

Manchester City Council Report for Resolution

Report to: Economy Scrutiny Committee – 4 January 2017
The Executive – 11 January 2017

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

Report of: The Chief Executive

Summary

This report informs the Executive of the outcome of a public consultation exercise with local residents, businesses and stakeholders on the revised St. John's Strategic Regeneration Framework (SRF) and responds to issues raised. It seeks the Executive's approval and endorsement of the framework.

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 beginning of 2020. The project has reached a key stage and this report provides information on the proposals and the economic and social impact of the Factory.

Recommendations

The Executive is recommended to:

1. Note the consultation comments and responses to the draft St. John's SRF as set out in section 2 and approve the final version of the updated SRF to guide and coordinate the future development of the area with the intention that it will be a material consideration in the Council's decision making as a Local Planning Authority.
2. Delegate authority to the Chief Executive, City Treasurer and the City Solicitor, in consultation with the Leader and the Executive Member for Finance and Human Resources, to agree amendments to the Manchester Quays Limited (MQL) agreements in order to support the delivery of the Factory development and associated public realm.
3. Approve an increase to the Capital budget by £4.45M to fund land acquisitions and public realm costs associated with the Factory and the wider site, funded by identified capital receipts.
4. Delegate authority to the Chief Executive, City Treasurer and the City Solicitor in consultation with the Leader and the Executive Member for Finance and Human Resources to finalise the leasing arrangements with Allied London Properties for both Lower and Upper Campfield Markets and authorise the City Solicitor to complete and execute the necessary legal documentation.

5. Welcome the progress of DCMS, HM Treasury and Arts Council England (ACE) in recommending the approval of the award of the remainder of the grant of £78M (£10.6M development funding previously approved), following the Government Gateway Review in November 2016.
6. Approve the Council contribution to the project of up to £20M to be funded from identified capital and non-recurring revenue receipts.
7. Note the progress made in identifying the additional project funding, including the submission of stage one application for a £7M grant to the ACE Capital Lottery Fund, with a decision expected in the summer of 2017.
8. Note the progress made with the £5M fundraising target that will be raised by an external fundraising charitable trust. Approve the Council underwriting of this amount to allow the project to move forward, recognizing that any Council contribution that is required will be funded from Capital Fund.
9. Note the progress to date in bringing forward revisions to the Manchester International Festival (MIF) organisational structure to enable it to become the Factory Operator. Approve a grant to MIF of £141,000 to be funded by a virement from the agreed capital budget to revenue budget in respect of the implementation and development of the Factory project in the period 2016/17 and 2017/18.
10. Delegate authority to the Chief Executive, City Treasurer and the City Solicitor in consultation with the Leader and the Executive Member for Finance and Human Resources, to finalise the form of the building contract, and to negotiate and complete all necessary contractual arrangements, subject to the final receipt of Government and ACE funding. Further reports on a twice yearly basis will be brought back to the Executive to update on progress generally.

Wards Affected: City Centre

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	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>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 over a decade it will help create net inward investments of 1,439 full-time equivalent jobs and an additional £75M GVA.</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 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 benefits 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.</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 Prince's 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

- I. Equal Opportunities Policy
- II. Risk Management
- III. Legal Considerations

Financial Consequences - Revenue

Although no additional Council revenue resources are required, there is a requirement to vire £141k (2016/17 £30k 2017/18 £111k), from the Factory capital budget to cover costs associated with the development of the facility. This will be advanced to MIF by way of a grant to cover specific costs.

Financial Consequences – Capital

The overall capital budget for the Factory is £110M. The largest component of this funding package is a capital grant from ACE to MCC for £78M. This has been recommended for approval by ACE and is being finalised by HMT.

MCC is responsible for up to £20M capital contribution, which is to be funded from identified capital and non-recurring revenue receipts. The balance of the capital funding will, as reported to the Executive on the 27th July 2016, be delivered through external fundraising and grant applications.

To support the delivery of the building it will be necessary to underwrite the fund raising contribution at this time, which will be set against the Capital Fund.

In addition, the project requires an increase in the Capital Budget by £4.45m to fund land acquisitions and development costs associated with the wider Factory site. This would be funded from capital receipts.

As noted in the revenue implications, a virement from the existing Factory capital budget of £141k is required to fund a grant to MIF.

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Background documents (available for public inspection):

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. 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 public consultation exercise undertaken 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 strategic 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 beginning of 2020, and this report updates Members on progress since the Executive report in July, and the economic and social impact of the Factory.

2. Comments and Responses to the 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 was considered by the Executive on the 27th July 2016 and it was 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, which were not fully articulated in the original SRF, nor was its potential significant contribution to the creation of place and a creative ecosystem 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 through to Deansgate and the wider Castlefield area.
- 2.5 This report summarises the outcome of the public consultation, and sets out the responses to the comments made.
- 2.6 Consultation letters were sent out to 3, 496 local residents, businesses and stakeholders, informing them about the public consultation, how to participate,

and engage in the consultation process, and where to access the SRF document which was made available on the Council's website. Comments were invited on the SRF. The formal consultation closed on the 16th December 2016, but any comments received after this date and up to the date of the Executive, will be verbally reported at the meeting.

- 2.7 In total eight responses were received in response to the consultation letters, which are broken down as follows: 7 from residents; 1 from a stakeholder organisation. Responses to the comments made are given below each comment.

Upper and Lower Campfield Markets and Castlefield House

- 2.8 Three residents from St. John's Gardens estate raised concerns about the proposed future use of Upper Campfield Market as retail and leisure units and Lower Campfield as a multi-use space accommodating flexible workspace units, co-working space and event space. Residents note that the existing buildings lack good sound insulation and the proposed uses will have a significant impact upon neighbouring properties. Residents are concerned about anti-social behaviour from visitors: noise; drunkenness; public urination; fighting; discarded general waste; misuse of the parking facilities; harassment of residents; and misuse of public access through the estate.
- 2.9 The proposals for the Market buildings as set out in the SRF will need to be further developed to take into account issues such as noise; access and egress from the site; deliveries; collection of refuse; and parking requirements. Allied London Properties have acquired Castlefield House which lies between the two Market buildings, and the City Council owns the freehold of Upper and Lower Campfield Markets. Officers are in discussions with Allied London Properties on leasing arrangements for both Market buildings, so that the whole area can be brought forward as an integrated scheme with uses sympathetic to the grade II listing of the buildings. The proposals will be subject to detailed design considerations and further consultation will be undertaken with local residents.

Factory Development

- 2.10 One resident commented that the city has plenty of galleries and mentioned the opening of the HOME arts venue at First Street. Another resident questioned whether or not the international cultural events to be held in the Factory would be subsidised for local residents.
- 2.11 The Factory represents a unique and wholly different offer to the current theatre and cultural spaces within Manchester and the wider North of England, and will play a critical role in cultural innovation, growth, skills development and talent venture. It will enhance and improve the city's existing cultural infrastructure. The events will include a proportion of subsidised ticket prices and will aim to grow the existing cultural audience base to make arts and culture more accessible to local residents.

Residential Developments

- 2.12 Two residents raised concerns that the proposals for new rented accommodation will be delivered through an institutional investment with properties let and managed by a single operator. Residents are concerned that a single operator will create a monopoly, crowding out the private sector and decreasing competition in the area.
- 2.13 The fragmented nature of the current private rented sector, with 70% of landlords owning 3 or less properties, has created some problems in residential communities. It is envisaged that the introduction of professionally managed residential properties by institutional investors will ultimately improve the offer in the city of high quality rental properties.
- 2.14 One resident raised a concern about how the proposed landmark development at St. John's Place will be funded; and concerns regarding the pollution caused by builders in the form of dust; and also the obstruction caused by tall buildings in blocking views within the city centre.
- 2.15 The St. John's Place development comprises of four buildings (52, 18, 8 and 4 storeys respectively). Planning consent was granted in October 2016 for this development and issues regarding both dust during construction works and the impact on views in this part of the city were considered as part of the planning application process.
- 2.16 One resident referred to the proposal to increase opportunities for home ownership and expand the family housing offer. The resident was concerned that proposals would need to be developed to provide new social, health and community services: doctors surgeries; dentists; health centres; playgroup and nurseries; schools; youth centres; leisure centres; parks and open spaces.
- 2.17 The new SRF identifies a range of locations across St. John's that can accommodate public spaces and social amenity facilities: the existing Breeze Studio gardens will provide managed space; proposals are being developed for four new spaces, a "gateway" public space at the head of Quay Street, Viaduct Square, Festival Square and Factory Square. A core development principle is to make the River Irwell more accessible through new public realm and enhanced accessibility, as well as connections to Irwell City Park. It is recognised that an increase in the number of new residential properties will lead to an increase in demand for social, health and community facilities. Opportunities exist within the planned south village development for new retail units which could accommodate doctors and dental practices, for example, and accommodation for new leisure centres could also be provided within the planned developments.

Manchester and Salford Junction Canal

- 2.18 A resident from Bury and an Inland Waterways Authority Branch Committee Member have noted that the Manchester and Salford Junction Canal used to run through the middle of the area and sections of it still exist underground.

They propose that the Canal is eventually fully restored from the River Irwell through St. John's, the Great Northern Warehouse, Manchester Central and into the Basin alongside the Bridgewater Hall. The full restoration is a long term goal and the opening up of a canal tunnel opening and a surface canal in St. John's is seen as a first step. It is proposed that a broad canal of 18 foot is provided allowing two narrow boats to pass each other on the Grape Street alignment. It is pointed out that a canal would provide vibrancy and life to the area attracting visitors to the area and it would be possible to moor a variety of boats that could sell refreshments, paintings and other arts and crafts.

- 2.19 Grape Street provides a key route in the planned servicing strategy for the planned Central and South Village developments, and will also provide service access to both the planned Factory and Bonded Warehouse developments, and could not accommodate a broad canal. Grape Street will also provide a key east west pedestrian route for residents, businesses and visitors.

Historic England

- 2.20 Historic England (HE) welcome the inclusion within the SRF of the grade II Listed Market Buildings and Castlefield House on Liverpool Road. The market buildings are considered to have great potential for re-use for their historic purpose. Castlefield House relates poorly to its surrounding historic context and HE would welcome its redevelopment. Section 4, entitled "Framework Development Principles" contains a wealth of detail on proposals and it is considered that this level of detail is not appropriate for a strategic framework document and may limit future approaches to re-develop the area.
- 2.21 The comments on the inclusion of the Upper and Lower Market buildings and Castlefield House are noted and development of detailed proposals for these buildings will be subject to further discussions with Historic England. In respect of Section 4, officers understand the need for future flexibility but the references to development proposals in this section are considered appropriate given the advanced stage of masterplanning, and the recent submission of planning applications for the development of key sites including the Factory and the Central Village site.
- 2.22 Having considered all the comments received, there is no requirement to alter the current draft St. John's SRF, and it is requested that it is approved as final, subject to consideration of any further comments that may be received in advance of the Executive in January.

3. Factory

- 3.1 In July 2016, the Executive received a report setting out progress in taking forward the proposals for the Factory project including an update on the capital development, the emerging business plan and operational base for the future venue, the appointment of Manchester International Festival as the organisation sitting at the heart of the new venue, the legal structure and emerging learning and participation plans.

- 3.2 Factory has made significant progress in the period since the last Executive, with major steps taken in securing financial approvals, capital planning and the preparation of the MIF organisation to take the sublease and manage the facility upon completion. A Capital Director and Project Director have been recruited by the Council for a four-year term to help deliver the project.
- 3.3. The core proposal for Factory has not changed since the Executive endorsed the report in July 2016. It will be an extraordinary venue of a scale not seen elsewhere in the UK, allowing artists and producers to bring the most exceptional artistic experiences to Manchester audiences. Based around the co-production model so successfully developed by Manchester International Festival, Factory will cater for audiences of up to 7,000 and present a varied and diverse annual programme alongside a continuation of the biennial city-wide Festival. Construction is scheduled to start in the second quarter of 2017/18 with completion at the beginning of 2020.
- 3.4 The capital cost of Factory remains at £110M, comprising £78M Exchequer funding delivered via ACE; £7M Lottery grant application; £20M Council contribution; and £5M to be fundraised. To date the project has drawn against the £78M with a £3.5M development grant, which completed in September 2016 and a £7.1M continuation grant, with match funding from the Council of up to £500K.
- 3.5 Release of the residual Exchequer capital funding of £67.4M has been subject to a number of standard Central Government approvals processes. An Outline Business case was submitted in 2014. Building on this early work, a full business case was submitted this autumn complying with the Green Book methodology, providing evidence across 5 interrelated areas – Strategic Case (fit with national and local policy drivers); Economic Case (considering options and benefits to the economy); Financial Case (covering affordability and risk management); Commercial Case (route to market and delivery); and the Management Case (outlining our approach to delivering the project and governance arrangements). The case is compelling and demonstrates clearly how Factory serves national and local objectives for the cultural ecology of the UK and demonstrates a well-rounded approach to ensure a successful project. The case was considered along with other documentation at a Stage 3 'Investment Decision' Gateway Review in early November run by the Infrastructure and Projects Authority within the Treasury. The project received a positive report, with a high degree of confidence in the capital project and a recommendation that £750k of the planned Exchequer Revenue contribution be drawn down early to facilitate the development of MIF to ensure a smooth transition once the project completes. The business case was then scrutinised at the DCMS Finance Committee who, in noting the quality and detail of the submission, recommended it for consideration at the Treasury Approvals Process (TAP). In mid-December, the case was considered further by TAP and Arts Council England National Council who approved the project, which was then forwarded to the Chief Secretary of the Treasury for final approval. Given the detailed process undertaken to consider the proposition, Members can take comfort that the scheme has been thoroughly scrutinised and is ready to be taken forward to the next stages.

- 3.6 A stage one Lottery application requesting £7M was submitted to Arts Council England in October 2016. This application demonstrated that Factory will deliver across all five of Arts Council England's strategic goals. The outcome of the stage one application is expected in July 2017 and, if successful, will confirm the allocation of funding to be drawn down by the submission and approval of a detailed stage 2 application (target date September 2017). If successful, we anticipate that the earliest we might draw upon Lottery funding is by the end of 2017.
- 3.7 It is necessary to seek formal approval for the remainder of the £20M Council contribution which was agreed in principle at the July meeting.
- 3.8 Good progress is being made to secure the remaining £5M fundraising target. A detailed report prepared in April 2016 by an experienced fundraising consultant, suggested that for a significant project such as Factory, a target of £3.5M was readily achievable from a range of individual giving, Trusts and Foundations and corporate sponsors. Given this advice, officers are satisfied that the £5M target is realistic, and if exceeded will result in a smaller contribution from the Council. An experienced fundraiser has been recruited to the Factory team to progress the necessary applications and approaches. Meetings between officers and leaders of Trusts and Foundations as well as high net worth individuals are planned for January onwards, primarily aimed at Capital giving. The project cashflow has been designed to show income from these sources towards the latter stages of the project, allowing time to develop these relationships. Notwithstanding this good progress, a commitment to 'underwrite' the risk of the capital fundraising target is necessary to allow the project to move forward with certainty.
- 3.9 To facilitate the fundraising efforts and meet the eligibility criteria of the major prospects, a charitable Trust for the receipt of funds will be established with charitable objectives that extend beyond capital fundraising. This will augment the ongoing fundraising required to support Factory's Learning and Skills commitments and wider creative programme.
- 3.10 Officers recognise that the unique nature and complexity of the Factory building, which has no direct precedents and requires complex design coordination and delivery, will need to be carefully managed, and that the Council must exercise strong and practical control in the financial and risk management to achieve the required outputs. Officers, together with partners, are currently evaluating a number of requirements. One is a review of the option to split the project into two distinct phases – with the first phase comprising the base shell and core build, and the second phase the fit out elements of the building. This would reduce the complexity of the overall project procurement, allowing specialist fit out contractors to be brought forward at the appropriate time, and allow the fit out budget to be aligned with the ACE £7M Lottery capital grant in 2018/19. Secondly, is an evaluation of the options for either a Design and Build lump sum contract or Management Contracting to establish which offers the optimum balance between quality, risk management, procurement strategy and crucially value for money. It is therefore, recommended that the final decision on the procurement route is

delegated to officers in consultation with the Leader and the Executive Member for Finance and Human Resources once this assessment has taken place. In the period since the last report, the team have been working to test the market and gain buildability advice on the developing proposals. The design achieved RIBA Stage 3 in early November. Since this point, the combined team have been working up detailed tender packages for market testing in early 2017, to give final comfort that the scheme can be achieved and to allow a final contract sum to be negotiated and agreed.

- 3.11 A public consultation process was undertaken in September on the project. Alongside this public process, a series of consultations have taken place with cultural and technical partners, drawn from the local regional, national and international partners. Both processes have been positive about the impact of Factory and its transformational impact on the local economy and the national cultural infrastructure.
- 3.12 A full planning application and listed building consent was submitted in November and will be considered at 12 January 2017 Planning Committee. This followed positive consultations with Historic England and RIBA Places Matter.

Factory Operational Update

- 3.13 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.
- 3.14 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.
- 3.15 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. A key priority over the coming months is the development of effective and expanded MIF organisational arrangements and operational team, and the development of the programming elements to ensure a robust structure is in place to secure a successful opening trading period.

- 3.16 Planning around the development of MIF has progressed at speed over the autumn with a timeline and early project plans now in place for the scaling up at Board, Executive and Staff levels. The project team will be supplemented over the coming months in order to ensure operationally MIF is able to assume greater operational responsibilities in a timely manner. As a result of the Gateway review and recommendation of wider public funders, including an early drawdown of £750k which will be used to fund organisational enhancements from the 2018/19 £9M Exchequer revenue funding which was approved by ACE at the December meeting of their National Council.
- 3.17 MIF will lease Factory for a period of 30 years on a peppercorn rent. Heads of terms and an Agreement for Lease will be brought forward in due course with a full progress report on the organisational requirements, the development of MIF and fundraising progress.

4.0 Economic and Social Impact of the Factory

- 4.1 The recent Economic and Social Impact on Culture Report submitted in October 2016 to the Communities and Equalities Scrutiny Committee noted the key role that the culture sector plays in the economy of Manchester. From permanent attractions to annual and one off events, the sector generates a range of economic and social impacts as well as making a significant contribution to place-making activities that increase the attractiveness of the city as a place to live and visit. The impact of the cultural sector extends well beyond economic benefits and includes a range of social and regeneration impacts that reflect the diversity of engagement activities that are offered by the venues.
- 4.2 Factory will build upon this trajectory of success. In recognition of the maturity of the current offer and the proliferation of high-performing mid-sized cultural organisations, Factory is designed to add to rather than duplicate existing provision, drive increased audience numbers and increase the overall attractiveness of the city and the city region as a cultural destination. There is no other venue that delivers the scale and ambition of production possibilities in the UK and this nationally significant facility will fill the identified 'room at the top' in the city-wide cultural strategy.
- 4.3 In line with other key cultural institutions in Manchester, Factory commits to increasing the positive social impact of culture in the city. Following the existing strong reputation of MIF in this regard, Factory will deploy a range of measures to increase the social diversity of its audiences and interactions through reduced price tickets, community productions and a strong engagement and participation offer.
- 4.4 Factory economic benefits are broadly measured in 3 main categories – audience/visitor economy, clustering and direct employment.
- Visitors to Factory are anticipated to be 893/ 814k visitors in a year dependent upon activity. Between 686/634k visitors will be drawn from within the Greater Manchester (GM) area, with the remaining 207/180k

visitors from beyond GM. These external visitors will bring an additional £11.68M/ £10.04M GVA per annum.

- Factory will be at the heart of a new neighbourhood, St. John's, which will specifically cater for creative and media businesses. This critical mass of a major producing venue and the increased attraction of a new development, opens up the opportunity for a significant clustering effect. At the heart of its operation, Factory is collaborative. Staffed by a core team of approximately 125 staff, its operation relies upon supplementing this team with expertise to deliver as each production or performance demands. Over time, we expect to see the co-location of sympathetic business and individuals to supply and support the Factory programme, within the context of a new creative-led neighbourhood.
 - Factory also has an important role to play in developing the skilled practitioners for the future as it will help establish city-wide training and development opportunities. These three factors – helping to anchor a creative neighbourhood, delivering work through a changing pool of expertise and helping to grow the future industry practitioners – will enhance and deepen the strength of the creative and media sector in the city.
 - Looked at over a ten year period, our analysis shows net inward investments will support 1,439 full-time equivalent jobs.
- 4.5 These measures, along with the direct employment in the venue and volunteering projections for Factory, gives an overall economic impact assessment that demonstrates the creation of the facility will have a lasting and significant impact, with a total net GVA impact over 10 years of over £1.1bn comprising: Factory employment and expenditure; additional visitors to the city; and the clustering of creative industries in the city.
- 4.6 All of the projections to date are focused on physical audiences and visitors. Factory will have significant broadcast and digital capabilities which will allow the programme to drive a significant number of virtual interactions with the work of the venue.
- 4.7 Factory has very specific objectives on learning and skills that form part of the business case benefits and on which Factory's long term success will be partially judged. Factory will have a significant catalytic effect on the ability and opportunities for the city's young people in particular to pursue a career in the creative sector, in part answering the current and projected skills shortages.
- 4.8 Factory will be an accessible and welcoming environment, and its programmes will encourage learning at many different levels. Every part of the building will be able to house education and training activities, and the flexibility of the spaces will be reflected in the variety of initiatives across the two strands of Factory's extensive skills, engagement and training programme. This first strand – known as Factory Academy – will be a new centre for creative excellence, training the next generation of technicians,

producers and creatives for future roles in the performing arts and live events industries across the North. Bringing together publically funded and commercial partners from the creative industries with providers of Further and Higher Education, Factory Academy aims to deliver industry-defined models of training and skills development. The centre will produce an agile, dynamic and digitally savvy workforce with the skills to thrive in a sector dominated by self-employment and portfolio careers. Factory Academy will reinforce Manchester's position as a leading centre for arts and technical training, helping to build expert workforces capable of driving future growth in the arts, live events and related industries. The second strand – Factory Plant will deliver a year round programme of participatory commissions and projects, schools activities, community advocates, digital engagement and a volunteer's programme.

- 4.9 Resources from the Work and Skills team have been seconded to help advance this strand of the Factory working in partnership with agencies across the city.
- 4.10 The delivery of the Factory project ensures that the GM Social Value policy is followed by all significant appointments. The construction phase will see the start of a Factory based apprenticeship programme and early community engagement initiatives.

5.0 Conclusion

- 5.1 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 provides an update on the continued progress in taking forward the project. The report also provides an update on the significant investments planned for the St. John's SRF area, and the Executive is requested to approve the updated SRF, subject to any further comments received in advance of the Executive in January, following the wide ranging public consultation exercise.

6.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

- 6.1 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

- 6.2 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 city's drive for high calibre graduate talent retention through job creation.

(c) A progressive and equitable city

- 6.3 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 livable and low carbon city

- 6.4 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

- 6.5 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.

7.0 Key Policies and Considerations

(a) Equal Opportunities

- 7.1 Factory will over a decade help create net inward investments of 1,439 full-time equivalent jobs and an additional £1.1bn GVA. 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

- 7.2 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

- 7.3 The Council is to enter into/renegotiate a number of property arrangements with a number of parties in order to assist in the delivery of Factory.

The Council is to procure a major building project as direct employer, and the Council will be entering into a building contract and ancillary contractual arrangements.

It is intended that the funding for Factory will be provided by ACE and this will be set out in an agreement between ACE and the Council, the terms of which will be flowed down to the intended lessee of Factory.

It is to be noted that MIF intends to establish a charitable trust to further support the development and subsequent operation of Factory.

8.0 Recommendations

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