employment for Manchester's young people, in particular, with the sectors' employment profile dominated by younger workers.</p> <p>The project will directly support up to 4,000 jobs over the 15 years of the grant funding (both in existing and new businesses), providing job opportunities for local people. The skills and talent development opportunities provided by the project will also support local residents to access jobs in this important sector.</p>

<p>A highly skilled city: world class and home grown talent sustaining the city's economic success</p>	<p>The project will play a significant role in developing local talent in the tech and cultural industries.</p> <p>The project will create an additional 5,000 hours of free rehearsal space in the city; and build the creative skills of Manchester's young people to prepare them for careers in the creative industries.</p> <p>It will also provide space and business support to assist local start up businesses in the tech and creative sectors.</p>
<p>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</p>	<p>We expect that the project will provide significant opportunities for people with protected characteristics and from other target groups (e.g. young people) through the provision of affordable space and job and training opportunities accessible to local residents from across our communities. The creative and cultural sectors are attractive to people from a range of backgrounds.</p> <p>HOME is a creative hub for the region, where local and world-class talent of all backgrounds and disciplines are discovered, nurtured and showcased. The company has a commitment to champion anti-racism, equality and diversity through the way it works and informed by discussions with HOME staff through an Equality and Diversity Staff Working Group.</p>
<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>The project will bring back into use three under-utilised listed buildings, greatly improving their appearance, and avoiding the need for new build accommodation. These buildings can become assets for their local neighbourhoods and allow them to be used again by local people and to the benefit of the city.</p>

<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>The Campfield buildings and the Arches are located close to Deansgate and Oxford Road railway stations respectively, as well as the Deansgate Castlefield and St Peter's Square Metrolink stops, key bus routes and secure cycle parking, making them highly accessible by public transport and active travel.</p> <p>The project will also provide new job and training opportunities for people living in surrounding communities, accessible using local transport links.</p>
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Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None as a consequence of this report. We are exploring with DLUHC opportunities for using any future under-spends on the project to pay for project evaluation.

Financial Consequences – Capital

The MOU with DLUHC will provide £19.82m of additional capital grant over the next 3 years, broken down as follows:

- 2021/22 – Campfield £694k, Arches £391k, total £1.08m
- 2022/23 – Campfield £9.93m, Arches £1.92m, total £11.85m
- 2023/24- Campfield £6.89m, total £6.89m

The Council will receive grant monies on a 6 monthly basis, with 3 months paid in arrears and 3 months in advance. The deadline for spend under the project is March 2025.

Match funding of £215k from the City Council towards the Home Arches element of the project is already included within the Capital Programme for 2021/22.

A further £3,724,500 was approved at the February 2020 Strategic Capital Board meeting and is included in the approved Capital Programme for the acquisition of Castlefield House, as part of the Campfield element of the project. The funding covered the £3,500,000 acquisition cost of the building from Allied London, plus Stamp Duty Land Tax and Legal and Agent fees.

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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.

Culture in the City Levelling Up Fund application form.

Notice of Key Decision – 19 April 2021 - To give Capital Expenditure approval to the Redevelopment of Campfield Market Halls (including acquisition of Castlefield House) £3,735,000.

1.0 Background

- 1.1 The Levelling Up fund was confirmed at the 2021 Budget, and provided £4bn from the DLUHC for “levelling up” schemes in England during the course of this parliament. Local Authorities are eligible to apply for bids of up to £20m for each of the constituencies within its boundary. The first round of the Fund focused on three themes - town centre and high street regeneration; cultural investments and transport investments. Applications for round 1 of the scheme were invited by DLUHC by 18 June 2021, with projects required to start within financial year 2021-2.
- 1.2 Two projects were selected as meeting the criteria for round 1 of the Levelling Up Fund and were submitted in line with the deadline. The two projects are the Culture in the City Project (Central Constituency, £19.8m grant) and Withington Village (Withington Constituency, £13.5m).
- 1.3 Following an appraisal process by DLUHC, the City Council was informed in October 2021 that the Culture in the City project had been successful in its application, for the full amount of £19.82m. Unfortunately, the Withington Village project was unsuccessful, and a meeting is taking place in January with Government officials who will be providing feedback on the reasons for this.

2.0 The Culture in the City Project

- 2.1 The Culture in the City project will deliver high quality, affordable tech and creative work and production space in under-developed parts of the city centre that are recognised regeneration priority areas, supporting levelling up, economic recovery and sector growth.
- 2.2 The project aims to broaden the creative and cultural infrastructure, which will support both the re-purposing and recovery of the city centre, and business start-up and skills development opportunities for local people within the creative sector. It is based around 2 elements, set out below.
- 2.3 **Campfield** is the creation of a new media and tech industries cluster in the St John's Strategic Regeneration Framework (SRF) area, based on two over-riding criteria of sustainability and affordability. It will deliver inspiring workspaces and studio spaces, to attract and support start-up, recovery, and scale-up businesses around tech, innovation and media through the re-adaptation of three buildings, including two heritage buildings, which have reached the end of their economic life. The grant is to cover the conversion of the two heritage Campfield Market buildings, with the third, Castlefield House, to be delivered by Allied London using their own investment. The Council has capital programme approval to acquire Castlefield House, which is being significantly redeveloped and extended as grow on space for new media and tech businesses. The building will be acquired on completion of the building works. All three properties will then be leased back to Allied London, on completion of the refurbishment works.

- 2.4 The Campfield Market buildings element will provide around 8k sqm of modern workspace. The offer will include resident and flexible access desks, meeting rooms, studios and event space, accessible under a membership model that is responsive to the sector's needs. Following the Exchange model – the Department for Culture, Media & Sport funded tech incubator, managed by All Work and Social (an Allied London managed workspace company) - being successfully applied at the Bonded Warehouse, the facility will:
- Engage ambitious early stage tech companies on a 6 to 12-month scheme.
 - Offer accommodation at subsidised rates, including free space.
 - Facilitate networking and collaborative working between members.
 - Provide access to tailored events, including themed workshops, upskilling sessions and speaker events.
 - Provide the support needed by new and growing businesses to succeed.
 - Support approximately 4,000 jobs over the 15-year grant period.
- 2.5 The **Arches Project** will transform three heritage railway arches, situated between HOME's building and Whitworth Street West, into a talent development centre for artists of all ages, disciplines and stages of their careers. The Arches Project will nurture, attract and retain creative talent in Manchester by providing free, high-quality space to artists in the city centre, as well as supporting place-making and cementing First Street as a major visitor destination.
- 2.6 The arches will offer:
- Flexible workshop space for work with young people.
 - Affordable co-working space for artists.
 - A double-height making and sharing space for artists.
- 2.7 Adjacent to, and operated by, HOME, the facility will target artists from all backgrounds, and give them a greater sense of ownership of cultural facilities in the city, empowering them to develop new work and successful careers.
- 2.8 The facility will offer 5,000 hours of free rehearsal space and allow up to 3,500 young people and an additional 50 schools to benefit from HOME's training offer per annum, bringing significant economic and social benefits.

3.0 Levelling Up Fund Grant

- 3.1 It is understood that the £19.8million Levelling Up Fund grant from DLUHC will be governed by a Memorandum of Understanding (MOU). The Council has been provided with a template MOU from DLUHC which is intended to form the basis of all Levelling Up grants across the country. Council officers are currently liaising with DLUHC in relation to the project specific elements of the MOU with the intention that this would be agreed between the Council and DLUHC early in 2022.

- 3.2 The MOU covers the funding commitments from DLUHC, and the delivery, financial, expenditure, agreed milestones, reporting and evaluation, communication and branding expectations between DLUHC and the Council.
- 3.3 The funding is provided to form part of the necessary capital investment required for delivery of the Council's Culture in the City project. DLUHC expects the Council to use the funding provided for the purposes outlined in the approved application.
- 3.4 Grant funding will be paid in six monthly tranches, and on the basis of agreed delivery targets having been met. It is anticipated that the first grant payment to the Council will be made in February 2022. The Council must spend all grant funding by 31st March 2025.
- 3.5 The MOU is initially intended to cover financial years 2021/2022 and 2022/2023, with the intention for its operation to be reviewed and amended to cover future years no later than February 2023.
- 3.6 The Council will provide regular project, financial, and risk reporting to DLUHC, demonstrating expenditure of the previous funding and that outputs and outcomes are being met.
- 3.7 The Council is required to accept responsibility for meeting any costs to the project over and above DLUHC's contribution. In respect of the Campfield's element the Council intends to flow down such risks to Allied London in the onward grant agreement.
- 3.8 The outputs which are expected to be delivered by the project are:
- 4,000 jobs (2,600 safeguarded, 1,400 new)
 - 3 buildings improved
 - 8,440 sqm of workspace (across both Campfield and the Arches)
 - 5 commercial units with broadband access of at least 1Gbps

In addition, the number of cultural events, level of business investment, and use of workspaces will be monitored.

4.0 Project Delivery

- 4.1 **Campfield:** As set out in the successful application to DLUHC, the Council will pass down the grant funding to Allied London, in order to facilitate the delivery of the Campfield element of the project. This will support and align with the overall delivery arrangements for the St John's regeneration scheme. Allied London will take on responsibility for the appointment of a design and construction team to undertake the works required. Following completion of the works the buildings will form an extension to the existing Exchange tech incubator (described in paragraph 2.4).
- 4.2 This arrangement recognises Allied London's ownership of Castlefield House, located between the two Campfield Market Buildings, their operation of the

successful Exchange tech incubator, and their wider role in the management and delivery of Enterprise City, part of the St John's SRF area, and will allow a comprehensive eco-system of provision to flourish and be enhanced.

4.3 The rationale for this proposed approach includes the following:

- Work undertaken to date will enable further plans to be developed quickly with governance arrangements in place.
- A prompt start to delivery can be secured.
- It provides the ability to draw on the experience and track record of the developer and their facility operating arm, ensuring tech sector specific expertise is available to inform the design.
- A comprehensive eco-system solution for tech and creative businesses across the wider St John's SRF area.
- Scope for efficiencies to be secured through the operation of Campfield as an extension to the adjacent Tech Hub facility at the Bonded Warehouse.

4.4 The Council will enter into an onward grant funding agreement with Allied London to pass down the DLUHC funding and associated obligations together with any additional Council specific requirements. Under the onward grant agreement, Allied will be required to commit to delivery of the outputs for the Campfield element of the project, including 4,000 jobs, 8k sqm of floorspace, provision of digitally connected workspace units, and the level of business investment and use of workspaces by businesses, with progress to be measured against these metrics.

4.5 **The Arches:** Robertson Construction has been directly appointed by the Council as the design and build contractor for the Arches, following the funding of the initial feasibility and design works through the Capital Programme. The grant funding will, therefore, be directly controlled and expended by the Council.

4.6 The facility will be operated by HOME, through the existing Service Level Agreement between Manchester City Council, which owns HOME, and its operators - Greater Manchester Arts Centre Ltd (trading as HOME). A series of Key Performance Indicators are attached to the existing Service Level Agreement, which will be revised to reflect the additional activities facilitated by the development of HOME Arches – i.e. training hours provided, additional cultural events held and use of the space by local young people and artists.

5.0 Conclusion

5.1 The Culture in the City project will make a key contribution to the growth of the tech and creative sectors in the city, and provide new opportunities for local residents, supporting levelling up and economic recovery, and contributing to local regeneration. The award of £19.8m for the project from the Department of Levelling Up, Housing and Communities is greatly welcomed. The Council is working with existing partners, with a strong track record in delivery in these areas, in order to deliver the activities and outcomes of the project.

- 5.2 The Executive are requested to approve the arrangements for the acceptance and delivery of the £19.82m Levelling Up Fund grant for the project, as set out in the recommendations at the start of the report.

6.0 Contributing to a Zero-Carbon City

- 6.1 Through the repurposing of existing, heritage buildings, the project reduces the environmental impact of creating new provision with carbon reduction considerations at the design and construction stages. The buildings are located close to Deansgate and Oxford Road railway stations, a Metrolink stop, bus routes and secure cycle parking, making them accessible to workers and visitors from across the conurbation through public transport and active travel.
- 6.2 Greater Manchester Arts Centre, who will operate the Arches element of the project, is a founding member of the Manchester Arts Sustainability Team (MAST) initiative – a national and international exemplar of collective carbon reduction targets and engaging audiences and customers. HOME is the first arts and cultural venue in the world to have 100% of staff trained in Carbon Literacy (certified by the Carbon Literacy Project) and is one of the first organisations worldwide to be recognised with Platinum Carbon Literate Organisation status. This leading practice will be implemented in the development and management of the Arches.

7.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

- 7.1 The Culture in the City project will support the growth of the tech and creative sectors in the city, which have a key role in supporting economic recovery and ongoing growth in the Manchester economy. The tech and creative sectors provide an important source of new employment for Manchester's young people, in particular, with the sectors' employment profile dominated by younger workers. The project will directly support up to 4,000 jobs over 15 years (both in existing and new businesses), providing job opportunities for local people. The skills and talent development opportunities provided by the project will also support local residents to access jobs in this sector.

(b) A highly skilled city

- 7.2 The project will play a significant role in developing local talent in the tech and cultural industries. The project will create an additional 5,000 hours of free rehearsal space in the city; and build the creative skills of Manchester's young people to prepare them for careers in the creative industries. It will also provide space and business support to assist local start up businesses in the tech, digital and creative sectors.

(c) A progressive and equitable city

- 7.3 We expect that the project will provide significant opportunities for people with

protected characteristics and from other target groups (e.g. young people) through the provision of affordable space and job and training opportunities accessible to local residents from across our communities. The creative and cultural sectors are attractive to people from a range of backgrounds. This will be further assessed within the Equality Impact Assessment.

- 7.4 HOME is a creative hub for the region, where local and world-class talent of all backgrounds and disciplines are discovered, nurtured and showcased. The company has a commitment to champion anti-racism, equality and diversity through the way it works and informed by discussions with HOME staff through an Equality and Diversity Staff Working Group.

(d) A liveable and low carbon city

- 7.5 The project will bring back into use three under-utilised listed buildings, greatly improving their appearance, and avoiding the need for new build accommodation. These buildings can become assets for their local neighbourhoods and allow them to be used again by local people and to the benefit of the city.

(e) A connected city

- 7.6 The Campfield buildings and the Arches are located close to Deansgate and Oxford Road railway stations respectively, as well as the Deansgate Castlefield and St Peter's Square Metrolink stops, key bus routes and secure cycle parking, making them highly accessible by public transport and active travel. The project will also provide new job and training opportunities for people living in surrounding communities, who can access them using local transport links.

8.0 Key Policies and Considerations

(a) Equal Opportunities

- 8.1 We expect that the project will provide opportunities for people with protected characteristics and from other target groups (e.g. young people) through the provision of affordable space and job and training opportunities accessible to local residents from across our communities.

(b) Risk Management

- 8.2 A risk register has been established for the project. This will be monitored throughout the course of the project as part of the internal and Government monitoring and report arrangements.

(c) Legal Considerations

- 8.3 The Council will be receiving the DLUHC under Section 50 of the United Kingdom Internal Markets Act 2020 (Power to Provide Financial Assistance for Economic Development etc).

- 8.4 The Council will be entering into the onward funding grant agreement with Allied pursuant to its powers under Section 1 of the Localism Act 2011.
- 8.5 Legal Services will continue to work closely with the project team in order to finalise the detailed terms of the MOU with DLUHC and the onward grant agreement with Allied London. Legal Services will continue to support and advise the team on all aspects of this project to facilitate delivery, mitigate risks where possible and ensure compliance with all relevant law (including Subsidy Control and Public Procurement requirements) and contractual terms.