
**Manchester City Council
Report for Resolution**

Report To: Executive - 25 July 2012

Subject: First Street North Update

Report of: The Chief Executive

Summary

To update the Executive on progress with the development and delivery of the First Street Cultural Facility in the context of the development at First Street North. The Cultural Facility brings together the Library Theatre Company (LTC) and the Cornerhouse to provide a much enhanced cultural hub in the city centre. To seek approval for additional funding to enable the integration of four viaduct arches immediately adjacent to the Cultural Facility into the development in order to provide a new access to the building and enliven the street scene on Whitworth Street West.

Recommendations

The Executive is recommended to:

- a) Note the progress made on delivering the overall First Street North scheme, including a 4-star hotel, new public space, retail units and multi-storey car park, and that Planning Consent was granted at the Planning and Highways Committee on the 28th June.
- b) Note that Personnel Committee on the 15th February 2012, approved the transfer of LTC staff from Manchester City Council to Greater Manchester Arts Centre Ltd (GMAC) from 1st April 2012 (GMAC is the legal entity which operates under the name "the Cornerhouse").
- c) Note the progress in developing the design for the Cultural Facility to Stage D, detailed design, incorporating the functional requirements of GMAC .
- d) Welcome the Stage One approval by the Arts Council England (ACE) of Lottery capital funding of £5m earmarked for this project.
- e) Approve a revised project budget for the Cultural Facility of £24m, which includes the £5m funding from ACE Lottery capital funding, in addition to the Council's previously approved funding contribution of £19m. Delegate authority to the Chief Executive and the City Treasurer to oversee the detailed financial arrangements and project spending.
- f) To recommend to Council approval of an additional budget of £2.5m funded by the Capital Fund for the integration of four Viaduct Arches and independent access from Whitworth Street immediately adjacent to the Cultural Facility and a contribution to the First Street North Enabling Works.

- g) Delegate authority to the Chief Executive, City Solicitor and City Treasurer in consultation with the Executive Member for Culture and Leisure to negotiate and agree the terms of the Agreements with ASK Property Development and GMAC, and for the City Solicitor to execute the documentation.

Wards Affected: City Centre

Community Strategy Spine	Summary of the contribution to the strategy
<p>Performance of the economy of the region and sub region</p>	<p>The scheme will deliver the required amenity with associated footfall required to drive the commercial development of the overall First Street Site. It will be fundamental to the economy of the regional centre and the City Region, providing a platform to unlock an estimated 11,000 jobs within the overall First Street scheme.</p> <p>The development of a new Cultural Facility at First Street will attract new visitors to the city, by responding to a gap in Manchester's cultural offer; creating added value by combining both the Library Theatre Company's (LTC) and Cornerhouse's strengths, and growing audience bases.</p> <p>This new hub would make a strong contribution to Manchester City Council's Cultural Ambition, by creating a significant tourism destination (driving investment and economic growth), a new creative production centre for advanced skills development and creative stimulus, and a meeting place for creative SMEs.</p>
<p>Reaching full potential in education and employment</p>	<p>The redevelopment of this area will facilitate the creation of a substantial number of jobs in a range of sectors. The consolidation of the LTC and the Cornerhouse, in an enhanced new facility, will protect existing jobs and offer opportunities for additional jobs in the media and creative sector.</p>

<p>Individual and collective self esteem – mutual respect</p>	<p>The development of a new Cultural Facility at First Street would be a significant new development in the city centre; offering opportunities for all Manchester residents to participate in, and learn about cinema, contemporary art, and the production and promotion of contemporary theatre outside London.</p> <p>The new facility could accommodate a much wider range of community events with partners across the city and region.</p>
<p>Neighbourhoods of Choice</p>	<p>The development of a new Cultural Facility at First Street will create a high-quality cultural visitor attraction for residents and visitors to the city, creating a new and vibrant creative quarter to the south of the city centre.</p> <p>A new Cultural Facility at First Street would help establish a sense of place at First Street, which is critical to the success of the area.</p>

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

In November 2010, Executive approved the transfer of the Council's £1m budget allocation for LTC, to support the new organisation, matched by a similar amount of revenue funding from ACE. GMAC have now secured approval from the Arts Council England (National Portfolio Funding) for revenue funding of £2.8M. The funding covers three years starting from 2012/13 and will support the work of the merged organisation.

A Grant Funding Agreement between the Council and GMAC was completed on the 30th March 2012 for a period commencing the 1st April 2012 and ending on the earlier of three years or the occupation of the new facility. The Grant Funding Agreement specifies that on expiry of the initial grant period, a Services Agreement for a further nine year period will be entered into for annual sums equivalent to the final year of the grant funding.

Financial Consequences – Capital

Capital funding of £19m for the Culture Facility is already approved in the Capital budget. ACE have confirmed that the Stage One application for £5m contribution to

this project has been approved.

Note that GMAC intend to raise an additional sum of £1m via fund raising to complete enhanced fit out of this facility, and these fit out works will be procured directly by the arts organisation.

An additional £2.5m funding from the Council's Capital Fund is required, for the integration of four Viaduct Arches and independent access from Whitworth Street West immediately adjacent to the Cultural Facility and a contribution to the First Street North Enabling Works.

Contact Officers:

Name: Sir Howard Bernstein
Position: Chief Executive
Telephone: 0161 234 3006
E-mail: h.bernstein@manchester.gov.uk

Name: Vicky Rosin
Position: Deputy Chief Executive,
Neighbourhood Services
Telephone: 0161 234 4051
E-mail: v rosin@manchester.gov.uk

Name: Dave Carty
Position: Head of Public Private
Partnership Unit
Telephone: 0161 245 7204
E-mail: d.carty@manchester.gov.uk

Name: Fran Toms
Position: Head of Culture
Telephone: 0161 234 4256
E-mail: f.toms@manchester.gov.uk

Name: Pat Bartoli
Position: Head of City Centre
Regeneration
Telephone: 0161 234 3329
E-mail: p.bartoli@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.

- First Street: Proposed Cultural Facility Report to the Executive 24th November 2010
- First Street Development Framework: 2010
- Report to the Executive: 16th March 2011
- First Street Cultural Facility – Report to Communities and Neighbourhoods Overview and Scrutiny Committee 7th February 2012
- Library Theatre Company – Report to Personnel Committee 15th February 2012

All held in Room 216, Town Hall

1.0 Introduction

- 1.1 This report advises Members of the progress with respect to the development of the First Street North site including the Cultural Facility, and on the detailed delivery arrangements for the Cultural Facility.
- 1.2 A report was submitted in March 2011, which endorsed a revised Development Framework for First Street North following a public consultation exercise. The Development Framework has now been further updated and forms part of a separate report elsewhere on this agenda.

2.0 Update on Key Deliverables

- 2.1 Since November 2010, considerable progress has been made in defining the development proposals for FSN site. A copy of the Masterplan is attached to this report at Appendix 1. The plots comprise a 208-bed 4* international hotel (Melia on the plan); the Cultural Facility (GMAC); a 700 space multi-storey car park and retail space for 5 units at 13,000 square feet (Q-Park and A3); small scale retail facilities and food/beverage outlets of 18,100 square feet providing 4 units (A3); and extensive public realm.
- 2.2 ASK have secured end users for the 4-star hotel and the multi-storey car park. Active ground floor uses comprising 5 retail/food beverage units are incorporated within the multi-storey car park overlooking the key public spaces.
- 2.3 Planning applications have been submitted for the 4-star hotel, multi-storey car park, small-scale retail and food/beverage units, the Cultural Facility and public realm, including a new public square. The public realm would provide a spacious new public square which can host a variety of outdoor events and performances including a new interactive media wall on the elevation of the multi-storey car park overlooking the public square.
- 2.4 Planning Consent was granted at the Planning and Highways Committee on the 28th June. Full details on the progress on the Cultural Facility which is being procured and delivered by the Council, is outlined in Section 5 of this report.

3.0 Procurement and Delivery Arrangements

- 3.1 A Joint Venture Board (JVB) has been established to oversee the delivery of the development for FSN, which is jointly chaired by the Council and ASK Executive Officers.
- 3.2 In September 2011, a joint appointment of a Strategic Project Manager was made to assist the partnership in the planning, management and procurement of the First Street North Development site. The role ensures a collaborative and constructive interface between plot-specific design teams and the main contractors delivering projects on adjacent development plots; each of whom

will be operating under the direction of the client bodies with their own respective Project Managers.

4.0 Key Milestones

4.1 The key milestone dates for the whole of FSN is outlined below:

Activity	Start	Finish
Planning Submission	January 2012	June 2012
Planning Judicial Review Period	June 2012	September 2012
Commencement of enabling works (for wider site)	October 2012	January 2013
Cultural Facility – commencement of advance works	October 2012	January 2013
Cultural Facility	January 2013	June 2014
4* hotel	January 2013	July 2014
Multi-storey car park	June 2013	July 2014
Public realm	April 2014	August 2014

4.2 Planning permission has been granted for the FSN development.

4.3 To reflect the strategic construction programme reported above, it is intended that all parties, including the buildings operators will have each concluded their respective fit outs in order to facilitate a comprehensive opening of the scheme as a whole, to the public in August 2014.

5.0 Cultural Facility - Design and Development Progress

5.1 On 24 November 2010, the Executive Committee agreed to fund the development of a new Cultural Facility as part of the first stage of a masterplan to develop the First Street site in the City Centre. This exciting new building will become home to the Cornerhouse and The Library Theatre Company (LTC); two of Manchester's key cultural organisations, who will now operate as a new, production-based multi-artform organisation. The new facility will be constructed on the First Street site, to the North of the site closest to the railway arches. The Council will own the building and grant a 25-year lease to GMAC at a peppercorn rent, to run the facility. As previously reported to the Executive, ASK will transfer ownership of the land where the Cultural Facility is located, to the Council at nil cost.

5.2 GMAC is currently working with consultees to refine the artistic proposition for the merged organisation that will operate from this new building. By 2014 it will be an international contemporary multi-artform organisation, producing and presenting excellent world-class work; an engine-room for creative adventure, artistic excellence, and audience engagement, for the people of Manchester, the North and the UK. GMAC will play a leading national role in innovation, risk-taking and digital audience engagement, through integrated, interdisciplinary and open practice; working with visual art, theatre, art

publications and artists' moving-image/film; and will be recognised as entrepreneurial and a model collaborator.

- 5.3 Creating an under-one-roof 'art factory' will provide a unique opportunity in the UK to develop creative practice, across and within the wide range of art forms it covers. Commissioning new work will bring together visual artists with theatre practitioners, filmmakers with musicians and dramatists/writers with visual artists etc. Cornerhouse brings high-level expertise and a track-record in digital content production and distribution that would play a crucial role in such new relationships with Artists and also in audience engagement. This project creates an opportunity to create a Centre of Excellence for the creation and distribution of audience-focused digital content, for the visual and performing arts. This will establish Manchester as a leading producer of cross-platform, cross-artform digital work, and as a place that develops artists, producers and technicians capable of working with emerging practice.
- 5.4 By creating this venue for GMAC the outcomes anticipated are:
- increasing attendance - by creating a high-profile open and welcoming destination and high-quality environment to see art
 - increasing engagement – by creating purpose-built, high-quality engagement spaces that support the Organisation's commitment to innovative engagement work
 - improving high quality artistic output – by creating high-quality production facilities and a highly creative environment building on our pioneering open approach (The Art of With)
 - improve business sustainability – by creating additional trading capacity to maximise income-generation
 - increasing efficiency – by creating a building that is efficient to staff and that minimises Utilities consumption
 - increasing digital engagement – by creating a building that is designed to be digitally-enabled from the outset to enable national digital networking
- 5.5 The new cultural facility at the north of First Street will become a powerful anchor at this important gateway to the City, and support the expansion of creative opportunities, from the Oxford Road Corridor through to Knott Mill and Little Peter Street. The potential for this "creative ribbon" is described in the report on the First Street Development Framework included elsewhere on this agenda.
- 5.6 It is proposed that the new venue will include a 500-seat drama theatre, 150-seat flexible second theatre space, 550m² double-height gallery space, up to 5 cinema screens, learning spaces, digital production and broadcast facilities, café bar, restaurant, offices and other ancillary spaces consistent with a production centre.
- 5.7 Following an OJEU Notice in February 2011, a full design team, led by Mecanoo Architects, were appointed. The team includes two practices with presence in Manchester: Buro Happold, who are multi-disciplinary engineers, and quantity surveyors; and design manager Davis Langdon (AECOM); plus

Dutch theatre planners Theatreadvies bv. Wates Construction has also been appointed, via a mini-competition (from the North West Construction Hub High Value Framework), as the Construction partner for the new Cultural Facility. A full delivery team is now in place to deliver the new building.

- 5.8 Design for the Cultural Facility is progressing well: RIBA Stage D design was signed off on the 22nd June. The project team continue to work to develop the design of the building in line with the functional space requirements, to ensure that the scheme is deliverable within the capital funding available.
- 5.9 A Communication Strategy group has been established, with representation from GMAC, the Council and ASK. GMAC has appointed a Branding Agency, Creative Concern (working with O'Street of Edinburgh), to develop a branding strategy for the new organisation which will lead to a naming process for the new facility in the autumn 2012. The branding work will be developed alongside a wider branding exercise in which The Chase have been commissioned by ASK for the whole First Street site. A consultation programme will be undertaken as part of the process involving stakeholders, users and end users and local residents.
- 5.10 Planning consent was granted for the Cultural Facility on the 28th June. A Project Board has been established to oversee the delivery of the capital project which is chaired by the Deputy Chief Executive, Neighbourhoods, and which is responsible for all costs, risk and programme management of the project.
- 5.11 GMAC was confirmed as an ACE National Portfolio Organisation (NPO) in 2011 and it has recently been confirmed that the Council has secured a £5m Stage One Lottery capital funding approval.

Library Theatre Development

- 5.12 In 2007, the Council commissioned a report which explored the most beneficial governance arrangements for LTC. In summary, the report concluded that there would be significant benefits derived for both the Council and LTC, in transferring the company from direct Local Authority control to charitable trust status. The principal benefits being the capacity that LTC would have as an independent charity to leverage external funding, and the opportunity to develop a distinct brand, and shape education and community provision in the city. The principle was agreed that pursuing alternative Governance arrangements would be beneficial to the council and LTC, but that the appropriate time to proceed with this would depend on the permanent home to be identified for the company, following its vacation from Central Library.
- 5.13 Members will be aware that following a number of Feasibility Studies into alternative homes for LTC, several sites in the city were considered and for various reasons were discounted. When the opportunity arose for LTC to relocate to a new home on the First Street site, in partnership with Cornerhouse, this presented the opportunity to revisit the discussion around

governance.

Update on the Merger process

- 5.14 Following approval at the Personnel Committee on the 15th February 2012 for the transfer of staff, the bringing together of LTC and Cornerhouse has now taken effect from the 1st April 2012 with 17 staff being TUPE'd across to GMAC. Members will recall that LTC moved out of the Central Library basement in June 2009, and is currently presenting from the Lowry Quays Theatre three times a year, and continuing to rehearse at the Zion Centre (now known as Z Arts). In order to aid the smooth transition of the two organisations, LTC staff relocated to Cornerhouse's offices in October 2011.
- 5.15 Colleagues from Cornerhouse and LTC have undertaken research visits to theatres, galleries, cinemas and arts centres in the UK, USA, Canada and Holland, funded by ACE. The research visits proved very valuable and highlight the fact that the GMAC project is a unique project that has not been replicated anywhere else, and is considered to be the future for sustainable arts organisations.
- 5.16 One of the keys to the success of the merger is the re-organisation of GMAC Board to reflect the nature of the organisation. GMAC have now appointed a new Chair of Trustees for the new organisation, who will work with GMAC Chief Executive Officer, Senior Management Teams, and key Stakeholders, to review the skills needs of the GMAC Board, given the wider remit. Plans are underway to recruit new trustees to the GMAC Board through public advertisement, and pursuant to the Grant Funding Agreement, the Council has the right to appoint two directors to the GMAC Board.

Legal Documentation

- 5.17 In reports to this Committee in October 2009, and November 2010, the principle was established that, in the event of the project proceeding, the current £1m budget allocation for LTC would be transferred to support the new facility, matched by a similar amount of revenue funding from ACE. A Grant Funding Agreement between the Council and GMAC was completed on the 30th March 2012 for a period commencing on the 1st April 2012 and ending on the earlier of three years or the occupation of the new facility. The initial circa three year Grant Funding Agreement specifies that on expiry of the initial grant period, a Services Agreement for a further nine year period will be entered into for annual sums equivalent to the final year of the initial annual grant funding period.
- 5.18 As part of the bringing together of the Cornerhouse and LTC a number of agreements such as Employee Transfer Agreement, Pensions Admissions Agreement for continued LGPS membership, and an Asset Transfer Agreement were completed between the Council and GMAC.
- 5.19 City Solicitors with Corporate Property are negotiating the Head Lease of not less than 249 years at a nil premium with ASK, for the land on which the

Cultural Facility will be built, taking account of GMAC's requirements for the sublease. It is currently envisaged that the Council would grant a sublease of 25 years to GMAC for the Cultural Facility at a nil premium. Approval is sought to delegate authority to the Chief Executive, City Solicitor, City Treasurer in consultation with the Executive Member for Culture and Leisure to negotiate and agree the terms of the Agreements with ASK Property Development and GMAC, and for the City Solicitor to execute the documentation.

Capital and Revenue Funding

- 5.20 In November 2010, the Executive agreed an overall Project Scope and Council contribution of £19m, on the basis of the new building delivering the existing needs of Cornerhouse and LTC in one place. The report also identified the possibility of enhancing the Council's £19m budget with additional capital resources from external funding bodies, in particular the Arts Council England (ACE). The proposition also assumed improved revenue funding from ACE, to match the existing City Council's revenue contribution of circa £1m to LTC. GMAC has now secured National Portfolio Organisation (NPO) status from ACE, and funding of £2.8m over three years, starting from 2012/13; which will support the work of the merged organisation. The new facility is thereby eligible to apply for capital funding from a new ACE Lottery capital funding programme. In addition, ACE has approved a Development Grant of £65K to develop the artistic vision, including research and development costs.
- 5.21 Significant work has been completed over the past months to further develop the scope of the new facility to enable it to attract Lottery capital funding from ACE. This will require an enhanced budget to reflect a higher level of fit-out, and the building now includes additional creative and rehearsal spaces to fulfil ACE aspirations. The original budget for fit-out was conservative, and ACE has encouraged the project team to improve the technical fit-out of the facility to reflect the ambitious creative plan. ACE have already delivered an increased commitment to revenue funding, as outlined above, and an invitation to apply for an additional £5m from a new Lottery capital fund to improve the technical fit-out of the building. A First-Stage application for the capital funding was submitted to ACE on 6 December 2011, and was subsequently approved in April 2012. Officers are now working towards submitting a second stage application in late Autumn, with full approval expected in March 2013. Wates Construction is fully engaged in the project and advising on buildability, costs and programme deliverability. It is expected that by the time ACE Stage 2 approval is confirmed, target cost for the scheme would have been agreed, and therefore major construction risk on the project delivery will have been mitigated at that time.
- 5.22 The functional brief for the building has been agreed, relating to a building of approximately 6,500 m² within a revised project budget of £24m. The Council's contribution remains at £19m with the potential for a series of increased outputs for this investment, as a result of the additional funding from third-party receipts, including the £5m from the Arts Council. In addition to the Arts Council application, it should also be noted that officers are continuing to

explore other sources of funding in order to minimise the proportion of funding from public funds. GMAC has launched a major fund-raising programme to support both the capital and the ongoing revenue liabilities of the project, with a target of a minimum of £1m for capital fit out works. These enhanced fit out works will be procured directly by the arts organisation and will not form part of the Council's revised project budget of £24m.

- 5.23 It is essential that we retain momentum on the development of the overall First Street site in order to be able to deliver the other components of commercial development with our joint venture partners, ASK. Details of the financial arrangements and project spending will be overseen by the Chief Executive and the City Treasurer.
- 5.24 As part of the previous approval of the scheme in November 2010, a Business Model was developed, following analysis of the current LTC and Cornerhouse operating models, on the basis of a mature steady state business. This has been supported by preliminary audience research to look at trading assumptions, and is being vigorously re-examined by GMAC, to ensure the design of the building reflects the importance of delivering spaces that will optimise earned income.
- 5.25 The business model is based on the assumption that ACE and the Council will be equal partners as revenue funders. The indication is that there is potential for GMAC to break even, based on joint savings and economies of scale, shared spaces and a slight reduction in overall staffing structure. It should be noted that the business model will only be successful if the new facility is also capable of increasing the level of earned income. The design of the building is also prioritising sustainable design in all aspects in order to minimise the energy consumption and maintenance costs and as such is aiming to be a BREEAM Excellent building within the new guidelines.

6.0 Integration of Viaduct Arches and Funding of Enabling Works

- 6.1 An additional scope of work has been introduced to the project. In order to improve access to the building and enliven Whitworth Street West officers have explored the potential to integrate the four arches adjacent to the culture facility. This would achieve a more visible presence and secure access from Whitworth Street West. This proposal is an integral component of a concept masterplan for a creative quarter along Whitworth Street West, between Oxford Road and Knott Mill, as outlined in the separate report on the First Street Development Framework, elsewhere on this agenda.
- 6.2 It is proposed that one arch would be developed to include the Stage Door entrance, meeting room and multimedia education and learning suite. The building would provide GMAC with additional accommodation and would form an important entrance for GMAC staff and personnel, education participants and backstage visitors. It is further proposed that the other three arches are glazed to enliven the street scene, improve security and provide future expansion space for GMAC.

- 6.3 This scheme has been incorporated into the Planning Application submitted for the Cultural Facility. Funding for the work to the viaduct arches will be met outside the Council's revised project budget of £24m, and have been estimated at circa £1.95m.
- 6.4 An aspiration of GMAC is to fully develop a second arch, and GMAC are currently exploring other funding sources to deliver this. It is likely the delivery of a second arch will be outside the project timescales, and funded separately.
- 6.5 It is planned that the First Street North site-wide enabling works, including cut and fill to level the site, an Environment Agency access ramp to the River Medlock, remedial works to the culvert, site hoardings, surface water drainage and attenuation works take place ahead of the main construction works. This would be funded by Ask/Council. The Council's proportion of the additional cost contribution will be capped at £0.50m, a contribution of £0.05m will be met from the existing Council's revised project budget and therefore the additional funding requirement is £0.45m. In order to effectively manage the construction risks with contractors separately appointed by Ask and the Council, it has been recommended that a site wide insurance policy is taken out in joint names and a budget provision of £0.10m is required.
- 6.6 The total additional budget provision required to fund the integration of the four Viaduct Arches and to contribute to the site wide enabling works and insurance policy is £2.5m

7.0 Conclusion

- 7.1 This report provides Members with an update on the very positive progress to bring forward the development proposals for the First Street North site, in particular completion of Stage D detailed design for the Cultural Facility and the submission of full planning applications for all elements of the First Street North site.
- 7.2 All schemes within First Street North have now secured Planning Approval which would ensure a start on site towards the end of the year. It is essential that all components including the hotel, multi-storey car park, public realm and retail units are delivered to a similar timescale, in order to create a new vibrant destination for this part of the city centre.
- 7.3 The bringing together of LTC and Cornerhouse on the 1st April now means that GMAC can proceed to establish a new Board, launch a branding strategy and develop a detailed artistic vision for the new facility.
- 7.4 This report also confirms the success of the ACE application to the new Lottery capital scheme for partnership funding of £5m earmarked for this project. The report seeks approval to the new revised project budget of £24m, including Council contribution of £19m already earmarked in the Capital programme, and seeks delegated authority for the Chief Executive, City Solicitor, Treasurer, in consultation with Executive Member for Culture and

Leisure to negotiate and agree the terms of the Agreements with ASK Property Development and GMAC. Note that GMAC intend to raise an additional sum of £1m via fund raising to complete enhanced fit out of this facility, and these fit out works will be procured directly by the arts organisation.

- 7.5 It is anticipated that a further report will be submitted in Spring 2013 once the final outcome of the ACE application is known, and works commenced on site.
- 7.6 Recommendations can be found at the front of this report.

Appendix 1 : FSN Masterplan

