

**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee – 20 July 2023
Executive – 26 July 2023

Subject: Factory International at Aviva Studios

Report of: Deputy Chief Executive and City Treasurer
Strategic Director, Development

Summary

The purpose of this report is to update on the delivery of Aviva Studios including progress with the construction programme; the evolution of Factory International; the success of the recent MIF23 festival; and the conclusion of the naming rights agreement with Aviva for Aviva Studios.

Recommendations

The Resources and Governance Scrutiny Committee is recommended to:

1. Note and comment on the report and endorse the recommendations being made to the Executive.

The Executive is recommended to:

1. Note progress with the delivery of Aviva Studios, home to Factory International, the wider economic, cultural and social benefits to Manchester and the significant programme of social value commitments.
2. Approve a capital budget increase for Aviva Studios of £8.7m to be funded from:
£620k increased grant from ACE
£7.3m on an invest to save basis to be funded from naming rights income
£782k to reverse the temporary virement for public realm costs
3. Note the capital budget increase of £8.7m will be used to fund the cashflow requirements to static completion for construction and client-side fees and £600k support to cover the additional costs experienced by Factory International.
4. To approve a capital budget increase of £1.1m to be funded from capital receipts, to meet the final costs of the public realm.
5. Note the progress made by Factory International to prepare the organisation to operate Aviva Studios including recruitment, business planning, the sponsorship programme, artistic and cultural programme development and social value

benefits, in the lead up to and successful delivery of MIF23, and the formal opening in the autumn.

6. Note the naming rights agreement with Aviva for Aviva Studios
7. Note progress in the development of employment, training and education opportunities and creative engagement programmes as part of Factory International's skills and learning development programme.

Wards Affected: Deansgate

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A Thriving and Sustainable City	By supporting a diverse and distinctive economy and attracting clusters of related creative industry activities, Factory International will create jobs and opportunities, accelerate economic growth in the region and play an integral part in helping Manchester and the North enhance and diversify its cultural infrastructure and the visitor economy. The Council will develop a Creative Enterprise district proposal (through the Greater Manchester Trailblazer/ Investment Zone) to support and incentivize creative SME co-location and maximise training and educational opportunities in the area. The first phase of Enterprise City includes the Goods Yard, ABC Building, Globe Building, Transmission, together with the creation of a Tech Hub in the Bonded Warehouse. Enterprise City is an integral element of St. John's, creating a new cluster of innovative city centre workspaces that support the growth of the City's economy. A Levelling Up grant of £17.5m has been awarded and work has started on the refurbishment of the listed Upper and Lower Campfield Markets buildings as an extension of the Bonded Warehouse Exchange Tech Hub.
A highly skilled city	Through world class and home-grown talent sustaining the city's economic success, The 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. New direct jobs of 168 FTE staff and 176 FTE venue

	<p>and performance related jobs (344 FTEs in total) will work within the venue each year.</p> <p>Furthermore, Factory will support a clustering impact resulting from the venue accelerating the city's role as a centre for creativity, attracting both producers and specialist supply chain companies keen to locate in the local economy. After year 10, Factory International is expected to support over 1,500 FTE jobs because of these clustering effects driven by Factory, and up to £1.1bn will be added to Manchester's economy. Factory International has levered £106.7m new Exchequer investment into Manchester. Factory International is leading on a consortium approach to training and skills, developing partnerships with the city's Cultural, Further and Higher Education (FE/HE) Institutions and will further support the city's drive for high calibre graduate talent retention through job creation programmes. It will act as a UK leader in the creative sector/FE/HE led training to expand access for Manchester's young people into creative jobs.</p>
<p>A progressive and equitable city</p>	<p>Making a positive contribution by unlocking the potential of our communities, Factory International and wider St. John's development will create a vibrant new neighbourhood based around the former ITV: Granada Studios site. The intention is to encourage independent, niche, and creative uses and businesses with new office, cultural, workspace and leisure development with residential units. The presence of Factory International as a 'cultural anchor' has already had a catalytic effect in terms of reimagining the creative redevelopment of the Science and Industry Museum site and the Upper and Lower Campfield Markets as a creative district. The Factory will build new diverse younger audiences from within Manchester and beyond, combined with expanded, more mature established arts audiences.</p>
<p>A liveable and low carbon city</p>	<p>As a destination of choice to live, visit and work, The Factory will benefit from excellent public transport connectivity, ensuring the site can be easily accessed by visitors. In a non-festival year, The Factory will attract 850,000 visitors per annum with 650,000 drawn from within the</p>

	<p>Greater Manchester area. In a festival year the total will increase to over 1 m visitors as additional audiences of 300,000 will attend performances across the city. Around 800,000 will be drawn from the Greater Manchester area and 350,000 visitors from elsewhere. Sustainable design and development principles are embedded into the scheme. 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, older people, under-represented and disadvantaged groups.</p>
<p>A connected city</p>	<p>Through world class infrastructure and connectivity to drive growth, The Factory will benefit from strong public transport links with access to 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. This will include the recently opened replacement Prince's Bridge scheme, improved pedestrian connectivity as part of the Enterprise City developments, and proposals by the Science and Industry Museum, 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>

Financial Consequences - Revenue

The additional regeneration of the wider St John's area, of which Factory International at Aviva Studios is a key anchor, generating an additional £1.295m in business rates in 2022/23 which is projected to increase as further developments are delivered and is contributing directly to the Council's revenue budget.

The key points from the naming rights agreement are set out in the Part B report. This will be used to contribute to the financing of the construction project. The £2.4m philanthropic income raised to date will also be used to fund the construction project. It is estimated that over the life of the lease the MCC share of naming rights and other building sponsorships income will be over £80m that will be used to repay borrowing incurred to build the asset.

Financial Consequences – Capital

The recommendations in this report are to secure the completion of Aviva Studios and the longer-term success of Factory International. The report outlines the significant direct, economic, cultural, and social value benefits that are being secured.

The project is being delivered via a Management Contracting approach and the works have been constructed by a number of different works package contractors. As previously reported, this means that the total cost surety will be reached at practical completion.

In order to secure the cashflow to static completion (the completion of the building but not all the final commissioning works) for construction costs and client-side fees this report requests a capital budget increase of £8.7m:

- £7.2m funded from borrowing on an invest to save basis. This will be met from naming rights and sponsorship income as set out in the report.
- Additional funding of £620k has been secured from Arts Council England (ACE) and this will be added to the budget for the capital works and the consequential additional operating costs incurred by Factory International during MIF23 due to the fact the commissioning works are still ongoing.
- Reversal of the £782k virement from Factory International Contingency to the Public Realm project on the basis the funding is no longer available to make the virement.

Overall, this will provide funding whilst the works, final accounts and exceptional items are being finalised.

The report also requests a capital budget increase of £1.1m to be funded from capital receipts, to meet the costs of completing the public realm.

A report will be coming back to September Scrutiny committee that sets out the final costs until practical completion. This will include the final costs for the commissioning works and final accounts. A number of these items are subject to commercially sensitive negotiations and the cost consultants are tracking all the costs and ensuring the Council is taking a robust commercial stance.

Of particular importance is the long-term relationship with Factory International on fundraising, sponsorship and naming rights income. The principles of the naming rights agreement for Aviva Studios are set out in Part B to this report, which will both contribute to the repayment of the MCC capital investment and also secure the longer-term financial viability of Factory International.

The development of the adjacent Riverside site by Select and Allied London will see the repayment of the temporary £4.3m loan due in 2023 in accordance with the terms of the agreement.

Contact Officers:

Name: Pat Bartoli
Position: Director of City Centre Growth and Infrastructure
Telephone: 0161 234 3329
E-mail: pat.bartoli@manchester.gov.uk

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 07717 54578
E-mail: carol.culley@manchester.gov.uk

Name: Jared Allen
Position: Director of Capital Programmes, Corporate Estate and Facilities
Telephone: 0161 234 5683
E-mail: jared.allen@manchester.gov.uk

Name: Tom Wilkinson
Position: Deputy City Treasurer
Telephone: 07714 769347
E-mail: tom.wilkinson@manchester.gov.uk

Name: Dave Carty
Position: Development Manager
Telephone: 0161 234 5908
E-mail: d.carty@manchester.gov.uk

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.

The Factory

- Report to The Executive 29 July 2015 – The Factory Manchester
- Factory Manchester Project Overview 31st May 2016
- Report to The Executive 26 July 2016 – Updated Draft St. John’s Strategic Regeneration Framework and Factory Manchester
- Report to The Executive 11 January 2017 – Updated Draft St. John’s Strategic Regeneration Framework and Factory Manchester
- Report to The Executive 26 July 2017 – Factory Manchester

- Report to The Executive 21 March 2018 – St. John’s Proposals including Factory Manchester
- Report to The Executive 30 May 2018 – Capital Programme – Proposed Increases
- Report to The Resources and Governance Scrutiny Committee 8 November and to The Executive 14 November 2018 - The Factory
- Report to The Resources and Governance Scrutiny Committee 20th July 2021 – The Factory, St. John’s – Delivery Update

St John’s

- Draft Quay Street and Water Street Development Framework February 2012
- Report to the Executive 14 March 2012 – ITV/Quay Street Regeneration Framework
- Report to the Executive 29 October 2014 – ITV/Quay Street Regeneration Framework
- Draft St Johns, Manchester Strategic Regeneration Framework October 2014
- Report to The Executive 13 February 2015 – ITV/Quay Street (St. John’s) Regeneration Framework Consultation
- St Johns Strategic Regeneration Framework February 2015
- St. John’s Strategic Regeneration Framework Update November 2016

1.0 Introduction

- 1.1 Aviva Studios, home to Factory International, is nearing completion and there is considerable excitement about the venue. The recent launch has further boosted Factory International's profile, with an exciting programme of planned events, building on the international festival in 2021, and placing Factory International firmly on the international cultural map, at the heart of the St John's regeneration area. The city is already seeing the direct benefits from St John's, with Enterprise City and the cultural activities provided by the studios playing a major part in the area's economic and cultural evolution.
- 1.2 This report provides an update on progress with delivering Aviva Studios, including the capital cost of the building, social value benefits and the role of Factory International. The report also provides an update on delivering the St John's regeneration area.
- 1.3 Factory International has levered £106.7m of new national public funding into Manchester made up of £78.05m HM Treasury investment, and £7m Arts Lottery, £21m Kickstart Capital from the Cultural Recovery Fund and £620k additional ACE grant funding. All these funds are administered by Arts Council England and is funding that would not have otherwise been available for the cultural sector or the region.
- 1.4 The creative industries are the fastest growing sector in Manchester and the creation of Aviva Studios, home to Factory International, will sustain and grow this vital sector even further. Factory International is visibly strengthening Manchester's reputation as a nationally and internationally important centre for culture and creativity – building on a reputation which has seen it recognised as the second largest creative city in Europe after London.
- 1.5 Time Out reported that “the building is deliciously spacious, capacious even ... it puts a futuristic spin on Manchester's manufacturing past.” The Guardian describes the Yayoi Kusama opening arts exhibition as “a psychedelic pop-art garden of earthly delights” in a five-star review.
- 1.6 Up to £1.1bn will be added to Manchester's economy after 10 years of operation, capturing the benefits associated with direct employment and visitor spending, productivity, dynamic clustering, social value, and amenity value.

2.0 The St John's Quarter

- 2.1 Aviva Studios, home to Factory International is at the heart of Enterprise City in the St. John's area and revives the site of the former Granada TV Studios, making a major contribution to the regeneration of this part of the city. The economic benefits of Factory International are broadly measured in three categories

- audience/visitor economy,
 - Clustering, and
 - direct employment.
- 2.2 Visitors in a non-festival year are anticipated to be on average 850,000 per year, with 650,000 drawn from within the Greater Manchester area and 200,000 visitors from elsewhere. In a festival year, the total will increase to over 1 m visitors as additional audiences of 300,000 will attend events across the city. Around 800,000 visitors are expected from the Greater Manchester area and 350,000 from elsewhere. After year 10, Factory International is expected to support over 1,500 FTE jobs because of these clustering effects, and up to £1.1bn will be added to Manchester's economy. MIF23 has been a huge success with Aviva Studios already becoming a destination and achievement of box office targets in record time. The events have been attracting 4 and 5 star reviews in many places along with praise for the building. A full evaluation of will be brought to Economy Scrutiny as in previous years.
- 2.3 The benefits are already beginning to ripple out. When Manchester was named in global travel authority Lonely Planet's top 30 must-visit destinations in the world for 2023 (the only UK city to be recognised) the venue was cited as one of the reasons why Manchester is "a city to experience, not just to visit." Factory International was also referenced as one of the reasons when Time Out magazine named Manchester in its Best In Travel list for 2023, the only UK city in the top 10. In a separate list, Time Out also named visiting the "blockbuster arts venue" as one of its 23 Best Things In the World To Do in 2023.
- 2.4 Factory International has already been the catalyst for a major cultural and creative investment. Enterprise City is a major new mixed-use development of commercial, leisure residential and cultural space, a significant new cluster of innovative city centre workspaces and content production studios. Enterprise City has the potential to accommodate some 17,000 jobs in businesses from new start-ups to corporates. At its heart will be the cultural campus created with the combined attractions of Factory International (850,000 visitors per annum) and the Science and Industry Museum (500,000 visitors) being physically linked together. The wider St. John's area including Enterprise City will attract over 32,000 visitors a day to its workspaces, new homes, food and beverage offers, hotels and other leisure offers.
- 2.5 Allied London's long-term partnership with Aviva Investors to fund Enterprise City is valued at more than £500m. Dentsu a multinational media and digital marketing company, is the latest tenant taking 15,500 sq ft in the Bonded warehouse. Following the development of the ABC Building, Transmission, Manchester Goods Yard, and the Globe Building the tenants now include global tech company Booking.com (won in competition with other major European Cities) Cloud Imperium Games, The Farm, WPP, and Peak AI. The Allied London Versa film studios campus continues to flourish.

- 2.6 The Bonded Warehouse is home to the Exchange Tech Hub funded by DCMS and work has now commenced on the £17.5m Levelling Up expansion of the Exchange Tech Hub to create an additional 4,000 jobs in the listed Upper and Lower Campfield Market buildings on Liverpool Road. The wider St. John's will also provide a further 1,000 jobs in retail, leisure and hotel developments together with new homes and public realm in this new city centre neighbourhood.
- 2.7 Towers 1 and 2, the two co-living residential buildings now under construction on Water Street will provide 765 apartments and a total of 1,676 bedspaces and over 21,500 sq feet of co-working space with each tower containing two, three or four bedroomed co-living apartments and 131 affordable tenures. Towers 1 and 2 will also have 180 studio apartments available on short term lets. Tower 1 will be completed in January 2024 and Tower 2 in April 2025.
- 2.8 Aviva Studios itself provides a world-class performance space and a permanent home for Factory International in an all-year-round venue with a rich blend of ticketed and free events inside the building and the surrounding public spaces. At 143,000 square feet, there is no other venue that can deliver the scale and ambition of production possibilities in the UK, and this nationally significant facility will fill a major gap in the city-wide cultural strategy. It has attracted significant government investment, almost unique outside of London and the Southeast and has been designed by one of the world's leading architects, Office for Metropolitan Architecture (OMA). It is their first major public building in the UK, enhancing Manchester as a destination for world class architecture.
- 2.9 The development of the adjacent Riverside site by Select and Allied London will see the repayment of the sums due and owing from the temporary £4.3m loan by August 2023.
- 2.10 The creative industries are the fastest growing sector in Manchester, making an annual contribution to the city's economy of around £1.4bn. Since 2018 the growth in business rates generated within the St Johns area totals £327k which will grow to £830k in 2022/23. Under the 100% business rates growth retention pilot the additional income has been retained in Manchester and is supporting the Council's revenue budget. Discussions with Government continue as part of the announced devolution acceleration negotiations.

3.0 Work and Skills and Social Value

3.1 *Factory International*

- 3.1.1 Central to the vision is a focus on providing training and skills for future generations of creative talent through The Factory Academy (TFA). TFA was launched by Factory International in 2018, in partnership with a consortium of cultural organisations in the city. Factory International has led on the development of the Greater Manchester Cultural Skills and Training Consortium - a group of 25 employers working collaboratively across the cultural sector on

programmes such as Traineeships and Apprenticeships. This has supported the appointment of a cohort of apprentices in technical theatre across Greater Manchester organisations and Factory International has ensured the continuation of these apprenticeships through lockdown.

3.1.2 Previously Factory Academy has:

- Engaged 250+ students through course delivery, The Factory Academy Presents and Managing Creative Projects: Next Level
- Engaged 500+ students with The Factory Academy courses since its inception in October 2018
- Filled 40+ roles at Factory International with TFA alumni (comprised of internships, traineeships, apprenticeships, Kickstart roles, FOH, freelance, fixed term roles and performing)

As a result:

- 50% of Kickstart eligible students who studied with TFA went into Kickstart roles
- 65% of Factory Academy Participants, who provided diversity and inclusion data, report a characteristic which is under-represented and/or being from a low socio-economic background Employment and Further Study
- To date at least 60% of all Factory Academy Alumni are employed or have moved onto higher education.

3.1.3 Factory Futures was launched in Oct 2022, which targeted 10,000 young people reached over a five-year period with support in accessing careers in the creative industries. Opportunities range from open days to full apprenticeships. The programme responded directly to the impact of the COVID-19 pandemic on youth unemployment aligning with the Government's Kickstart scheme. It includes a five-year pre-employment training programme for 1,400 young people, who are unemployed or on Universal Credit. Factory Futures 15 is a 15-day Academy linked to an opportunity with DNG Production and Events crew company. The course is aimed at helping people in Manchester to access employment in the city's live events industry.

3.1.4 Recent activity includes:

Creative Engagement is the community engine of Factory International. In the first month of the financial year, over 32 events have been delivered across community centres, schools and partner cultural centres focusing specifically on young people with mental health issues, babies and their families, young Black creatives and residents in Wythenshawe, Ardwick and Blackley. Just under 500 people have engaged with this activity which prioritises residents who are under-represented, excluded or the most vulnerable within our city.

Over the next year, FI will continue to develop a wide range of activity to help build engagement, confidence, opportunity, resilience and trust across a number of priority wards across the city. They will do this through building **connections**, **sharing agency**, **developing skills** and **creating pathways** for residents to have multiple engagements across the city.

The **Creative Learning** programmes will be engaging with 50 schools and 2000 young people over the next year through a range of multiple programmes including Kusama school visits and [Fashion Show](#), a new [Factory International Schools Partnership](#) programme (prioritising schools with high percentages of Free School Meals/Pupil Premium) and a new collaboration with seven schools on a national [Reframe Inspire](#) programme supporting black and ethnically diverse young people to explore climate change. We will also be developing a new drop in space for young people at Factory International.

The **community programmes** will focus on developing strong connections from FI's pioneering [Neighbourhood Organiser](#) programme, our [Community Partnerships](#) in Ardwick, Blackley and Wythenshawe, commission linked activity for [Free Your Mind](#), [Balmy Army](#) and [We Cut Through Dust](#) collaboration with Manchester Street Poem. We aim to engage with 5000 beneficiaries over the 23/24 across all of the programmes of work.

Development of artists based in Manchester is a key USP of Factory International. From profiling and exporting their work internationally (Under the Radar NYC), to creating the most transformative opportunities here in the city, FI are building on Manchester's growth as one of the world's best cities for artists to live and work in. Current programmes for 23/24 include [Factory International Fellows](#), [Factory Sounds](#), the regular artist Social networking events, [Artist Takeovers](#) at Factory International and [Reframe](#) a pioneering national programme for Black creatives supported by Apple. FI aim to impact on the skills of 200 artists across Greater Manchester over the next year.

Creating greater agency, co-design and opportunities for public engagement is a founding principle for Factory International. One of the key events in the opening year will be the Welcome, a series of events created and programmed by the residents of Greater Manchester. Our early years programme will be co-designed by the parents of babies who took part in '[First Breath](#)', 70 of whom met up for their first post birth social this month. And last but not least the committed Public Forums represented on FI's Board of Trustees, who volunteer time to make sure they are the best version of themselves and accountable for everything they do. 500 members of the public in 23/24 will be directly involved in decision making over the next year.

3.1.5 Specific programmes also include:

This year FI have continued to work at pace with 4 courses running, recruitment for 10 internships and launching of additional new courses. Throughout the period, 10 Interns started their roles including volunteering, commercial and skills & training.

Future Cultural Leaders

In June, 15 students completed 6 weeks of shadowing across 8 greater Manchester cultural organisations including Peoples History Museum, The Royal Exchange, Walk the Plank, Factory International, Manchester Museum, Whitworth art gallery, John Rylands, HOME, with all 15 achieving roles at MIF23 as Front of House.

Intro To Producing

Intro To Producing had its final day on 30th June and the students finished on a high at Festival Square after a series of remarkably passionate and well-prepared presentations to employers. During June they also had opportunities to see 'No Pay No Way' at Royal Exchange, the Technical Rehearsal for 'UFMSP' and the rehearsal event for 'R.O.S.E.' They also attended the Aviva Studios testing event, the soft launch of Festival Square and early risers who volunteered for a test coin drop on 'The Find' were rewarded with a visit from Ryan Gander and a full set of coins!

On 4th of July seven students from the cohort of seventeen will go through to 2nd stage interviews with both Factory International and a representative from Rochdale. We have been working with Power Up to secure a shared apprenticeship model in Rochdale for one of the cohorts and as a result Rochdale Development Agency and Breaking Barriers are going to offer a shared apprenticeship to one of the cohorts also. A third creative employer is currently being matched and interviews for this position will take place in July.

Future 15: Facilitators

Future 15: Facilitators will recruit 2 facilitators for fixed term roles in Creative Learning. To date it's been a mixture of developing personal development and skills content with more practical specific skill-based guest speaker sessions. Students have been joined by Thrive Manchester to offer Trauma Informed practice skills, Odd Arts for Anti Racist practice, Amber Calland for Play and Joyful practice. In July they will be joined by Speakers Trust for Public Speaking training. Students are also working on presenting ideas for participatory works that respond to Kusama and Free your Mind.

Broadcast & Film Production

Factory Academy's latest broadcast and film cohort are into their final 3 weeks of training. Having benefited from masterclasses from Pulse Films, Toasted Productions and Q+As from a host of industry insiders and experts including Factory International's very own Nina Franklin as well as an invitation to the Manchester Short Film Festival and Networking Event and a screening and panel discussion, with more networking opportunities courtesy of Polari. The students are busy putting their finishing touches to their presentations and showreels and prepare to respond to a live brief of creating a short trailer, for which focuses on Factory Academy. The team who are judged to have created the most exciting piece of short form content will secure the opportunity to work alongside Vision in Colour at their next commercial shoot.

Upcoming Activity

FI have recruited the final Future 15 of the academy year. The course started on **Monday 10th July** and has been developed to recruit a Cultural Learning and Participation Officer for and 18-month apprenticeship with Creative learning.

FI will go live with recruitment for a new, part-time version of managing Creative Projects that will be delivered in a more flexible model, after feedback from potential students who could not commit to 5 days a week alongside their creative practice. The course will start with an enrolment and brief setting day on **Friday 28th July**.

3.2 *The Construction Project*

- 3.2.1 The original Social Value Plan for the construction project was collaboratively developed by Laing O'Rourke (LOR) in consultation with Manchester City Council and Factory International in 2017, during the pre-contract stages of the project and embedded into the construction contract.
- 3.2.2 The plan outlined key priority themes and social value key performance indicators for Manchester City Council, which were to be achieved throughout the construction programme.
- 3.2.3 Target areas within the plan were a combination of the (NWCH) North West Construction Hub KPI metrics aligned to project value and client priorities for the city at the time, such as educational engagement, apprenticeships, employability support, community engagement and homelessness support for Manchester residents.
- 3.2.4 Delivery of the social value plan continued throughout the height of COVID 19, with LOR, working with MCC and MIF during this period, to adapt our delivery methods in new ways to continue engaging communities with the project through lockdown and respond to issues coming out of the pandemic.

- 3.2.5 In June 2021, MCC proposed realigning The Factory's Social Value KPIs to support the economic recovery of the city post pandemic. It was agreed elements of the original KPIs set out within the contract's Social Value Plan would be closed out (such as community activities and educational engagement) and redirected to focus on employment and skills support for Manchester residents.
- 3.2.6 The realigned target/ambition was to create new jobs, new apprenticeships and Kickstart placements for Manchester residents first. Delivery has been targeted toward these new priorities for the period from June 2021 to October 2022.
- 3.2.7 Over a five-year period, the delivery of the project's Social Value plan has brought numerous distinct social value initiatives to life that have given Manchester and Greater Manchester resident's opportunities to develop skills, gain employment and engage with Factory International before it opens its doors.
- 3.2.8 Dedicated work and skills officer time has been provided to work with LOR and Factory International to drive and support employment and skills related social value activities. This involves the design team, the contractor, work package contractors and the Factory International working together to deliver a package of social value benefits which will continue to be delivered after the opening of The Factory. The collaborative working on social value across all phases of a project is unique and provides an opportunity to ensure outcomes are maximised to benefit Manchester residents.
- 3.2.9 Progress against key project original and realigned KPIs is noted below:
- 86% of construction spend was within Greater Manchester (GM) against a target of 50%. Due to the highly specialist and unique nature of the works the supply chain base and capability to deliver these works is not present in Manchester and a GM target was applied.
 - 56% GM Local Labour - 13% Manchester and 43% GM against a GM target of 50%. Given the base of the supply chain is predominantly GM, this limited the existing Manchester-based workforce. However, there was a focus on Manchester residents where jobs were being created.
 - 25 New Jobs - 17 Manchester residents and 8 GM residents. New employment opportunities were not a KPI in the original contract until the project social value KPI's were realigned in July 2021. New jobs have been actively promoted through pre-employment programmes and recruitment brokerages identified by Manchester City Council Work and Skills team to target recruitment of Manchester residents as a priority.
 - 29 New Apprentices - 12 Manchester residents and 17 GM residents against a GM target of 25.
 - 25 Retained Apprentices - 4 Manchester residents, 21 GM residents against a GM target of 25.
 - 65 Education Activities - Engaging over 5,000 students and 20 local education establishments in 'STEAM' science, technology, engineering, the arts, and math's and careers activities.

- 56 Work Experience Placements - Including the bespoke Factory work experience programme with Manchester schools and Manchester Adult Education Placements. In 2020, LOR worked with Manchester Adult Education to deliver a week-long work experience on The Factory site for a group of 10 Manchester Adult Education Learners. This provided an insight into the careers, skills and disciplines within construction and employability skills support on CV and interview skills.
- 260 People Provided Employability Support, which included The Factory Kickstart Construction Scheme and learning initiatives with Manchester Adult Education Service.
- 100 Community Activities, including specialist support projects with the Science and Industry Museum, Castlefield Forum, Homelessness initiatives and support to Factory International.

3.2.10 These metrics will continue to be monitored throughout construction and into Factory operations.

3.2.11 The attached case studies at Appendix One are of Manchester postcode residents and highlight their testimonials and journeys into employment on the project.

4.0 Factory International Project Update

4.1 Factory International has attracted significant government investment of £106.7m, alongside £9m per annum of Arts Council England revenue funding to ensure the success of the facility. It should be noted that the original budget was set in 2015, based on benchmark costs, to secure the government funding package. This was prior to any detailed site investigations or design work and proved to be inadequate to fund a project of this size, scale and complexity. Leaving aside the complexities of the project, adjusting for inflation alone during this period using ONS construction indices would have increased the budget by c. £40m.

4.2 *Land Acquisition*

4.2.1 There was a separate budget to acquire the 999-year lease from the Science and Industry Museum and the freehold interests from Manchester Quays Limited. It also included a loan of £5.1m on market terms to secure the Riverside site for Factory International and the construction compound. £800,000 has been repaid in line with the agreement. The balance of £4.3M is due to be paid in August 2023 in line with the agreement and will be used to support the budget for Factory International.

4.3 *Factory International*

4.3.1 As at the last report to RAGOS the approved capital budget is £216.4m as set out in the table below. This includes a virement from the Factory Contingency of £782k to the Public Realm budget.

Factory	Costs £m
Pre-construction costs	0.4
Construction	173.6
Professional Fees	27.3
Client Costs	8.7
Total Construction Costs	210.0
Public Realm	6.4
Total Factory Budget	216.4

Factory	Funding Approved £m
HMT, administered by ACE	78.1
ACE Lottery Funding	7
ACE Kickstart	21
MCC Capital	64.6
External Fundraising	24.1
Additional External Fundraising Target	15.2
Total	210.0
Public Realm (MCC)	6.4
Total	216.4

** Note the above excludes the £7.8m underwritten from external fundraising for the additional fit-out costs incurred by Factory International.*

4.4 *Public Realm*

4.4.1 The £6.4m budget for public realm works in the St Johns Quarter included a virement from the Factory International construction budget of £782k to complete the works, including the undercroft of Factory International, finishes to Water Street within the site boundaries and all works to both River Square which provides the setting for the MIF23 Festival space and City Square, providing an appropriate setting for Aviva Studios. The total project cost is expected to be £6.72m. The funding is no longer available in the contingency to meet these costs and it is proposed that the virement is reversed and the total of the £1.1m additional public realm costs are funded from capital receipts.

4.4.2 The increase in costs from that last reported is as a result from the reprogramming of external works, supply chain delays and diversions and alterations required for utility provider access, all of which led to additional claims for costs.

4.5 *Construction Project – Position at July 2023*

4.5.1 As of July 2023, the building has been sufficiently completed with static completion achieved for operation of MIF23. Since the last update to Committee in October 2022:

- Beneficial occupation for Factory International was enabled for October as planned, the 'First Breath' installation occurred in December 2022 and FI Fit Out achieved in line with programme.
- The final completion of the building or static completion had been scheduled on a phased basis from January to March 2023. Static completion was achieved in June 2023, but this required some additional accelerated measures and alterations to the programme. Final practical completion was planned for July 2023, again with some accelerated works required to achieve this in order to ensure building readiness for the opening of MIF23.
- The aim was to complete the final commissioning for June 2023, which would have required acceleration to the planned commissioning works and better the 20 July 2023 practical completion date. Whilst all the commissioning systems are in place, the delays to achieving static completion have meant that final practical completion is now scheduled for 7 September, with a period of snagging and commissioning required between the July and September dates. The final inner proscenium door between the warehouse and theatre spaces will also need to be installed during this period. The original installation has been delayed due to a dispute with the door manufacturer.

- 4.5.2 The remaining snagging and commissioning works are scheduled to be completed by 7 September. The building comprises of a number of highly complex systems, such as the fire system, smoke extraction, CCTV and door automations, that need to all be linked, tested and commissioned within the Building Management System (BMS) to allow full integration that allows the multiple configurations and operations required to utilise the building to its maximum operational capability.
- 4.5.3 This integration is complex and will have to be managed around the ongoing activities of Factory International events over the summer to completion in September 2023. The successful testing and integration timescales will be subject to change as snagging issues are discovered and worked through. To this end, the final timelines and costs will be subject to change and iteration up to practical completion.
- 4.5.4 Therefore, whilst the physical building has been completed in time for MIF 23, the overall timescales are later than planned and there have been a number of factors which have contributed to the delay. These have included:
- Design challenges and discovery – the complexity of the building has meant that a significant team of 12 detailed design architects have had to be retained throughout this period to be able to react to changes and delays in a managed way. Additional detailed design work has been required to manage the complexity of the building and ensure the latest fire standards were achieved and to deal with changes arising from supply chain challenges.
 - Whilst the primary design was complete, the interfaces between subcontractor work packages were subject to delay due to late material delivery, workarounds required to deal with supply chain challenges and delays to products sourced in Europe due to industrial action. These longer lead in times for materials and labour market supply chain pressures, along with the design complexity and a lack of market appetite for specialist products such as acoustic doors, theatre seats and specialist wall linings, have all contributed to the delays in completion. There have been real challenges in securing the required number of skilled professionals in the current market and the shortage of specialist labour also meant that some of the planned acceleration measures could not be achieved.
 - Delays due to water damage as a result of inclement weather prior to the building being fully weatherproof.
 - Delay to the gas connection due to a realignment of capacity due to works within the St Johns area also contributed to the programme pressure.
- 4.5.5 The above issues have had a direct impact on the construction budget, most notably:
- Prolongation –The revised timelines for static and practical completion which have impacted on construction packages, client-side resource and management contractor costs. Many of the contractors and client teams have

gone beyond their original contracted period thus attracting additional costs and claims.

- Acceleration – in order to ensure the building was ready for MIF23 there has been 24/7 working on site for longer than previously planned which has attracted double-time payable in some areas to achieve the revised dates.
- Inflation - Material and labour price increases and availability within the supply chain, with the impact of hyper-inflation on the procurement and delivery of the final works in terms of material prices and premium rates to secure scarce resources.
- Costs of Additional Work – further work has been required on the secondary steelworks for the proscenium doors, to complete the inner paneling and repair humidity damage, the higher market costs for the theatre finishing and to install all the requirements for heat, power and emergency lighting.
- Risk Items – there remain a number of material risk items that are likely to impact on the final account figures for key work packages such as MEP and the proscenium doors.

4.5.6 The later dates for static completion have also meant that Factory International have incurred additional costs in their preparation for MIF23. These costs have included additional staffing to operate the individual building operation systems during the festival period, extension of rent on existing premises during the summer period and the reduced capacity at the opening shows. The complexities of the capital project and the delays have impacted on the budget in a period of increasing uncertainty. The pressures associated with cost-of-living increases, inflation and changes in market demand post the pandemic have reduced the resilience of Factory International and their ability to absorb the impact of the changes to the building project. By the 7th September opening, Factory International have estimated that the total additional costs could be as high as £1.1m.

4.5.7 ACE with support of the City Council commissioned an independent report, with the first phase reviewing the business plan position in the opening year taking into account the impact of the later static and practical completion dates. This will ensure that the requirement for any additional support is independently verified.

4.5.8 For these reasons it is recommended that £600k is identified to provide additional support to Factory International. This and the final amount to be paid will be subject to the outcomes from the independent report and an open-book analysis of the costs. The additional grant funding received from ACE in recognition of the challenges being faced by the Council and Factory International provides the financial flexibility to provide this additional support.

4.5.9 A report will come back in September with the final account for the project. This will include the details and costs for:

- The completion of the commissioning works scheduled over the Summer period.
- The final accounts for the management contractor costs and work packages.
- The installation of the inner theatre proscenium door.

4.5.10 It is therefore recommended that funding approvals are sought in two stages:

4.5.11 The provision of the additional £8.7m of funding in the period to the end of July will cover the cashflow requirements to static completion for construction and client-side fees and support to cover the additional costs experienced by Factory International.

4.5.12 The final figure will be higher than the £8.7m requested for the reasons outlined above.

4.5.13 The cost consultants are tracking all the costs incurred and are continuing to take a robust commercial stance. It is worth noting the value engineering and strive targets have been exceeded, contributing £2.1m back to the construction budget.

4.5.14 The project team can also demonstrate through commercial management, buildability advice and effective procurement c.£24m of savings have previously been achieved through careful value engineering and included in the previous budget. In December 2022 a further c.£7m of cost mitigation was also delivered whilst maintaining all requisite features of the project, its functionality and quality to enable Factory International to deliver their business plan commitments. Across the life of the project cost betterment worth over £8.4m has been achieved across a wide variety of areas.

4.5.15 The project team successfully achieved cost betterment across a wide range of areas from the external concrete panels to internal fittings worth over £8.4m and savings above the strive targets of over £2.75m in tendering strategies for areas such as metalwork and the theatre envelope. Finally, c£6.4m of costs and risks have been mitigated in agreeing the base management contractor fee and settling work package costs.

4.6 *Fit Out Costs*

4.6.1 The Factory International business plan included £5m to cover the fit-out costs of the project. In 2020 this was increased to £6m to include the rigging, sound system and ICT network, using cost estimates at that time. The cost of these items increased substantially and in October 2022 it was agreed that the Council would underwrite the additional £7.8m required. This included the impact of inflation, £1m fitting and installation costs and £700k contingency and an allowance for inflation and was to be paid as a grant drawn down at appropriate intervals. As at June 2023 the FFE has been substantially completed. Whilst the

costs are within the overall envelope, the full contingency amount will be required.

4.7 *Fundraising Strategy*

4.7.1 Considerable work has been carried out to raise the profile of Factory International and develop opportunities to maximise the commercial funding potential. A detailed plan was developed to secure external funds through a variety of strategic approaches, extending across the breadth of the fundraising landscape. The focus since the last report has been on securing philanthropic income and on a major naming rights deal.

4.7.2 The existing fundraising and commercial sponsorship target was £24.17m. In October 2022 this was increased to include the £7.8m fit out costs incurred by Factory International and £15.2m construction costs incurred by the Council, bringing the total requirement to £47.17m. With the recommendations in this report that target will increase by £7.2m to £54.37m. This total will increase further when the final costs of completing the venue are known and the interest costs for the borrowing are included.

4.7.3 The fundraising campaign is delivered via three **concurrent strategic principles**, which are fundamental to securing support at the highest levels:

1: Creating an integrated and coordinated approach to philanthropic fundraising and commercial naming rights, sponsorship and revenue fundraising;

2: Developing a research informed strategy to target the highest 6 figure and 7 figure philanthropic prospects who combine capacity with propensity for supporting the arts or a major venue in the Northwest;

3: Implementing an extensive ethics process that will ensure any associated sponsors align with the Council and Factory International's brand values. With regard to the fundraising agreements and the naming rights agreements, Factory International will act as the Council's agent. The key commercial deal driver is to ensure the brand is delivered well to ensure longevity of partnership and long-term revenue to support the capital funding and the financial sustainability of Factory International.

4.7.4 An in-principal agreement has been reached that there will be a share of the fundraising income over the life of the lease, allowing a long-term sponsorship strategy to be developed that will generate income over and above the original fund-raising target of £24m. Originally a 70/30 split of revenue (net of fulfilment costs) until the capital costs and fit out costs are met was recommended. This would have only covered the costs incurred (i.e., not including the financing costs). This was also for the initial agreements covering the first few years of operation rather than any subsequent naming rights and commercial

opportunities over the life of the lease. It is recognised that these will be long term relationships and it is important to get the right balance between protecting the Council's interests, ensuring the sponsors receive good value for money from the relationship and that the financial position of Factory International is secured.

4.8 *Philanthropic Fundraising*

4.8.1 To date a total of £2.4m has been raised.

4.9 *Naming Rights*

4.9.1 A long-term partnership has been announced between Aviva, Manchester City Council and Factory International which includes landmark support for Manchester's iconic new arts and culture venue to be named **Aviva Studios**. The multi-million-pound investment by Aviva, the UK's leading insurance, wealth and retirement business, will support the completion and help make the delivery of the world-class building possible. Given the commercially sensitive nature of the arrangements, these are subject of the separate Part B report on the agenda for this meeting.

4.9.2 Aviva will work closely with Factory International and the Council on a number of initiatives linked to long-term sustainability and community impact. This includes being the Principal Partner of the Factory Academy, Factory International's award-winning skills training programme which provides opportunities for careers in Manchester's ever-growing creative industries.

4.10 *Operation of Aviva Studios by Factory International*

4.10.1 Critical to the success of the venue will be the readiness of Factory International to successfully operate the venue through a sustainable business plan that delivers the project's creative, social and cultural vision.

4.10.2 Factory International is acutely aware of the cost-of-living crisis affecting residents and cultural venues across the UK. This challenge places increased importance on the organisation's strategy to make Factory International truly accessible for all audiences, and Factory International are working hard to develop programmes and initiatives that help to deliver this vision.

4.10.3 To avoid large unbudgeted costs in the future, Factory International will also commit to an annual sinking fund contribution of £253k in order to ensure the venue's critical and bespoke items are kept in full working order throughout the duration of the lease. The Council will match this contribution. For Factory International this will be held as a ringfenced reserve. For the Council this will be held as part of the AMP reserve.

4.10.4 All assumptions within this business plan are based on a timeline of practical completion in mid-June 2023 and opening of the venue to audiences via a soft launch in late June 2023.

4.11 *Contractual Arrangements*

4.11.1 To support the opening of Factory International, the following key agreements are in place or will be in place (with other ancillary arrangements). These include:

Agreement for lease and lease. The Agreement for Lease has been completed and the Lease which sets out the detailed terms of Factory International's occupation of Factory for 30 years will be signed on practical completion in September.

Management Agreement. The Council previously agreed to the payment of £1.5m per annum for a period of 10 years. The payment is in consideration of Factory International operating and managing the venue and achieving various cultural KPIs (Key Performance Indicators).

Funding Agreement between ACE and Factory International. This provides for the payment of £9.8m per annum funding from Arts Council England and other government grants.

Naming Rights Agreement and ancillary agreements between Aviva, the Council and Factory International to govern the sponsorship arrangements and payment of fees in consideration of naming rights and other benefits, for example, tickets.

Agency Agreement between the Council and FI. This will govern the relationship in respect of identifying a sponsor(s), fundraising arrangements, the target to be achieved and further contributions towards capital. This will be a long-term relationship that will enable a significant proportion of the Council's capital to be repaid alongside ensuring financial sustainability for FI.

4.11.2 Finally, The Factory Trust has been established with a focus on activities taking place within and connected to Factory International. It will support philanthropic fundraising activities connected to Factory International and will lead on such fundraising activities which underpin the capital needs of Factory International and wider strategic efforts to ensure the venue is accessible to all.

4.12 *Manchester International Festival Update*

4.12.1 Aviva Studios will provide a permanent home for Factory International and Manchester International Festival (the biennial festival). Building upon their expertise in delivering high profile complex productions, Factory International is expanding to deliver new audiences, community engagement, fundraising, financial management, artistic planning, creative development, production and

technical capabilities to support an ambitious and internationally renowned programme.

4.12.2 Factory International will bring jobs, skills, training and creative opportunities as a major employer in the city and city-region. Approximately 142 new permanent jobs have already been created for Factory International since 2018. There will be over 150 permanent roles at Factory International, with more than 300 additional members working across Front of House, Technical, Production and Ticketing teams. Factory International will also continue to provide significant employment opportunities for freelancers - engaging with approximately 2,000 freelancers when running the biennial festival and year-round programme.

4.13 *Factory International Programme*

4.13.1 Factory International will be operated by the team behind the world-famous Manchester International Festival (MIF), commissioning and presenting a year-round programme of original creative work, music and special events by leading artists from across the world. MIF will continue to take place every two years, bringing new work to venues and found spaces across Greater Manchester, working with the region's cultural organisations.

4.13.2 The new venue will offer audiences the opportunity to enjoy the broadest range of art forms and cultural experiences year-round and in a new world-class facility - including dance, theatre, music, visual arts, spoken word, popular culture and innovative contemporary work incorporating multiple media and new technologies. It will also add to the city's thriving music scene, presenting over 80 gigs of all genres year-round.

4.13.3 The official opening production will be *Free Your Mind*, a large-scale immersive performance based on The Matrix films presented across the building's ultra-flexible spaces. This dramatic retelling through dance, music and visual effects will bring together the visceral movement of choreographer **Kenrick 'H2O' Sandy MBE** with a powerful score from renowned composer **Michael 'Mikey J' Asante MBE** (co-founders and artistic directors of the Olivier award-winning Boy Blue), world-leading designer **Es Devlin's** immense stage sculptures and the work of the acclaimed writer **Sabrina Mahfouz** – all directed by **Danny Boyle**. Using spectacular visual effects, a cast of professional dancers and hundreds of Manchester participants will recreate some of the film's most iconic scenes, provoking visions of an alternative future. (18 October -5 November 2023)

4.13.4 Before the official opening, the new venue has been the centerpiece of the 2023 Manchester International Festival (from 29 June to 16 July 2023) with the blockbuster art show in its main warehouse space. *You, Me and the Balloons* is a major exhibition celebrating three decades of **Yayoi Kusama's** spectacular inflatable sculptures, shown together for the first time. Created especially for Factory International, this will be the Japanese artist's largest ever immersive

environment, featuring works that are over ten metres tall - including giant dolls, spectacular tendrilled landscapes and a vast constellation of polka-dot spheres. (29 June – 29 August 2023).

4.13.5 Following *Free Your Mind*, a wide range of music, circus, art and fashion will fill the building and its outdoor spaces during *The Welcome*, a nine-day programme developed by Greater Manchester residents. Building on Manchester International Festival's strong history of working with local people to choose and programme artists and events, *The Community* decision making will be at the heart of the organisation from the outset with *The Welcome*, a series of free events entirely chosen and curated by a group of Greater Manchester residents aged 17 to 70, which builds on MIF's substantial history of community co-curation. A mix of music, circus, public art and fashion will take over the building's spaces, introducing audiences to different parts of the building and providing a space for people to meet, experiment and play. (11-19 November 2023).

4.13.6 Reflecting Factory International's commitment to ensuring access to the widest possible audiences, 5000 tickets will be available for *Free Your Mind* at £10 or less as part of an affordable pricing strategy that will see discounted tickets for Manchester communities across its year-round programme.

4.14 *Artist Development*

4.14.1 Factory International will be a training ground for the next generation of creators from Manchester, the North of England and around the world. Building on MIF's track record of commissioning artists to be bold, take risks and make new work, Factory International will support hundreds of emerging and mid-career artists each year. The focus will be on creating opportunities for artists from the North of England, particularly those most underrepresented in the sector, to develop work at scale, to be interdisciplinary and support the development of new international networks to export talent from the region.

4.14.2 New programmes of work for artists from Greater Manchester and the North include a new annual Factory International Fellowship (building on the Festival's Creative Fellowship) which will offer six artists from the north within the first ten years of their career the opportunity to shadow the creation of major new work at Factory International and the festival, providing bursaries and dedicated artistic support. Artist Takeover will be a new Factory International programme dedicated to showcasing new and exciting artists from Greater Manchester and the North of England.

4.15 *Creative Engagement*

4.15.1 Inspiring local communities is central to the vision for Factory International, and a creative engagement strategy will be delivered that will focus on the following workstreams:

1. **Community building** - pioneering new ways of connecting, building trust and creating life-changing opportunities with communities across Manchester and Greater Manchester.
2. **World Class participatory engagement** - residents across Manchester will be offered the opportunity to work alongside some of the world's leading artists in flagship commissions for both the Festival and The Factory.
3. **Agency** - Factory International will be opened with *The Factory Welcome*, created with, by and for the people of Manchester
4. **Artist Development** - We will grow our links, opportunity and impact for artists from Greater Manchester and the North.
5. **Children and Young People Cultural Enrichment** - relationships with the education and youth sectors will continue to be developed establishing new year-round activity with schools, colleges, the city's three universities and youth support groups
6. **Volunteering** - MIF's commitment to a successful and rewarding volunteer programme will be embraced – scoping out in 2022/23 year-round opportunities at The Factory

4.15.2 With regards to early years education, Factory International has already begun delivering creative education programmes to hundreds of young people aged 9-14 across Greater Manchester with a focus around social and emotional learning, teamwork, leadership and resilience. These creative programmes will be integrated into the curriculum for future year groups with the learnings and resources made available to schools and youth centres.

4.15.3 Factory International is a member of MADE, Manchester's Cultural Education Partnership, a collaboration between culture and education organisations from across Manchester, including art galleries, museums, theatres, schools, colleges, which helps deliver a creative curriculum, enhancing learning and developing skills in creativity (engaging over 5000 young people in 2022).

4.16 *Environmental sustainability*

4.16.1 Factory International will be on a committed path towards zero-carbon activity by 2025, using operational data from 2023-2024 as a benchmark. Factory International will operate a 'Zero Waste to Landfill' policy, and work towards a circular economy approach to materials – seeking to reuse wherever possible.

4.16.2 In 2010, MIF helped to set up the Manchester Arts Sustainability Team (MAST), a citywide alliance to tackle sustainability issues in the cultural sector. The network, which Factory International helps facilitate, has expanded across the region as GMAST which provides leadership and guidance to drive collective action to support the region becoming carbon neutral by 2038.