

Leicester City Council WARDS AFFECTED: **Castle and City Wide**

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Economic Development & Planning Scrutiny	9th March 2007
Cabinet	12th March 2007
Council	29th March 2007

Cultural Quarter Phase 2 - Phoenix Arts Replacement Scheme

Report of the Corporate Director, Regeneration & Culture

1 Purpose of Report

- 1.1 This report seeks members' approval to support work on a replacement for the Phoenix Theatre (known as the Digital Media Centre or DMC). The Phoenix Theatre replacement takes forward members' commitment to the development a Cultural Quarter within the St George's area of Leicester. The report also asks Members to agree to include the scheme in the capital programme.
- 1.2 The scheme will be added to the block of schemes, which cannot proceed without detailed information being subsequently presented to Cabinet.

2 Summary

- 2.1 This report continues the work on developing the next stage of the Cultural Quarter as approved by Cabinet in November 2001. The project presents a great opportunity to further embed the City Centre Regeneration and create a critical mass of attractions within the Cultural Quarter to make it sustainable in the long term.
- 2.2 This new scheme will realise the commitment already made by members in developing the cultural quarter in two phases, phase one has already seen the introduction of the LCB Depot, the Performing Arts Centre and the Infrastructure Improvement Works within the Cultural Quarter.
- 2.3 This project will:
- Replace the Phoenix Theatre
 - Create a 2nd LCB Depot – building on the success of the original LCB Depot
 - Create new residential units with an element of affordable housing
 - Carry on the development of the Cultural Quarter
 - Bring in private sector investment
- 2.4 The total cost of the scheme is £19.741m, with a proposed Council investment of £4.28m, of which £2.52m would be funded from the capital programme through prudential borrowing. If approved, the project will deliver:

- 68 new businesses over a 3 year period

- £10 m private sector Investment over 3 years into the DMC
- £48m private sector investment in the area
- 450 businesses assisted to improve their performance, worth £1m over 3 years
- 81 jobs created and safeguarded over 2 years with an expected growth over further years with new businesses being created in the managed workspace and incubation centre, worth £1.22m over 2years. A further 38 jobs will be created every 2 years beyond the initial development, worth £0.57m a year for at least the first 3 years of trading.

2.5 There remains a considerable amount of legal and technical work to be done before authorisation can be sought from Cabinet.

3 Recommendations

3.1 Cabinet is recommended to:

- (a) Request Council to agree to the addition of £19.741m to the capital programme, of which the Council's cash input will be £2.52m;
- (b) Agree that no expenditure can be committed on the project until Cabinet considers a further detailed report, other than on development work and fees prior to letting the construction contract;
- (c) Agree that further expenditure on fees should only be spent with the authority of the Acting Corporate Director, in consultation with the Chief Finance Officer;
- (d) Note that revenue funding for the scheme, including the impact of prudential borrowing, was reflecting in the Council's budget strategy for 2007/08 to 2009/10, approved by the Council on 21 February;
- (e) Agree the timetable given in table 8 of the supporting information.
- (f) Agree to an environmental impact assessment to be carried as part of the project design, taking onboard the recommendations from the Climate Change – What's your plan report.
- (g) Note the considerable amount of detailed technical and legal work still to be completed, the resolution of which will be part of the subsequent report.

4 Financial Implications

Financial Implications

Capital Issues

- 4.1 The proposed funding package for the DMC requires a total Council contribution of £4.28m made up of £1,760,000 net disposal proceeds from the sale of land and a cash contribution of £2.52m. The target completion date for the necessary land disposals is July 2008.
- 4.2 The project requires the commitment of £700K to complete the work required to support the recommendations of this report. Partners will pay this but the Council will face a 75% claw back if we decide not to proceed with the project.
- 4.2 The current ERDF programming ended in December 2006 and therefore £2.2m ERDF funding can only be secured with an early start.

- 4.3 The Council has made provision within the Council's Revenue Strategy 2007/8 – 2009/10 to payback prudential borrowing of £2.5 million in support of this project.
- 4.4 If additional capital costs are estimated as a result of obtaining a low carbon footprint as possible options and cost /benefit analysis will be provided.

Revenue Issues

- 4.5 The current and projected subsidies provided by the Council to the Phoenix are shown in table 1 below:

Table One

	£K
Current subsidy to Phoenix	333
Less amount transferred to PAC subsidy for live work	(144)
Add current subsidy to Line Out	36
Total Subsidy	£225k

There is no proposed increase in subsidy by the Council to the operation of the replacement facility.

- 4.6 If the prudential borrowing pay back is included, on current projections the additional revenue required would be less than £300k p.a.

Martin Judson

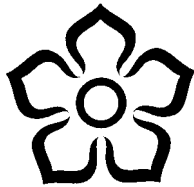
Legal Implications

- 4.7 This project raises complex issues in terms of procurement, land assembly/disposal, governance, funding and tax treatment. Detailed work is required to verify and finalise the technical and legal structure and to complete the necessary procurement, land purchase and associated consent procedures. These will generate risks that the Council will need to consider carefully before proceeding, if it is desired to proceed.
- 4.8 At this stage it is not proposed to commit the Council to any contract although certain choices will have to be made/confirmed as part of these procedures before August if a solution is to be presented in August to enable an early start on site. The [project development fees] to be expended between now and then are therefore at risk. If the Council is receiving funding towards these it would be prudent to consider how this funding (or the relevant part of it) could be repaid.

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Cultural Quarter Phase 2 - Phoenix Arts Replacement Scheme

SUPPORTING INFORMATION

Report of the Corporate Director, Regeneration & Culture

1. Background

- 1.1 This report continues the work on developing the next stage of the Cultural Quarter as approved by Cabinet in November 2001.
- 1.2 This new scheme will realise the commitment already made by members in developing the Cultural Quarter that has seen the introduction of the LCB Depot, the Performing Arts Centre and the Infrastructure Improvement Works within the Cultural Quarter.
- 1.3 The project responds to the needs of replacing the Phoenix Theatre, which will become a new facility catering to current and future technology within the Cultural Quarter. Replacing the Phoenix Theatre in this way will enable the bringing together of a further cultural facility within the St Georges area of the City to create a real critical mass in the new cultural quarter area.
- 1.4 In November 2001, Cabinet agreed that £0.2m was to be earmarked for a feasibility study for the creation of a Digital Media Centre to encourage the development of a creative industries local economy within the proposed Cultural Quarter development area.
- 1.5 As part of that Cultural Quarter, the live elements of Leicester Arts Centre Ltd (Phoenix Arts) were transferred to the new Performing Arts Centre (PAC). The DMC was intended to build on the remaining elements of the Phoenix programme to further animate the Cultural Quarter and create new employment opportunities in media arts.
- 1.6 The feasibility study focused on identifying the need and business case for the creation of a new Phoenix Arts Facility (at that time called Moving Image Centre and now the DMC) and was commissioned in 2002. David Clarke Associates concluded their research in September 2003 and the results were subsequently reported to the Cultural Quarter Cabinet Members Steering Group in November 2003. This study was jointed funded by LCC and EM-Media.

- 1.7 An unsuccessful application for Arts Council Lottery funding to build the Moving Image Centre brought about a re-think of the project and a further review was undertaken to see if there were elements of the project that could be taken out to reduce the scale and estimated total cost of the project. This work led to a revised brief and feasibility study with £110k of feasibility funding from EM Media and the Arts Council.
 - 1.8 The aim of the original brief remained at the core of the project, but further partnerships were developed with De Montfort University to build the teaching and education elements of the project and EMDA to create further economic benefits.
 - 1.9 The LCB Depot was the first project in the Cultural Quarter. The £4.75 million project converted the brown field site of Leicester's old city bus depot into a centre to support small medium enterprises (SME's) in the creative industries. The building provides 55 managed workspaces, meeting and conference rooms, a café/bar as well as exhibition and showcasing facilities. Opened in July 2004, the building has received a RIBA award for architectural excellence.
 - 1.10 With strong demand for workspace, and resultant healthy occupancy levels, LCB Depot has now delivered its initial business plan in 18 months against a 3 year target, making the facility self-financing, and has contributed to the creation or safeguarding of 105 jobs in 18 months.
 - 1.11 The City Council's creation of the Cultural Quarter helps Leicester to redefine itself and create a new atmosphere for the this part of the City Centre. Without the investment in these key projects the ability to attract new inward investment is limited.
- 2. Replacement for Phoenix Arts – 2nd Stage Development of Cultural Quarter**
- 2.1 The proposed replacement for the Phoenix Arts Centre is currently known as the Digital Media Centre (DMC) (working Title). The new phoenix arts facility will be located in the St George's area of Leicester will offer a comprehensive, high quality package of support to the digital media sector SMEs. Designed to stimulate an enterprise culture and support entrepreneurs, the facility will provide business accommodation, residential accommodation, facilities, business expertise, training and links to universities.
 - 2.2 The feasibility work carried out to date set a vision for the project:
"The DMC provides a focus for creative activity across a variety of means. Films, media art, games, research and development, education and training both formal and informational levels and the establishment of jobs in the media and cultural industries will be available in a newly designed structure that is fit for purpose in the heart of a regenerated Leicester.

The vision of the DMC is to celebrate and deliver the reality of a world where creativity, commerce, technology and sheer enjoyment enrich and elevate Leicester's place on a regional, national and international basis"

- 2.3 The replacement Phoenix Arts project is made up of 3 elements:
- Managed Workspaces and Incubator Centre (Depot 2)
 - Digital Cinema and production areas (Phoenix Theatre and DMU elements)
 - Residential Accommodation & workshops for sale.

Managed Workspaces (Depot 2)

- 2.4 The facility will offer 28 new managed workspace units in the first year of trading. These will build on the workspaces available in the Depot and will particularly target digital businesses.

- 2.5 The Creative Industries Workspace Study produced in July 2006 concluded

"Unconventional creative workspace should be developed in Leicester, along the lines of the Depot proposal. Ideally a Cultural Quarter location should be identified and it should be run along the lines of the LCB Depot which displays all the elements of best practice"

- 2.6 The workspaces will provide high quality workspace in a creative environment and will offer:
- 24hr access for tenants
 - Full disabled access
 - Wireless internet access throughout and full broadband facilities
 - Central location
 - Regular networking opportunities
 - Use of facilities within the DMC (in particular the micro cinema, the production suites and multi-purpose spaces)
 - Ability to host material on the curated space within the screen café, which is part of Digital Cinema and Production Area element.
 - Ability to draw on the expertise of the in house team and specialist business adviser
 - Opportunities to take part in the in house education and outreach team

- 2.7 The Incubation Centre will offer virtual office, hot desk and research station facilities for entrepreneurs who do not need, or are not yet ready to commit to full time occupation. The Incubation Centre will work with the Associate Programme (referred to in paragraph 2.12) to support new businesses.

- 2.8 Workshop tenants will be drawn from the full breadth of the creative digital industries, including recent and post graduates in partnership with De Montfort University.

- 2.9 A proportion of the Incubation Centre will be targeted at graduates to encourage graduate retention and business set up and development in a creative environment.

2.10 De Montfort University have shown commitment to supporting this facility through the contribution of capital finance as they committed to be associated with a national and international centre for the digital arts that is a showcase for their cutting edge research, which attracts professional interest, attracts students and retains graduates.

Digital Cinema and Production Areas

2.11 The ground and first floors provide a range of spaces for the public of Leicester (any beyond) to engage, enjoy and create a range of digital medias. It provides a bold, new and important facility that seeks to unite the convergence of art, entertainment, enterprise and access. DMC presents Leicester with a vital opportunity to engage with its diverse communities through the powerful resources of new media culture. It will replace and significantly build on the legacy provided by the Phoenix. These aspects include:-

- Three cinema screens with capacities of 225, 125 and 30 people offering the highest quality audience experience, programmed with a mix of specialised, independent, cultural and commercial film. The three screens will provide the capacity and facilities for the screening of a wide range of other digital media products and to support seminars, education, participative arts practice and community events.
- The Cube – and the wider digital arts programme – will be dedicated to fresh and innovative work that involves the use of a wide range of digital media. Work will include aircraft simulation where users fly the room, chill out audio visual space, early ‘beta’ versions of the latest games, digital arts presentations, seminars, discussions, pod casts and live web casts.
- The digital production suite provides the opportunity for businesses, artists, innovators and community groups to create digital work in all types and forms. The DPS includes multi media edit suites, graphic suites, recording facilities and a fully equipped studio. It will be bookable by businesses, groups and individuals as well as being the home of tutored courses for a wide variety of groups from students and community groups through to artists and multimedia makers.
- The multi-purpose space will be the home of a wide-ranging education programme. Incorporating training and business audio-visual equipment it will also provide space for business training, conferencing and networking.

2.12 The Associate Programme will work with digital artists and businesses who are either not ready to take workspaces within the DMC or whom the physical space is not necessary. The Associate Programme will provide networking opportunities screening and sharing experience plus the use of facilities within DMC (especially the micro cinema, the production suites and multi-purpose spaces).

2.13 One moment you be could watching the latest independent film in state of the art cinema facilities, the next experiencing the digital cube as the room ‘visualises’ the music on your I pod. You might find yourself testing the very latest games from leading manufacturers in the screen café or “chilling out” within the unique

digital garden on the first floor. Whatever you could be doing you will be surrounded by the possibilities and technologies of the digital age.

Residential Accommodation

- 2.14 the residential element of the building will create 51 flats ranging in size from 1-bed room flats to 3 bedroom flats and will include the required affordable housing.

Workshops for sale

- 2.15 Commercial workshops for sale will be available to rent or purchase. These workshops will be developed in accordance with the concept and approach of the facility to ensure they are targeted at creative / digital industries as move up spaces. A total of 7 (2-storey) workshop units will be developed. A marketing strategy will be adopted following the same basis as adopted by the successful LCB Depot.

3. The Business Case for the Replacement of the Phoenix Theatre

- 3.1 There is a clear regeneration advantage to Leicester in proceeding with this new facility. The PAC and the Depot have already demonstrated the multiplier effect when successful public sector investment kick starts wider investment and regeneration. Based on our current experience, the DMC could bring £48million of private sector investment into an underachieving part of the St George's area.

- 3.2 A Council total investment of £4.281m, (of which £2.52m is cash), brings:

- Regeneration of a brownfield site in the deprived area of Leicester's Cultural Quarter worth £1.235m
- 8414m² area of premises worth £11.631m, of which 2962m² will be for Depot 2 and the workshops for sale.
- 28 new businesses created in the first year of trading and 68 over a 3 year period, worth £4.59m over 3 years
- £10 m private sector investment in over 3 years into the DMC
- £48m likely private sector investment in the area (based on the PAC impact)
- 450 businesses assisted to improve their performance, worth £1m over 3 years
- 81 jobs created and safeguarded over 2-years, worth £1.215m over 2years, with an expected growth over further years with new businesses being created in the managed workspace and incubation centre. A further 38 jobs will be created every 2 years beyond the initial development, worth £0.57m a year for at least the first 3 years of trading.
- 10% of the new businesses will be graduate led.
- Increase in ticket sales Phoenix (LAC Ltd) from 46,956 in 2004/05 to 92,000 in 2011/12 and turnover from £750,000 to £1,300,000 by 2011/12, bringing in an extra £0.134m per year

- 600 Construction jobs on the construction phase worth £9m
- 51 new flats with affordable housing and a further contribution through Council tax to Council revenues.

3.3 Set this against the costs to the Council of not doing this project:

- The current Phoenix building will need upgrading. The City Council will need to make a capital investment of approximately £2 - £2.5m for renovations, new roof, and compliance with building regulations. If the building were to be left as it is it will be non-compliant and the service will be less accessible.
- Because elements of the programme have migrated to the PAC, the Phoenix will become a single screen art house cinema. This business is not sustainable and will require further revenue support from the Council. Based on a single screen facility with the necessary staffing this would show a loss of £0.123m pa with the potential of the shortfall increasing year on year.
- The Phoenix could stop all training and educational activities, youth work etc and could only open the building between 5-11 pm. This would give a forecasted potential loss of £0.036m p.a.

4. **Wider Benefits**

Regionally

- 4.1 The East Midlands is fast developing a national and international reputation for expertise in the Digital Moving Image and in particular in games and new media.
- 4.2 The region has long been strong in independent cinema - playing host to four former Regional Film Theatres (considerably more than most regions) - Phoenix, Metro (Derby), Forum (Northampton), and Broadway (Nottingham). It is not surprising that three of these venues are developing their own capital projects to respond to the growth of digital media.
- 4.3 By 2008 the East Midlands will have a genuine network of venues committed to the development of digital arts including:
- Broadway Media Centre, Nottingham – opened Autumn 2006
 - QUAD, Derby – opening 2008
 - Level Centre, Derbyshire and region wide
 - CCAN, Nottingham – opening 2008
- 4.4 If members agree to build the DMC, Leicester will be able to compete with other centres in the East Midlands.

Regeneration

- 4.5 Developing this project in a deprived section of the St George's area will build on the work already started by the Performing Arts Centre. The Performing Arts Centre and the LCB Depot have attracted £160 million of private sector investment in the St George's Area. Officers believe that this scheme will give the

Cultural Quarter a real critical mass in terms of an East Midlands cultural destination.

Managed Workspaces

- 4.6 The “Creative Industries Workspace Study” conducted in July 2006 showed a lack of sufficient workspace for creative businesses in Leicester and Leicestershire. The survey found that design and digital media industries were 2nd highest business sector in Leicester & Leicestershire within the Creative Industry sector and are therefore requiring further assistance in creating and sustaining their business.
- 4.7 The managed workspaces in the project will create a focus for live, work and play. The managed workspaces and incubation units build on the success of the LCB Depot.
- 4.8 The LCB Depot was recognised by the “Creative Industries Workspace Study” as the type of facility Leicester needs for the future. The Study stated that “unconventional creative workspace should be developed in Leicester, along the lines of the Depot proposal. Ideally a cultural quarter location should be identified. It should be run along the lines of the LCB Depot which displays all the elements of best practice – flexible lease terms, all-inclusive rentals, 24 hour access, value for money specifications, meeting rooms etc.” We have taken this study to heart and have based the DMC on its findings.
- 4.9 The LCB Depot successfully became self-financing in the first 18 months of operation following its initial target to become self-financing over a 3-year period. The same approach is being targeted for the managed workspace elements of the DMC and based on forecasted costs we are anticipating the same result.
- 4.10 The DMC will build on the LCB Depot success, which has created and safeguarded 150 jobs with a current occupancy rate of 86%.
- 4.11 The LCB Depot is a regional exemplar project, with site visits from most major towns and cities in the East Midlands who want to develop their creative sector.
- 4.12 The DMC makes the Phoenix sustainable for the future. But, in order to make sure that the DMC was the most effective, and best value for money option, officers looked at a number of alternatives:

- **Upgrading the Existing Building** – The current building was developed in 1963 as a temporary structure to house the Leicester Theatre Trust. In order to maintain the current site considerable investment would be required to ensure compliance with building regulations and to replace the current roof. It is estimated that these costs would be in excess of £2.5m. Such an investment would also enable the building of a second screen, which would make the operational model more viable. However, possibilities for securing external funding for this are limited and it should be noted such a development route would sit uncomfortably with Leicester’s investment in the Cultural Quarter.
- **Single Screen Facility** – In 2007/08 significant changes will take place which impact on Phoenix as an organisation. Following the strategic investment in the cultural quarter the phoenix grant for live work from both Arts Council England and LCC will transfer to the new PAC. This was

agreed on the basis that LAC Ltd would be moving into a new cultural quarter facility dedicated to film and media (the DMC). The business plan states that a loss of £123,372 pa with the likelihood of this increasing year on year if phoenix continues as a single screen programme. This option would be time limited not only by the age of the building but also the pressures of the building regulations.

Residential

- 4.13 This element of the proposal brings 51 Flats and affordable housing to the project. The inclusion of the residential apartments will create a 24-hour community, increasing safety and bringing life to the streets.

Economic Benefits

- 4.14 The DMC will:
- Give a focus for the clustering of the digital and media industry sectors in Leicester's Cultural Quarter
 - Make a stimulating environment to screen and exhibit a broad range of digital arts and cultural cinema
 - Complement other facilities in the Cultural Quarter and assist in promoting the Cultural Quarter as a visitor destination.
 - Help reduce crime in a deprived area of the city.

5. Partners

- 5.1 Leicester City Council is working in partnership with the following organisations to develop the DMC:

- **Leicester Arts Centre Ltd (LAC Ltd)** (known also as Phoenix) are key to developing the scheme and have been identified as an end-user from the original inception of the scheme. Their experience of delivering film and media programmes from the current site in Newarke Street will be invaluable in ensuring the success of the DMC. The new building allows LAC Ltd to deliver a service to the Leicester public, which is both fit for purpose and reflects the needs of a 21st century society. LAC Ltd will operate and manage the digital cinema, the digital production suite, and the multi-purpose space and public/social spaces of the building.
- **De Montfort University (DMU)** are a key partner and major funder of the scheme. They will ensure issues around innovation, graduate retention, education and training are incorporated to ensure the facility is sustainable and encourages the retention of graduates.
- **EMDA, LSEP and ERDF** are all prospective funders of the project and will ensure that the economic benefit and outputs are derived from the scheme.

- 5.2 Leicester City Council is the lead body for the scheme and will manage and oversee the development from feasibility to implementation. A Project Director and Project Manager are currently in place to deliver the development of the feasibility works.

6. Funding the Capital Costs

- 6.1 Cost Consultants working for the Council have provided the cost estimates of £19.75 million and the design has been completed to mid stage D (detailed design) only leaving design stage E (final design) to be completed.
- 6.2 A second Cost Consultant has checked the cost estimates and believes them to be robust. However, they are still estimates at this stage. The fee costs incorporate £58,045 for stamp duty costs.
- 6.3 The contingency budget has been designed to mitigate against potential future cost increases. The contingency budget is designed to meet the potential increases for all four elements of the DMC as well as the fit out and construction of the residential and studio offices. A further contingency has been included in the construction budget line in case of other difficulties.
- 6.4 The detailed design work should include an environmental impact assessment in line with the Climate Change strategy being developed so as to present costed options for Members to decide on.
- 6.5 Table 4 below shows an outline of the proposed funding sources for the project and the risk likelihood of that funding.

Table 4

Funder	£K	Risk Likelihood L/M/H	Risk Severity Impact L/M/H
Private Sector Investment (cost contribution) currently out to tender	9,815,998	L	H
De Montfort University	750,000	L	H
Leicester Shire Economic Partnership	1,500,000	M	H
EMDA	1,048,599	M	H
ERDF	2,244,726	L	H
Arts Council / Brewery	100,000	M	L
External Contribution	15,459,323		
LCC	4,281,627	M	H
Total Costs	19,740,950		

- 6.6 **De Montfort University** have confirmed their funding.
- 6.7 Officers have submitted a funding application to **Leicester Shire Economic Partnership** (LSEP); based on latest discussions the board have approved the project in principle. The appraisal is being finalised and was passed to the EMDA board in February 2007, the LSEP sub-committee will then view the final agreement. Following discussions with EMDA and LSEP the application has been amended to reflect the needs of the funding applicants. The DMC project is also part of the LSEP's Action Plan.

- 6.8 Officers have submitted a funding application to the **East Midlands Development Agency** (EMDA). The project has passed through the initial assessment round and the application has been amended in line with their recommendations. Based on latest discussions, the project will be taken to their board in February 2007. EMDA have indicated support for this scheme.
- 6.9 An application has been submitted to the **European Regional Development Fund** (ERDF). The appraisal of the application has been agreed and recommended for approval subject to match funding being confirmed. Intensive work was conducted working to a deadline of 31st December 2006 to ensure ERDF was not lost to Leicester and for this project. As a result of this work ERDF is being held for this project until the match funding is approved by EMDA /LSEP.
- 6.10 To minimise the financial risk to the City Council, officers are negotiating the possibility of securing external funding from English Partnership for the purchase of the site on the grounds that this will be to achieve the residential outputs. However, those negotiations are not yet concluded, and so the gain from them has not been included in these calculations.
- 6.11 The Feasibility studies to date have been covered by contributions from LCC, Arts Council, LSEP and the Private Sector.
- 6.12 The Council contribution is a combination of land and cash as detailed in the financial implications. Providing further details at this stage could have a negative commercial impact on the Council.

7. Revenue Costs

Residential and Studios

- 7.1 The revenue costs of the residential and workshops for sale will be covered by the Private Sector.

Cinemas

- 7.2 The business plan of Leicester Arts Centre Ltd (the Phoenix) shows a predicted increase in the ticket sales from 46,956 to 92,000 by 2011/12 and a turnover from £750,000 to £1,300,000 in 2011/12, an increase of 58% from the 2004/2005 turnover figure. Based on their business plan there is no further call on LCC revenue funding beyond that already committed to the Phoenix and Lineout as shown in Table Six below

Table 6

	£K
Current LCC support to Leicester Arts Centre (Phoenix)	189
Current LCC support to Line Out	36
Total LCC revenue support to DMC	225

- 7.3 In the digital screen programme the business plan predicts an increase in screenings from the current 700 to 2600 by 2012. The almost four fold increase in screenings is achievable as the DMC has three screens rather than one – and all three will be operating a full time cinema programme rather than the current part time model. Taking into account the latest industry data a cautious increase

in audiences is predicted as detailed in paragraph 8.2. Given the full time nature of the screens, the opportunity to screen films nearer release date and the increased quality of the facilities these figures are achievable.

7.4 The digital arts programme will be delivered in partnership with De Montfort University. The programme will be curated and financially supported by DMU and other funders and therefore by cost neutral to the DMC. The commercial services of DMC will be a key element of the offer. This can be broadly divided into four key areas – catering, hire and conference business, concessions and the on selling product created by and within the DMC. It is anticipated that by 2012 the commercial services element of DMC will contribute over £200,000 by 2011/12.

7.5 Based on the forecasts in their business plan the financial prediction for DMC and the elements that make up the DMC show a sustainable operation from year 3 onwards. The new facility will not be managed by the current LAC Ltd board but by a newly formed board put together for that purpose.

Depot 2

7.6 The capital application submitted to LSEP includes revenue support of £102,328 towards developing the project in its first year of trading.

7.7 The Depot 2 element of the DMC (managed workspace and incubation units) is forecast to be sustainable after the first two years of commencement as shown in Table Seven below.

Table 7

	2007/08	2008/09	2009/10	2010/11	2011/12
(Deficit)/ Surplus	(£15k)	(£63k)	(£20k)	£21k	£21k

These costs have been developed using our experience at the LCB Depot.

7.8 Each lease arrangement will include a cost to cover the maintenance of communal areas and an obligation to maintain the area covered by the lease.

8 Timing

8.1 The restrictions placed on the ERDF funding give a very tight timescale for this project. Table eight below sets out the key milestones.

Table 8

Planning Permission	October 2006
Partner funding agreed subject to Council funding	Feb/March 2007
Contractual Arrangements in Place subject to review pending final decision	May 2007
Cabinet decision	August 2007
Construction contract for Phase 2	September 2007
Start on Site	September 2007
Completion of Site – Phase 1 (managed workspace)	July 2008
Completion of Site – Phase 2 (DMC & Part residential)	January 2009

Completion of Site – Phase 3 (All elements concluded)	February 2009
Opening of site	Feb/March 2009

- 8.2 Planning permission was approved for the DMC scheme on 17th October 2006 subject to conditions.
- 8.3 Officers have submitted applications for funding to the funding bodies, a positive decision has been received on ERDF, however this is subject to confirmation of the match funding being secured.
- 8.4 Now ERDF has been confirmed, if Members agree to proceed with this project the project will need to be on site by September 2007 otherwise the project may not meet the contractual requirements of ERDF in terms of the needing to be achieved by June 2009 and with financial spend being achieved for the managed workspaces by December 2008.

9 Other Implications

OTHER IMPLICATIONS		
Equal Opportunities	Yes	See para 2.6. An Equality Impact Assessment would also be produced in line with Prince 2 Project Management requirements.
Policy	Yes	Cultural Strategy, Regeneration Strategy
Sustainable and Environmental	Yes	See para 5.2
Crime and Disorder	Yes	See para 6.14
Human Rights Act	None specific	
Older People on Low Income	None specific	

10 Risk Assessment Matrix

Risk	Likelihood L/M/H	Severity L/M/H	Impact
Land, Legal & procurement not finalised prior to Sept 07.	L	M	Potential loss of ERDF funding & £700 previously committed if going with option 1 or 2.
Risk of residential “partner” backing out	M	M	This risk will inevitably mean that the project could not proceed in its current form.

Risk of actual construction price (out-turn) exceeding current cost plan	M	M	To a greater or lesser extent this depends on the allowed contingency. As a design and build contract will be used there is a lesser degree of client design risk but the usual time expense claims could still arise. However, "design and build" contracts generally present the lowest cost risk profile.
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11. Background Papers – Local Government Act 1972
Cabinet Report on Cultural Quarter – 5 November 2001

12. Consultations

Consultee

R & C Head of Finance
Chief Finance Officer
Corporate Directors
Head of Legal Services
Property Services
Leicester Arts Centre Ltd

Date Consulted

8th December 06
12/13 February 06
13 February 06
11/12th January 07
11th January 07
5th December 06

13. Report Author

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