

Manchester City Council Report for Resolution

Report To: Executive – 24 November 2010
Subject: First Street : Proposed Cultural Facility
Report of: Chief Executive

Summary

This report builds on the proposed Development Framework for First St elsewhere on the agenda and identifies a unique opportunity to develop a new Cultural Facility to the north of the site. An integrated cinema, gallery and theatre space will provide an enhanced option for the relocation of the Library Theatre Company together with much needed expansion for Cornerhouse within an advanced timeframe. The report seeks approval to an overall project budget of £19m together with approval to develop the proposal further and report back in the New Year.

Recommendations

- 1) To note that the current proposal to relocate the Library Theatre Company in the Theatre Royal no longer offers a viable and sustainable proposition and officers support the view that alternative development proposals should be identified for this historic site.
- 2) That approval is given to the principle of developing a new cultural facility at First Street to provide a new home for the Library Theatre Company and Cornerhouse.
- 3) To seek City Council approval to an overall project budget of £19m funded by a virement of £10m from the Town Hall project budget and £9m additional contribution from the Capital Fund, up to £3m of which would be expected to be refunded from third party contributions and future capital receipts.
- 4) To authorise the Chief Executive, Head of Corporate Property and City Treasurer to commence negotiations with the developer to vary the existing development agreement and agree such further documentation as may be required in order to implement the proposals.
- 5) To authorise officers to develop an application with Cornerhouse to the Arts Council of England new national portfolio funding programme for future revenue funding. To finalise a business plan early in the New Year and report back to a future meeting.
- 6) To submit a further report in the New Year outlining detailed arrangements in respect of governance, procurement and associated project programme.

Wards Affected:

All Wards

Community Strategy Spine	Summary of the contribution to the strategy
<p>Performance of the economy of the region and sub region</p>	<p>The development of a new cultural facility at First Street will attract new visitors to the city by delivering to a gap in Manchester's cultural infrastructure, creating added value by combining both the LTC's and Cornerhouse's strengths and growing audience bases.</p> <p>Together this new hub would make a strong contribution to MCC'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 meeting place for the creative SMEs.</p> <p>It will deliver the required amenity with associated footfall required to drive the commercial development of the overall First Street site.</p>
<p>Reaching full potential in education and employment</p>	<p>The development of a new cultural facility at First Street will aim to build on the LTC's and Cornerhouse's past success in working with hard to reach young people, by offering significantly enhanced education potential through the consolidation of practice and resources, and by broadening links to other cultural and educational organisations in the city.</p> <p>By building a new centre of cultural productivity, it is also clear that there is an opportunity to support 'the creation of more Mancunian writers, producers, filmmakers, technicians and actors', as well as being a centre for the training of local people in creative skills both front and back of stage. Consolidating the two organisations in an enhanced new facility will protect existing jobs and offer opportunities for growth.</p>

Individual and collective self esteem – mutual respect	<p>The development of a new cultural facility at First Street would be a significant new facility 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>
Neighbourhoods of Choice	<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>The new facility at the north of First Street could become a powerful anchor at this important gateway to the City, and also support the expansion of cultural organisations from the Oxford Road and Knott Mill area.</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

There are no new financial consequences for revenue budgets. The assumption being that the existing Council support for the Library Theatre of £1.059m will initially be maintained. It is anticipated that the overall operation will break even therefore allowing for a reduction in this grant funding overtime.

Financial Consequences – Capital

The overall capital cost is forecast as £19m. Previous reports had identified that £10m is available in the Town Hall budget as a result of capturing the benefits of deflation on construction costs and this will be vired to this project. Up to £6m had

previously been identified within the Capital Fund for the purchase of the Theatre Royal and a further £3m will now also be made available from the Capital Fund, which will ultimately be secured from third party contributions and future capital receipts.

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Background documents (available for public inspection):

Relocation Options Appraisal for Library Theatre Company June 2009 Ekosgen.

1.0 Introduction

- 1.1 This report should be read in conjunction with the report elsewhere on the agenda on the proposed development and regeneration framework for the First Street area. Crucial to the viability of the whole strategy is the proposal to create a cultural hub to the north of the site close to the railway arches, a major cultural facility that will attract a significant audience which, alongside the creation of an outdoor performance space, will drive the footfall critical to economic growth. In line with our Cultural Ambition and the Arts Council's emphasis on innovation and collaboration, the project will also be a timely opportunity for two of Manchester's arts organisations, the Library Theatre Company and Cornerhouse. By consolidating their broader activities within a unique new cultural organisation the cultural offer will be significantly enhanced to deliver far greater outputs for public sector funding and create new employment opportunities, whilst establishing 'a sense of place' at First Street, so critical to the success of this area.

2.0 Opportunity to Create New Cultural Facility at First Street

- 2.1 It has always been envisaged that the area to the north of First Street would have a strong retail/leisure/cultural focus. This would relate well to other similar activity on Whitworth Street West and around the Knott Mill area, and provide a strong people-based attraction at the intersection between First Street and the rest of the city centre. Whilst a number of options have been considered in the past, none has progressed. The area around Whitworth Street West, Knott Mill and Castlefield provides a rich and diverse cultural offer. Opposite the site around Knott Mill, up to 50 small creative and knowledge-based businesses, such as architecture and design companies, have formed a cluster in converted small industrial buildings and warehouses.
- 2.2 A new cultural facility at the north of First Street will become a powerful anchor at this important gateway to the City, and also support the expansion of cultural organisations from the Oxford Road Corridor area. The opportunity to broaden the Oxford Road cultural corridor to First Street, would require the provision of a major new focus, as it would be difficult to grow this organically in the short term. The provision of a major new arts facility based around Cornerhouse and the Library Theatre would help to attract pedestrians along Whitworth Street West. At the same time, the proximity to the south of the city, via both public transport and by car, makes the site very accessible for the wider audience that investment in a major new cultural facility would require.

3.0 Cornerhouse Expansion

- 3.1 The last five years have seen Cornerhouse re-align its business model and add an extension, supported by MCC and ACE Lottery funding, to the current estate of buildings. The organisation has become more sustainable and provides increased public value as a result of these changes. However, the current site restrains further growth of the business and improvements in artistic and educational output/impacts. Whilst Cornerhouse currently

punches above its weight because the organisation is entrepreneurial and ambitious, it is restrained by the configuration of its current buildings. Furthermore, there are significant inefficiencies in the buildings as they are expensive to run and not ideal for a range of exhibitions and other events, in addition to problems of water ingress in Cinema1 (300 seater) affecting ticket revenues.

- 3.2 Following three Lottery Funded feasibility studies looking at redevelopment of the existing Cornerhouse sites and expansion along Oxford Street it has not been possible to develop a viable plan. It has become increasingly clear that the true potential of the organisation and the benefits for the city and region cannot be realised on the existing site.
- 3.3 The Cornerhouse team is ambitious. They want to create growth in audiences for both Cinema and Contemporary Art, and know how to do that. They also believe that there is space to grow the organisation's role as a digitally connected producer and educator across both of these artforms in order to develop a deeper audience engagement in the city and region. In developing their current role as a producer they need to acknowledge and accommodate the change in artists' practice, which is much more cross disciplinary and so needs to include performance. Cornerhouse has the ability to create an interdisciplinary, audience focused, digitally connected art factory that is unique to the UK and probably to Europe.
- 3.4 As part of this journey, Cornerhouse has investigated many options with the support of ACE and the notion of collaboration between Cornerhouse and the Library Theatre Company (LTC) is not new. The logic of the proposal is based upon:
 - the artistic opportunities such a relationship will create for cross-programming and integrated programming;
 - opportunities for audience growth through cross selling and more efficient marketing and communications;
 - significantly enhanced education potential through consolidation of practice and resources.
- 3.5 A Cornerhouse operation with four or five cinemas and significant gallery space for contemporary art, which is a gap in the City's cultural offer, would undoubtedly offer a much needed addition to the city's cultural infrastructure. However, it may be that the current economic climate and the resulting need to find innovative new partnerships that can minimise dependency on public funds, indicates that bringing the Library Theatre Company, an expanded Cornerhouse on the First Street site could add even more value. Officers have, therefore undertaken a detailed review of the viability, both in capital and revenue terms, of a combined operation to deliver a significant new contemporary arts facility.
- 3.6 A strong opportunity now exists to realise the independent aspirations and well documented expansion needs of both Cornerhouse and the Library Theatre Company in a joint vision that is designed to unlock a significant new

development opportunity with private sector partners.

- 3.7 The site of the existing Cornerhouse presents an exciting opportunity for redevelopment alongside the adjacent land and buildings owned by Network Rail. It is proposed that officers engage with Network Rail to develop a master plan for the wider site, which builds on the opportunities presented by the electrification of the Manchester/Liverpool rail line. A development partner would then be selected through competition in order to secure the best regeneration and financial outputs.

4.0 The Library Theatre Company at the Theatre Royal

- 4.1 An Options Appraisal report by consultants Ekosgen produced in June 2009 considered all available sites for the Library Theatre Company once it had left the Library building. Having considered a wide range of potentially available sites, including First Street and the BBC site, it centred on; the Theatre Royal, Mackie Mayor in the Northern Quarter, the Boddingtons site and St. Peter's Church Ancoats. At the time the previously agreed commercially led development framework was in place for First St and the timescales appeared undeliverable, and therefore it was not considered further at that stage. The brief for the study was:

'The need to combine a successful theatre space with wider opportunities for income generation, all in an accessible location that can be delivered within the theatre's timescales'

- 4.3 Several studies had been undertaken since 2005 on the future and development needs of LTC and therefore its objectives and functional requirements are well known. The Ekosgen study restated the overall contribution of LTC in its new home to deliver:-

- A major centre for the production and promotion of contemporary theatre outside London;
- A space where people of all ages can engage and explore their creativity in a wide variety of ways; from audience member and workshop participant to theatre maker and artist in their own right;
- A rich programme of contemporary plays new to the North West and modern classics;
- In partnership with other agencies such as North West playwrights, the development and production of powerful new work from Manchester and the North West region;
- A unique programme of continuous professional development for performers in the region, in collaboration with Actors Centre North;
- An organisation that pushes boundaries creatively and reflects its local communities in all aspects of its work, connecting with broader businesses and professional communities as a key cultural offering;

The consultants noted that this is an ambitious brief but one that the Library Theatre Company could deliver with appropriate support and access to modern facilities in new premises.

- 4.4 In early summer 2009 it was recommended that the site that could ‘fulfil the project objectives within the agreed timescales’ was the Theatre Royal. It emerged as the strongest option, reflecting the site’s location and heritage value, potential funding opportunities and the degree of work undertaken to date on the physical requirements. At that stage, some 18 months ago, it was recognised that there was a lot more work to do to deliver a viable scheme and initial work indicated that only a part of the LTC’s brief could be accommodated in the space. The development timetable indicated a start on site during autumn this year and completion of the theatre space and fit out late 2013 with the associated hotel opening in 2015.
- 4.5 Significant pieces of work have been completed in the interim period, in particular to mitigate the risks identified in relation to achieving English Heritage approval, the complexities of building a significant tower on top of the original Theatre structure and satisfying ourselves around the compromises of design in back of house, stage get in and lack of large foyer spaces for commercial activity. All of these factors here confirmed the scale of the challenge to deliver all of the theatre’s functional requirements.
- 4.6 From LTC’s point of view this means that, having now moved out of the Library building and recently opening its first production at The Lowry, it is facing an uncertain future and cannot begin the design and planning process for its new home. The earliest the theatre space at the Theatre Royal could be completed would be mid-2015 with the hotel to be completed in 2017. This would mean that the LTC would be without a permanent home for five years and possible further disruption should it take longer to complete the associated development. This will clearly be a major challenge in terms of keeping the brand alive and developing the new audience that will be required.
- 4.7 Over the past six months, whilst progress has been slow in relation to the commercial development, a significant amount of work has been done with the Company to review its artistic ambitions and potential in a new location and, in particular, start to develop a business model that will ensure the company’s sustainability in the future. Theatre consultants have been engaged to work alongside the management team to explore how the company might extend its already strong community and outreach programme and optimise commercial income by new partnerships and better exploitation of spaces. The scale of the potential for a revitalised theatre company has emerged just as the limitations of the space at the Theatre Royal have also become increasingly apparent.
- 4.8 The team have an ambition to become a more transparent and accessible company where learning and the sharing of creative skills is fundamental to the ethos. They believe the back of house spaces should be opened up as learning spaces in their own right and that the foyer should be welcoming and open all day both as a cultural hub, offering opportunities for catering, retail and hospitality. Unfortunately, it is clear that the limited historic foyer spaces at the Theatre Royal will not deliver this.

- 4.9 It has therefore become apparent that the historic interior of the Theatre Royal does not lend itself easily to this new vision and whilst it would, no doubt, offer a special ambience; it was not built with 21st century theatre spaces in mind. The LTC has an ambition to extend its traditional models of performance to become more closely engaged with the community it serves, and to do this it needs modern purpose built facilities. The limitations within a listed building would also increase the capital costs and reduce the opportunities for commercial income from trading activities such as retail, catering and corporate uses, and thereby increasing dependency on public sector resources.
- 4.10 The commercial arrangements which have been under discussion between the owner of the Theatre Royal and the potential hotel user for some time have not yet been concluded. There have also proved to be significant planning and heritage issues associated with the overall proposition for the combined new theatre and hotel scheme, particularly in terms of the impact of the new theatre on the listed structure. The uncertainty surrounding these issues has meant that we have not been able to develop a definitive commercial strategy and as such we have concluded that this is no longer a viable option.
- 4.11 The owners have been advised of and understand completely this situation. However, the re-use and redevelopment of this site remains a key priority and we are working with them to explore alternative proposals that would provide an appropriate and acceptable re-use of the listed building together with associated commercial development. Officers will report back further on the outcome of these discussions in due course.

5.0 Benefits for Library Theatre Company in a combined contemporary Arts space

- 5.1 In view of the delayed timescale for delivery of the Theatre Royal development and the limitations of the spaces, it became prudent to explore other options in the light of a very different economic climate. We have, therefore, assessed the possibilities for combining Cornerhouse and LTC needs within a new facility at First St. Our initial work has included:
- The development of a merged functional brief for a new cultural facility, incorporating both LTC and Cornerhouse's space requirements;
 - Exploration of where resources and spaces might be shared, for example education, marketing and community facilities, joint overall management structure and shared finance and marketing functions;
 - The production of a first stage combined Business model to ascertain revenue viability, building on the work completed recently on the business model for the Theatre Royal operation and Cornerhouse's enhanced model;
 - Working with the developer ASK and their architects together with The Arts Team at RHWL (theatre specialists who have worked on the Theatre Royal and also designed the Bridgewater Hall) to create an initial functional model and outline design concept;

- Work with Ask's QS in undertaking initial due diligence on the scale of capital cost for a new cultural facility;
- Preparation of an initial development framework based on exploration of appropriate governance delivery and procurement models to optimise benefit and public value;
- Commissioning of an initial piece of audience potential work from All About Audiences;

5.2 It is clear that a stand-alone, purpose designed and built space for the work of the Library Theatre Company alongside Cornerhouse offers some very considerable artistic, functional and commercial advantages. In particular it would be possible to deliver all of LTC's brief, including significant new spaces for income generation and welcoming, accessible front of house foyer spaces. It would also offer opportunities to introduce the degree of transparency to the work both front and back of house that the company aspire to, whilst achieving best practice in terms of stage access and offer new opportunities for collaboration and cross over in arts practice. All this will be made easier with Cornerhouse's considerable venue management experience. The creation of an outdoor performance space would mean the company could facilitate a much wider range of community events with partners across the city and region. It would also be possible to accommodate a larger auditorium of around 500 seats thus optimising the opportunities for audience expansion and increase the number of touring production companies to the City.

5.3 In order to ascertain the demand for a new combined arts facility All about Audiences have been commissioned to explore the audience potential, building on their previous work for both Cornerhouse and LTC. They are very positive about the potential location of First St. The Cornerhouse audience is not dependent on "passing trade" so it is reasonable to assume that the significant footfall that Cornerhouse currently enjoys can be transferred down Whitworth St. They cite the buoyancy of the cinema audience nationally; note that the three performance areas of cinema, performing and visual arts remain strong, despite the recession. In particular, they see the potential in audience crossover that a combined arts venue of significant status could achieve. Whilst cinema has been strong nationally, Cornerhouse Gallery has also been doing particularly well with an increase in visitors of 88% over the past two years, benefiting from collaboration with the Manchester International Festival and exceeding national growth patterns.

5.4 The All About Audiences report also identifies considerable added value for work with young people and adult education, both companies have experience and expertise in these areas that would be very complementary. They identify a particular role in delivering the Community Inspired theme of the relaunched Cultural Ambition for the City, in particular in broadening links to other cultural organisations in the city and further and higher education. It is also clear that an opportunity is created by building a new centre of cultural production to support 'the creation of more Mancunian writers, producers, filmmakers and actors', as well as being a centre for the training of local people in creative skills both front and back of stage.

- 5.5 They see great potential in developing new product for the growing cultural tourists coming to the city and for attracting talent. Their report is an early stage affirmation that the project could deliver to a gap in Manchester's cultural infrastructure and create added value by the combining of both companies' undoubted strengths and growing audience bases. More feasibility work would necessarily be required to produce detailed profiling and audience assessment, but for the purposes of this current exercise, we have assumed current audience levels are at least maintained within a greater capacity in the new business model.
- 5.6 Work with architects retained by Ask has indicated the potential for a stunning building on the corner of the northern part of the site close to the railway arches. It would incorporate up to five cinemas, a major floor of contemporary gallery spaces, a 500 seat theatre and smaller studio space, an impressive café/open foyer space and all the associated technical back of house spaces. Initial broad based design proposals have been put together for costings purposes only. The guide for the capital budget for the building is that the exterior should be high quality and innovative but that the internal spaces should be functional and simply expressed without unnecessary degree of high level specifications. The building would be around 4,500, sq m and take advantage of the sloped incline to the site to create an exciting outdoor performance space linked to an independent and robust retail offer.
- 5.7 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 artforms it covers. Commissioning new work in the new arts centre 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 play well into Arts Council England's new priorities and 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. The affect on the wider arts ecology in Manchester would be substantial, providing career pathways for new talent at all levels.

6.0 Revenue Costs

- 6.1 Initial business planning exercises, following analysis of the current LTC and Cornerhouse operating models, indicate the potential for the facility to breakeven based on joint savings and economies of scale. It is anticipated that the existing MCC grant to LTC of around £1million could be reduced over time. In addition, it is anticipated that the current Arts Council grant to Cornerhouse will continue at its current level. Initial positive discussions have taken place in the context of the Arts Council new National Portfolio funding programme beyond 2012. A detailed business model is currently being

finalised and will form part of a future report in this Committee in the New Year.

7.0 Costs and Deliverability

- 7.1 The City Council and Ask are parties to a development agreement dated December 2009 under which the City Council is contributing several small parcels of land at the South of the site in return for a share in the profits of the development. Under the development agreement the parties agree to work to an agreed Master plan and Commercial Plan to ensure the redevelopment of the site is consistent with the City Council's strategic objectives for the area and delivers strong financial returns. Elsewhere on the agenda is a report proposing a revised development framework for the area, reflecting the lessons learned by the partners since the original framework was approved by Executive in October 2008.
- 7.2 The new development framework identifies the important role a facility such as the proposed cultural hub might play in acting as a catalyst for future leisure development at the North of the Site. By creating a sense of place at First Street it will enhance the commercial development potential of the site helping to drive the delivery of the wider redevelopment of the area. As a result it is anticipated that the site for the cultural facility can be made available to the City Council for the project at a nominal cost, without a detrimental impact to the overall financial position under the proposed revised development framework. Further work is required to confirm the financial position in the light of the outcome of the proposed consultation and to develop the procurement strategy for the delivery of the new facility in accordance with applicable public procurement rules. A further report will be brought to Executive once the detailed position is identified.
- 7.3 The overall capital cost is forecast as £19m. Previous reports had identified that £10m is available in the Town Hall budget as a result of capturing the benefits of deflation on construction costs and this will be vired to this project. Up to £6m had previously been identified within the Capital Fund for the purchase of the Theatre Royal and a further £3m will now also be made available from the Capital Fund, which will ultimately be secured from third party contributions and future capital receipts.

8.0 Economic Impact

- 8.1 Connecting First Street to the core of the city centre will offer significant economic and social benefits and deliver long-term qualitative change in this area. The First Street area includes around 1.3M sq ft of commercial development which will support the creation of around 10,000 new jobs including construction jobs over the next 10 years, with additional jobs being provided in the hotel, retail and leisure sector. The scale and potential of the proposed cultural hub will provide a major catalyst to drive new development. First Street's adjacency to The Corridor will also provide a significant opportunity to maximise local employment, training and procurement initiatives.

8.2 The development of the commercial plan for First Street will underpin the delivery of commercial development and the scale of jobs anticipated. Further analysis of the economic potential of the area will be undertaken to assess in more detail the opportunities that exist here. The readiness of funding and the availability of the site provide a unique opportunity which will allow delivery to commence quickly and reduce any further delays to the Library Theatre Company.

9.0 Conclusion and Next Steps

9.1 The redevelopment of First St offers a timely opportunity to create a new and vibrant creative quarter to the south of the city centre. At its heart there could be a new cultural production centre that will build on the successful models of audience engagement and education that Cornerhouse and the LTC have struggled to deliver in limited facilities. In reinvesting in two of Manchester's unique creative organisations we can deliver much greater benefits in terms of increased access for audiences, job creation and training and skills models and a richer range of artistic collaboration across art form. The scale of the investment, originally identified for a stand-alone theatre at the Theatre Royal site, is sufficient to deliver a unique centre encompassing arts cinemas, advanced education and corporate spaces, a major contemporary gallery space and 21st century flexible theatre spaces. Together this new hub would make a strong contribution to our Cultural Ambition by creating a significant tourism destination driving investment and economic growth, a new creative production centre for advanced skills development and encourage creative employment in the city.

9.2 Officers are requested to report back in the New Year following clarification on arrangements in relation to :

- Governance and delivery.
- A full business model for the revenue operation.
- Detailed procurement arrangements.
- Project Programme including timescales for design team appointments and outline planning application.
- Outline economic impact assessment.

10.0 Contributing to the Community Strategy

- (a) Performance of the economy of the region and sub region**
- (b) Reaching full potential in education and employment**
- (c) Individual and collective self esteem – mutual respect**
- (d) Neighbourhoods of Choice**

Detail at beginning of report.

11.0 Key Polices and Considerations

- (a) Equal Opportunities**
- (b) Risk Management**
- (c) Legal Considerations**

Developed in the body of the report.
