

**Manchester City Council
Report for Resolution**

Report to: The Executive – 29 July 2015

Subject: The Factory Manchester

Report of: The Chief Executive

Summary

This report advises Members on progress in taking forward proposals for The Factory Manchester which was announced in the Autumn Budget Statement, 2014. The Factory Manchester is planned to open in the summer of 2019, and this report sets out the creative proposition, economic impact assessment, investment case and the planned procurement process and arrangements for the management and delivery of the project.

Recommendations

The Executive is recommended to:

- I. Welcome The Factory Manchester proposal, which will significantly enhance the City's cultural infrastructure;
 - II. Note the analysis that has been undertaken to develop The Factory proposition, and the submission of a Green Book Appraisal to HM Treasury for approval of the business case. The business case will be similarly presented to the Executive for approval;
 - III. Endorse the management arrangements and delivery mechanisms for the Factory as an integral part of the St John's masterplan, including the appointment of Allied London as the Development Manager;
 - IV. Note the progress made with the issue of a contract notice and pre-qualification questionnaire for the provision of the full scope of design and other services for The Factory;
 - V. Agree to progress design and development matters, and produce a detailed Business Case, to be reported back to the Executive for formal consideration;
 - VI. Note that Arts Council England (ACE) will be the responsible monitoring body, and that the ACE Executive Director, Arts and Culture will be seconded to work on the project in Manchester on a part-time basis; and
 - VII. Note that up to £3.5m of the external £78m government grant will be available in 2015/16 for fees and feasibility costs.
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Wards Affected City Centre

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub-region	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 activities and extra visitors to the city, It will also provide a genuine cultural counterbalance to London.
Reading full potential in education and employment	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.
Individual and collective self esteem – mutual respect	The benefit of cultural investment are much broader than 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.
Neighbourhoods of Choice	The St Johns 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 up to 3,000 town houses and apartments.

Environmental and Climate Change Impacts

Extensive new high quality public realm and open space is proposed alongside The Factory Manchester, and across the St John's area, which will significantly improve the environment of this part of the city centre. New pedestrian walkways and cycling access will be created providing residents, businesses and visitors with linkages to surrounding neighbourhoods and adjacent city centre districts.

The Factory Manchester will aim for high sustainability (BREEAM) standards through innovative building design and promotion of low energy use.

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

- Equal Opportunities Policy
- Risk Management

- Legal Considerations

Financial Consequences – Revenue

An operating plan for The Factory Manchester will be part of the Business Case, which will be presented to the Executive in due course. It is anticipated that the Council will not be required to invest significantly more than current levels of support to the Manchester International Festival.

Financial Consequences – Capital

The current budget for The Factory Manchester is estimated to be up to £110m. The government pledged £78m in the Autumn Statement 2014, and up to £3.5m of this external grant is being released for 2015/16 to meet project feasibility, set up costs, the initial fees for legal costs, and the design team appointments. It will be for the Council to finalise the capital funding package. An application will be made to ACE's capital fund in 2016 for up to £7 million. A further report will be brought back to the Executive setting out detailed proposals to complete the funding package (including third party support) as part of the detailed Business Case.

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Background documents (available for public inspection):

None

1.0 Background

- 1.1 A thriving cultural scene is critical to the UK's economic success and position on the world stage. Art and culture make a significant contribution to the national economy, with businesses in the UK industry generating an aggregate turnover of over £12bn in 2011. The significant economic benefits generated through direct employment across the cultural ecosystem supporting productions and institutions, flow into the wider economy from visitors and increasingly link in to the technology, media and telecoms sector.
- 1.2 Manchester has a strong base of cultural assets and organisations. These include the Manchester City Galleries, Royal Exchange Theatre, Bridgewater Hall, Whitworth Art Galley, The Lowry, Museum of Science and Industry, Imperial War Museum North, National Football Museum, and HOME. The Manchester International Festival, the world's first festival of original new work is the focal point of the City's pivotal role in music, culture and the arts. Since the first bi annual Festival in 2007, it has commissioned extensive new works, many of which after premiering in Manchester have gone on to tour the world.
- 1.3 Since 2005, MIF has built an international reputation and audience for creative, ambitious technically sophisticated new work across platforms and popular culture. MIF has supported artists to break new ground and build audiences for challenging new work, which has then toured across the world. In 10 years, it has become the premier international festival for original, new work and the hub of a new network of international cultural partners.
- 1.4 The development of Mediacity, along with production facilities in Manchester, has increased Manchester's role as a leading production and creative centre for film and drama. This creative impetus has been accompanied by the rapid growth of digital content industries, with centres such as the Sharp Project acting as a market driven incubation hub, not dissimilar to London's Silicon Roundabout.
- 1.5 Recent culture investments which have come on stream in 2014/15 include the launch of Central Library and completion of the Link building, the re-opening of the stunningly refurbished Whitworth Art Gallery, HOME, and MIF15, all providing new momentum. Project Space in Manchester, with 5 new Drama Production Studios, has now opened, and will support a strong independent production centre. These facilities are all complemented by an exceptionally strong digital content sector.
- 1.6 There are now over 4.5 million visits to Manchester's museums, galleries, theatres and music venues each year, testament to the popularity of our cultural venues. This includes educational visits, a number of repeat visits, and individuals who are visiting more than one attraction. The continuing success of the city in attracting new investment from external stakeholders reflects a growing recognition by national organisations of the leading role which Manchester now plays in culture in the UK.

- 1.7 The significant redevelopment of the cultural infrastructure, the presence of a mature group of arts leaders and a progressive, cultural friendly City mean that the creation of a new, large scale arts centre is the next critical piece of infrastructure to support the creative eco-system and momentum for cross sector clustering and collaboration.

2.0 Factory Proposal

- 2.1 In the Autumn Budget Statement 2014, the Chancellor of the Exchequer announced support for the creation of The Factory Manchester as part of the Northern Powerhouse proposals. The Factory will be a new kind of large scale venue that captures the extraordinary creative vision and depth of Manchester's cultural and creative ecosystem, with the partnerships, production capacity and technical sophistication to present innovative contemporary work year round as a genuine cultural counterweight to London. The Factory is an opportunity to promote cultural innovation, growth, skills development and talent retention across the Northern Powerhouse (Liverpool, Manchester and Leeds). From an ACE perspective the artistic, creative and economic vision for The Factory Manchester is compelling.
- 2.2 The Factory Manchester will comprise a large scale producing theatre space with seating provision, with a large space for immersive, flexible use – with the capacity for these elements to be used together, or separately, with full acoustic separation. It would be multi-purpose with the ability to transform from a traditional sit down theatre to a more flexible standing audience environment in a matter of hours, presenting the opera, ballet, theatre and visual art treasures of the last 400 years, whilst enabling living artists to evolve these precious art forms, together with popular culture, into the 21st century.
- 2.3 The Factory Manchester objectives can be summarised as follows:
- i. To create a new kind of production centre in the North of England that will broaden the demographic of attendees for the widest range of arts activities, from traditional arts forms through to popular culture. This is expected to lead to a younger, more culturally diverse audience, combined with expanded, adventurous older audiences, drawn from a wide geography across the North and Midlands.
 - ii. Establishing an internationally important centre to offer equality of access for northern audiences to the very best arts product in the world.
 - iii. To be the cultural anchor for the next phase of economic and cultural regeneration of Greater Manchester. It will accelerate economic growth in the region, making a particular contribution to the growth of creative industries through the clustering potential of this production centre. This will play a crucial role in talent retention for the North and reduce the dependency on London as the provider of creative industries training and employment.

- iv. Challenge the landscape for education and training for creative industry jobs from secondary education, through entry level to postgraduate study, offering a unique environment for practice based creative industries training.
- 2.4 The flexible and unique nature of The Factory Manchester will enable it to be used for alternative commercial opportunities, diversifying the venue's offer, maximising the use of the space and providing additional income streams. The venue will be suitable for large scale digital screenings, pop concerts, conferences and exhibitions, live rehearsals and TV and film uses.
- 2.5 The ability of the new venue to commission original works is central to ensuring that The Factory Manchester does not displace activity from other venues in the city and helps to attract a new and younger audience, while encouraging regular theatre goers to attend newly commissioned works. A significant budget is required for marketing and communication, although this will be effectively supplemented by promotional activities of Marketing Manchester and Visit Manchester.

3.0 The Location

- 3.1 The Factory Manchester will be located at the heart of a new creative village - St John's, in the city centre on the former Granada Studios site. The site was selected for The Factory Manchester after an independent appraisal of possible locations elsewhere in the city centre, which was required to underpin the robustness of the original proposition. Subsequently, locations within the Granada Studios complex were assessed against the contribution to practicability and regeneration benefits.
- 3.2 The Factory Manchester will be at the core of St John's and will lie adjacent to a low-rise mixed use "village" providing refurbished studios, live/workspace and workshops for creative cultural and digital enterprises, small live music and drama space, rehearsal facilities and small scale niche retail and leisure, interspersed with interconnected public realm and green space. These elements are proposed to be built around the retention of many of the existing heritage assets, and provide an environment which fosters knowledge sharing, networking and collaborative working. The clustering of cultural businesses and artists, variety of performance venues, along with significant residential choices, will create vibrancy similar to Covent Garden in London.
- 3.3 The developer - Allied London – who is bringing forward proposals for St John's through a Joint Venture with the City Council, has already begun to animate the area, making it available for the recent MIF, local markets, and performance arts and live music. The public enthusiasm for the site was echoed in the recent public consultation which emphasised the need to retain the creative heritage of the location, provide high quality green and open space, within a mixed-use community.
- 3.4 The St John's area will consist of a cultural and creative centre and the wider development which will incorporate residential and office development. The size of the site, over 6 hectares, will accommodate significant new development including some 15,000 m² of creative performance space,

workshops, and office; 13,000m² of retail and hotel accommodation; 60,000m² of conventional office space, and some 3,000 residential town houses and apartments.

- 3.5 The St. John's Strategic Regeneration Framework (SRF) made specific allowance for the emergence of The Factory Manchester proposals, which will play an important role in the creation of this new neighbourhood and help it to become an exciting place to work, live and spend leisure time. The Factory Manchester represents a unique and wholly different offer to the range of current arts venues within Manchester and the wider region, and is positioned to play an integral part in helping Manchester and the North of England grow the economy through cultural investment.
- 3.6 The report on the outcome of a public consultation exercise on the St. John's SRF, was presented to the Executive in February of this year, and noted the announcement of The Factory Manchester by the Chancellor of the Exchequer in December 2014.

4.0 Economic Case for investment in The Factory Manchester

- 4.1 The Factory Manchester will be a unique, physical producing space in Manchester, and would offer exceptional opportunities for organisations from all over the world. The year round programme would be generated in partnership with national organisations such as the Halle, Manchester Art Galleries, Royal Exchange, Liverpool Biennial, Tate, Sadler's Wells, Barbican and international organisations such as Paris Opera & Ballet, Melbourne Festival, Culture Shed NYC, Ruhrtriennale, Abu Dhabi Festival, Armory NYC, MOMA, West Kowloon Hong Kong.
- 4.2 There are a number of trends that demonstrate the demand and scale of the potential market for The Factory Manchester. The latest statistics available through the Scarborough Tourism Economic and Activity Monitor (STEAM) estimate that the tourism economy contributes £6.6 billion to the economy of Greater Manchester and £3.4bn to the economy of Manchester. This contribution has grown significantly in recent years with a 43% increase across Greater Manchester and growth of 53% within Manchester. This estimate includes a very large proportion of the hotels and accommodation sector, and large parts of the leisure market, including retail, food and drink. On a day to day basis Manchester attracts many thousands of business visitors.
- 4.3 Between 2005 and 2013 Greater Manchester's visitor numbers grew from 86.9 million to 109.4 million (+26%) with particularly strong growth reported in the number of overnight visitors (+28%). There is continued market optimism in the sector, demonstrated by the growing hotel market and to be supported by major new developments in the city. The city has a strong appeal for both leisure and business visits and caters for both domestic and international visitors. Manchester is the 3rd most visited city in the UK for staying visitors (2013), a position that statistics show it has consistently held since 1999. Over this period visitors to the city have increased by 83% compared to growth of

27% to London (1st position) and 33% to Edinburgh (2nd). The results of the Visit Manchester survey of 1,652 visitors to Greater Manchester in 2014 show the importance of museums and galleries to the local visitor economy, with headline results indicating that:

- Visiting cultural attractions was the third most frequently reported activity undertaken by 47% of visitors to Greater Manchester, following 59% that were eating out and 58% shopping;
- The proportion of visitors going to cultural attractions increased to 54% within the Manchester city centre visitor sample;
- There are a higher proportion of international visitors (24%) and visitors from outside the North West (43%) in the sample of museum and art gallery visitors than the profile of overall visitors (18% and 41% respectively); and
- Staying visitors (excluding those that are visiting friends and relatives), overseas, AB socioeconomic groupings, those travelling with children and first time visitors were most likely to visit cultural attractions.

- 4.4 Furthermore, there is a large catchment population of 9.7 million people within a 90 minute drive time, and population per seat (for arts venues) figures are significantly higher than in most cities in the UK, meaning that the catchment population is under served. Improved connectivity to the other major cities in England will increase the effective catchment area of Manchester as a destination.
- 4.5 To fully understand the scale and breadth of the opportunity provided by The Factory Manchester, and whether the vision could be articulated in an existing venue in the city region, an independent study was completed to assess the economic and social impact of 16 arts and cultural organisations in Manchester.
- 4.6 Both the study and the discussions concluded that whilst the impact of culture in Manchester is significant and the organisations are regarded as high performing, there was room and a demonstrable need for a large scale arts space that would draw people not just from the city region, but across the north, in a similar way to the Manchester International Festival (once every two years). This view has been confirmed by ACE and through broad consultation with regional, national and international arts and cultural organisations.
- 4.7 An outline Business Case and appraisal of the proposed investment in The Factory Manchester was approved by government departments in March 2015.
- 4.8 The analysis from the appraisal suggests that there is potential for The Factory Manchester to make both a direct and wider indirect contribution to Manchester's cultural standing and economic prospects.

- 4.9 The economic benefits are a result of three components, of which two – the visitor economy and clustering – benefit substantially from Manchester as the location. These are:
- Direct employment at the venue, consisting of those employed to manage all aspects of the new theatre and artistic and support staff for specific productions, and the indirect and induced impacts generated through the organisation's expenditure on suppliers and wages;
 - The visitor economy impact resulting from the additional expenditure of the venue's visitors in the Greater Manchester economy for example, at local restaurants, cafes, shops and bars. This expenditure will in turn support additional jobs and generate GVA within Greater Manchester; and
 - The clustering impact resulting from The Factory Manchester accelerating the city's role as a centre for creativity, attracting both producers and specialist supply chain companies keen to locate at the centre of the northern economy.
- 4.10 The Factory Manchester will have a major economic impact on the economy, with a combination of the scale and quality of performances and a nationally significant clustering effect directly leading to some 1,957 FTEs jobs at the end of five years, increasing to 2,453 by the end of year ten. The full GVA impact will be considerable, some £105m per annum at the end of year five, increasing to over £138m at the end of year ten, taking account of multiplier effects.
- 4.11 The capital costs for the construction and fit out of the venue is up to £110m. The Council will be responsible for completing the funding package of up to £32m. An application will be made to ACE's capital fund in 2016 for up to £7 million. A variety of opportunities will be explored, including through public subscription, philanthropic donation etc. However, there will be a requirement for significant Council capital funding predominately through the re-cycling of net capital receipts. Funding proposals will be brought forward as part of the detailed Business Case.
- 4.12 The Factory's operating plan is under development and will include income from ticket sales, food, drink and retail. Its location at the centre of the St. John's village will increase the potential for commercial income. A further significant proportion of income will come from the ACE, reflecting the commissioning nature of the venue and the track record of MIF. This is expected to be finalised as part of the forthcoming Spending Review.

5.0 Project Delivery

- 5.1 Allied London has previously entered into a Joint Venture arrangement under two legal agreements with Manchester City Council in respect of all the sites available for development in St. John's. One agreement relates to the former ITV: Granada Studios site where Manchester Quays (an Allied London company) is acquiring the freehold interest. The site for The 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.

- 5.2 Work on St. John's is planned to commence in mid – 2016 and initial phases of work will include reutilisation of the Bonded Warehouse comprising loft-style, open plan workspace for the Telecoms, Media and Tech sector alongside food and drink space, and the low-rise 'village' concept of four to five storeys with ground floor shops, creative business space on the first floor and residential units on the upper floors with balconys and roof gardens. Extensive areas of new public green spaces will also be developed including a new riverside park area on the opposite side of Water Street to The Factory Manchester site.
- 5.3 In order to effectively co-ordinate the design and build of The Factory as part of the development phases of the wider masterplan, Allied London will be appointed to carry out the role of Development Manager. This is necessary to ensure that the legal, stakeholder, planning, highways, stopping up, servicing, incoming utilities and diversions, heating networks and other associated activities are properly co-ordinated to deliver against The Factory Manchester project deliverables as commissioned by the Council. It is proposed that a new Development Agreement will be prepared to reflect the development obligations to deliver both The Factory and associated infrastructure. Manchester City Council will directly procure both the design team and the contractor supported by Allied London.
- 5.4 To support the design and development process a Project Board has been established, chaired by the Chief Executive and comprising officers from legal, finance and regeneration, with Maria Balshaw as the Single Responsible Owner for the project. Allied London will provide development and project management support and interface with the wider St John's masterplan development.
- 5.5 A drawdown of £3.5m for 2015/16 has been made available from the £78m allocation to ensure that the procurement of design services can commence. The project is to be overseen by the Department of Culture, Media and Sport and funding and project monitoring will be the responsibility of ACE. Given the high profile nature of the project, ACE have agreed to second Simon Mellor, the Executive Director, Arts and Culture for up to two days a week to be based in the Manchester project office in the Town Hall. Simon will play a critical role in working alongside officers of the Council and Allied London, as the development managers of the project, in supporting both the further development of the business case and to work up the technical brief for the design team.
- 5.6 The Project Board have established the initial following key milestones to be achieved:
 - i. Issue of the Contract Notice for Design Services – July 2015
 - ii. Design Team Appointments – Middle November 2015
 - iii. Planning Application submission – May 2016
 - iv. Construction – January 2017 to December 2018

- v. Commissioning of facilities and test events – January 2019 to June 2019
- vi. Opening Ceremony – July 2019

5.7 The design team appointments are being procured via the full OJEU procurement process and a contracts notice and pre-qualification questionnaire have recently been published. The seven individual appointments are for the full range of design services for the development of The Factory Manchester, including architectural services, mechanical and electrical consultants, structural and civil engineers, cost consultant and employer's agent, fire engineer, theatre consultant, and acoustic engineer.

5.8 The procurement process will lead to a detailed design and delivery strategy for The Factory Manchester, and the detailed Business Case, for presentation to the Executive. This will include revenue and capital funding arrangements, aligned to the outcome of the Comprehensive Spending Review process. This would be a prerequisite for the finalisation of contractual and financial agreements.

6.0 Conclusion

6.1 The 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.

6.2 Significant work remains to be done to progress design and development of The Factory Manchester proposals, and to prepare a detailed Business Case which will complete the Capital Funding package and develop a sustainable operating plan which will require significant additional ACE funding support which will be considered as part of the forthcoming Spending Review.

6.3 The intention is to have a detailed design and costed proposal available at the same time as the Business case. This will be the subject of a future report before the end of the year.

7.0 Recommendations

7.1 Recommendations can be found at the front of this report.