

## **Manchester City Council Report for Resolution**

**Report to:** The Executive – 22 March 2023

**Subject:** Disposal of Space Studios Manchester

**Report of:** Deputy City Treasurer

---

### **Summary**

This report seeks agreement to the 250-year leasehold disposal of Space Studios Manchester in order to facilitate further investment, secure its expansion and long-term future as a TV and Film Studio facility in an increasingly competitive market.

The report sets out the background to the proposed disposal, options considered and the commercial rationale for the disposal of Space Studios.

A Part B report provides more details on the bidding and selection process of the preferred bidder, including the overall commercial offer and any commercially sensitive financial implications.

### **Recommendations**

The Executive is recommended to:

- (1) Note the contents of the report in relation to the changing trends in the Studio sector and the implications for continued ownership by the Council of Space Studios.
  - (2) Approve the disposal of Space Studios in order to facilitate further investment, secure its expansion and long-term future as a TV and Film Studio on the basis set out in this report.
  - (3) Approve the selection of the Preferred Bidder as outlined in the body of this and the Part B report.
  - (4) Approve the grant of a 250-year lease of the land and buildings edged red in the plan at Appendix 1 to the report on the main terms and conditions to the Preferred Bidder outlined in this and the Part B report
  - (5) Approve the grant of an Agreement for Lease and Lease of the Phase 4 land, edged blue at Appendix 1, to the Preferred Bidder subject to relocation of the existing tenant and vacant possession
  - (6) Delegate authority to the Deputy City Treasurer and Director of Development, in consultation with the Leader and Executive Member for Finance and Resources to negotiate and finalise the details and terms of the disposals together with the property and commercial arrangements with the Preferred Bidder.
  - (7) Authorise the City Solicitor to enter and complete all documents or agreements necessary to give effect to the recommendations in this report.
-

**Ward Affected: Ardwick**

**Environmental Impact Assessment** - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

Space Studios has recently benefitted from the installation of a Solar PV system covering all the existing available roof space as part of a push to decarbonise the property. This aims to reduce the site’s direct carbon emissions by in excess of 200 tCO2 per annum and has the potential to generate surplus power for the site, based on current demand, in summer months (March to September), with the excess to be exported to the grid.

The Phase 3 Planning consent also includes the installation of roof mounted Solar PV and to achieve at least a 10% improvement on Building Regulations Part L. The design strategies have been developed to conform to the Manchester City Council’s (MCC) ‘Low Carbon Build Standard’ which is based on the RIBA Sustainable Outcomes Guide 2019.

**Equality, Diversity and Inclusion** - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

An Equality Impact Assessment has been produced to assess the impact on protected characteristics.

<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>
<p>A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities</p>	<p>Space Studios Manchester has helped to diversify the economy in one of Manchester's most deprived neighbourhoods, whilst helping establish Manchester as one the key Film and TV locations outside of London and the South-East.</p> <p>Further investment and the growth of Space Studios will enhance this position and create further career and job opportunities in a sector identified has having skills shortages and a need for further direct investment into skills and training.</p>
<p>A highly skilled city: world class and home grown talent sustaining the city's economic success</p>	<p>Currently, Space Studios via MCDA and partners, provide skills and training opportunities within the creative and digital sectors, also highlighting the career opportunities available within the sector to schools and universities.</p> <p>The disposal and growth of Space Studios will bring increased opportunities through the investment required in skills and training in the TV and Film sector to tackle the evident skills shortage and enhance the future employment opportunities within the sector to Manchester residents.</p>
<p>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</p>	<p>Through the process of disposal, there is an opportunity for the Council to target social value funding towards training and skills within the sector, which could directly benefit disadvantaged and underrepresented groups.</p>
<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>Space Studios benefits from the installation of Solar PV on all the existing available roof space as part of a push to decarbonise the property. This aims to reduce the site's direct carbon emissions by in excess of 200 tCO<sub>2</sub> per annum and has the potential to generate surplus power for the site, based on current demand, in summer months, with the excess to be exported to the grid.</p> <p>Space Studios and the enhancement of Manchester as a filming location contributes to the city's economy and culture by highlighting Manchester as a destination to work, live and visit.</p>

<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>Space Studios and the other Digital Assets form part of the city's overall digital infrastructure and contributes to the strong digital skillset within the city. The growth of Space Studios will ensure this continues.</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**

MCDA manage a number of assets on behalf of the City Council, including Space Studios. The income generated from tenants is used to fund the operating costs and any surplus or loss transferred to/from the City Council. The annual net income generated by Space will be lost to MCDA and the Council upon disposal, and a budget adjustment will be required to ensure that this does not create a budget pressure for the Council across the remaining MCDA assets.

More detailed revenue implications are set out in the Part B report of the same name on this agenda.

### **Financial Consequences – Capital**

Upon disposal the Council will receive a capital receipt for Space. The receipt will be used to settle any grant clawback claims, outstanding invest to save prudential borrowing incurred during the build and cover the disposal costs.

More detailed capital consequences of this report are set out in the report of the same title on Part B of this agenda.

### **Contact Officers:**

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

Name: Dave Lynch  
 Position: Director of Development  
 Telephone: 0161 234 4811  
 E-mail: david.lynch@manchester.gov.uk

Name: Dave Lord

Position: Head of Development  
Telephone: 0161 234 1339  
E-mail: david.lord@manchester.gov.uk

Name: Ken Richards  
Position: Principal Development Surveyor  
Telephone: 0161 234 1295  
E-mail: ken.richards@manchester.gov.uk

---

**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- The Development of The Space Project, West Gorton, Executive - 2<sup>nd</sup> March 2016
- Planning Consent for Application Reference: 132320/VO/2021

## **1.0 Introduction**

- 1.1 This report seeks agreement to the 250-year leasehold disposal of Space Studios Manchester for best consideration, subject to delegation to Council Officers to finalise the details and terms of the disposal, to facilitate further investment, secure its expansion and long-term future as a TV and Film Studio facility in an increasingly competitive market.
- 1.3 The report sets out the background to the proposal, options considered and the commercial rationale for the disposal of Space Studios. A Part B report provides more details on the bidding process and selection of the preferred bidder, including the overall commercial offer and any commercially sensitive financial implications to Manchester Creative Digital Assets Ltd (MCDA) and the Council.

## **2.0 Background**

- 2.1 Space Studios Manchester is an award winning (RICS North-West Regeneration Award 2018) purpose-built facility of national significance providing 200,000 sq ft of floor space for high end TV, film & commercial production in West Gorton. Consisting of 6 Stages and ancillary facilities delivered through two phases of development delivered between 2014 and 2017, Space Studios is owned by Manchester City Council and operated by Manchester Creative Digital Assets Ltd (MCDA), a wholly Council owned company.
- 2.2 Space Studios provides a purpose-built TV and film production facility for the north of England, building on the initial success of The Sharp Project which accommodates wider tech and digital companies, also owned by the Council and operated by MCDA. The studio facility was developed to allow Manchester to capture a larger share of a national growth sector, building on Manchester's historic strength as a TV and drama production centre. The Council identified an opportunity to develop its own purpose-built facility in direct response to industry needs. To deliver on this opportunity and ensure Manchester would become a leading regional location for TV and Film production, the Council agreed to fund the facility through a mix of third-party grant funding, Council revenues and borrowing where it could be sustained, taking on the development and financial risk. It also presented a clear opportunity to regenerate a complicated and neglected employment site suffering from low market demand. The facility has contributed to a series of wider strategic benefits for the city including economic and employment growth; the development of talent and local regeneration. It has enhanced the city's reputation as a creative and cultural hub of national significance, directly helping to diversify and rebalance the economy. As covered elsewhere in this report, it contributes towards the generation of a significant number of jobs which are promoted by the existence of the facility and will continue to do so whether under public or private ownership and would be enhanced with further investment and growth.
- 2.3 Space Studios has cemented its position as a premier regional facility, with a

demonstrable track record in servicing a vast array of production types and high-profile occupiers. Since opening in June 2014, Space Studios has hosted all of the UK's major drama commissioning public service broadcasters. In addition, drama content hosted on platforms such as Netflix and Amazon have used the bespoke facility for production. As well as providing a high-spec space accommodating TV and film production, Space Studios supports the ongoing development of a cluster of related businesses and the associated skilled workforce needed by the sector.

### Phase 3

- 2.4 Building on the success of the existing studios, designs were progressed by the Council for the development of Phase 3 on the former Fujitsu Tower site. In line with the historic continuous development of Space Studios, planning permission was granted (132320/VO/2021) in March 2022 for the creation of two further sound stages and ancillary production support accommodation, providing an additional 70,000 sq ft of floor space. The planning permission in respect of the third phase of development is key to Space Studios capturing a material upside from the Film and High-End TV (HETV) market by increasing the production stage capacity to over 120,000 sq ft. Against the backdrop of the changing sectoral trends, coupled with existing spend to save commitments from previous phases, a business case cannot be made for the Council to take on the development and the associated risks of a delivering a third Phase.
- 2.5 In recent years two prevalent trends have emerged in the Studio sector. The development and strong pipeline of new studio space across the UK and the entry into the market of large-scale operators acquiring a portfolio of existing studio space, which they are actively marketing in the sector, with a greater market reach than MCDA. These two factors have greatly increased the competitiveness of the marketplace Space Studios operates in and in doing so has increased the financial risk associated with the operation of studios to the Council. The current operating model is unable to compete with the market reach of its larger competitors. Further to this, there is a buoyant market for the acquisition of studio space in the UK and the Council have been approached, via MCDA, by several potentially interested parties. The changing market context and emerging risks are covered in more detail in the main body of this report.
- 2.6 Council officers and the MCDA Board have subsequently considered options for the disposal of Space Studios. This is in response to strong market interest and a high level of demand which will allow the Council to obtain a capital receipt, whilst securing the long-term future of Space Studios and strengthening the TV and Film industry in Manchester. The main objective of disposal is to secure a purchaser that is an investor and operator with the global reach, capability, experience and resources to operate and invest in the expansion of the studios, attracting further international production to the city.
- 2.7 Now is considered to be an opportune time for the Council to dispose of Space Studios after successfully constructing, managing and operating the

facility via MCDA since 2014, in order to displace the financial risk associated with its operation and to secure the commercial and operational input of a large scale credible operator, to ensure the future viability of the studio and safeguard its positive economic and social contribution to the city, as set out further in this report.

### **3.0 Economic Impact of Space Studios and Phase 3 (Employment Skills and Other Benefits)**

#### Impact of Direct Staff and Businesses

- 3.1 MCDA directly employs 7 full time members of staff at Space Studios. These posts have been directly created by the facility and its ongoing operations. Within the team, six out of the seven full time posts were held by Greater Manchester residents, providing an important source of local employment. The direct jobs are estimated to generate GVA of £0.6m per annum, based on the average GVA per full time equivalent (FTE) job in Manchester.
- 3.2 There are, currently, eight businesses permanently based at Space Studios, all of which operate within the TV and film production industry, this includes: Provision; Panavision; Direct Digital; AR Make Up School; ELP; Media Dog; Location One and Medi Skills. Businesses onsite benefit from clustering, which enables them to gain to access a wider pool of potential clients. The tenant businesses employ around 36 full time equivalent (FTE) posts, generating an estimated GVA of £2.9m per annum.

#### Impact of Productions

- 3.3 Access records for productions suggest that during 2020/21 and 2021/22 around 100,000 production days were worked per annum at Space Studios. This equates to the facility supporting approximately 290 FTE jobs, generating annual GVA of £23.2m based on the average over these two years. A further 333 FTEs and £26.7m worth of GVA is estimated to be supported in the wider economy as a result of the indirect and induced impacts arising from the direct facility operations, tenants and productions accommodated at Space Studios.

#### Overall Economic Benefits

- 3.4 The combined direct, indirect and induced impacts of the on-site direct and tenant employment and production activity at Space Studios is estimated to generate a significant economic impact, supporting around 665 FTEs and generating GVA of £53.3m each year.

#### Forecast Additional Economic Impact (Phase 3)

- 3.5 The proposed expansion is expected to deliver significant economic benefits including supporting a temporary economic uplift during the construction period, providing 150 construction job years and a further 50 indirect and induced FTE job years. The scheme is expected to deliver a total GVA contribution of almost £17.5m through construction period, taking account of



the direct, indirect and induced impacts.

- 3.6 Once Phase 3 is complete, combining the direct, indirect and induced effects of the direct and tenant jobs and production activity, it is estimated that Space Studios will support around 950 FTEs and GVA of £76.9m per annum. This represents an uplift of 285 FTEs and annual GVA of £23.6m on the current estimated economic impacts of Space Studios, driven by the growth in the production capacity and ability to compete in new markets and attract larger scale and higher value productions to locate at Space Studios.

### Wider Benefits

- 3.7 The expansion of Space Studios can also help to support a series of wider strategic benefits, including:

- Increasing the production capacity in response to growing demand, contributing the success of the UK's TV and Film production sector;
- Helping to attract further inward investment and boost Manchester's attractiveness as a location for TV and film production activity within both a national and international market context;
- Supporting clustering of high-profile TV and film production activity, helping to create the environment in which new businesses are attracted and existing ones can expand, driving economy growth;
- Raising Manchester's profile and reputation as a hub for TV and film production as well as reputation as a creative and cultural hub of national significance;
- Creating additional employment and training opportunities in a growing sector, supporting the development of skills and talent;
- Contributing to graduate retention with opportunities for ongoing career progression; and
- Helping to attract new skills to the city as workers relocate in search of opportunities.

## **4.0 Phase 4 Land**

- 4.1 In 2022, the Council completed the acquisition of 'the Yard' site on Vaughan Street adjacent to Space Studios. The site is currently leased out by the Council and occupied until 31<sup>st</sup> July 2024. The site could potentially become a fourth phase for Space Studios, offering additional land for further expansion, subject to the relocation of the existing tenant. The Phase 4 land has been considered as potential land to include in a disposal, with separate offers being invited as part of the bidding process for the existing studios. Any disposal of Phase 4 will be conditional on the relocation of the existing tenant and subject to planning and is likely to follow the disposal of the main Space Studios site as a potential future disposal.

## **5.0 Rationale for Disposal**

- 5.1 Whilst Space Studios is a significant contributor to the local and regional economy, the operation and development of studio assets that are subject to shorter-term licences, high turnover of production clientele, fluctuating levels of occupancy with potential voids, have a far higher risk profile relative to other more established property use classes. Previous phases of Space Studios have been developed with a mix of grant funding and Council borrowing, with a focus on the social and economic impact over significant returns. As the studios has become more established, there is now a clear opportunity for the Council to step back from its enabling role and attract significant private sector investment into the operation of the existing facility and the delivery of Phase 3, without the need for the Council to carry forward the development, operational and financial risk whilst the city continues to benefit from the significant positive economic returns.

#### Market Context and Challenges

- 5.2 Up to 2.7 million sq. ft. of stage space is forecast to come online in the UK by 2025. Most of this new stage space will be in the South-East and help address the acute under-supply currently in that region. And based on the forecast level of additional stage space demand (a forecast requirement of c2.48 million sq. ft.), there is a risk this could potentially result in a surplus of stage space on a UK-wide basis.
- 5.3 Film and High-End TV (HETV) production has grown rapidly in the UK in recent years, especially since 2021. Indeed, by 2019, Manchester, Liverpool and the North-West had already grown to be the UK's largest cluster for HETV production outside the South-East.
- 5.4 Whilst film and HETV production in the UK remained robust in 2022, recent market developments within the global Streaming Video on Demand (SVOD) sector mean that demand for HETV production is at a critical juncture, which could increase the risk that demand growth could potentially slow. Slower subscriber growth and the prospect of industry consolidation may put downward pressure on the growth in SVOD content spending, which is the key source growth in production activity in the UK's nations and regions.
- 5.5 Increases in studio builds across the UK is creating more competition, especially in the London and South-East cluster, which is more attractive to production companies. There is an estimated 2.7 million sq. ft. of stage space under development or with planning approval that is scheduled to come online by 2025. This additional stage space will meet forecast demand, but if the growth in content spending does slow, there could be a downward pressure on stage rate cards, which in turn could potentially erode income from Space Studios and threaten its future production pipeline. This also needs to be considered in the context of large-scale operators with a global reach, actively acquiring and marketing already built studio space, directly competing with Space Studios.

#### Business Rates – Rateable Value Increase

- 5.6 Of the many financial factors associated with the development and operation of studios, Business Rates liabilities have always formed a material risk in relation to operational viability. An ability to accurately forecast financial liabilities, including those associated with Business Rates, is key to the management of investment decisions and the subsequent delivery of much needed additional production infrastructure.
- 5.7 Whilst there is an industry wide response seeking to review the revaluation based on the potential harm it could to the sector in the UK, sums proposed by the draft revaluation has created a risk in the studio market and introduced an unexpectedly large increase in the operational cost of Space Studios. From 1<sup>st</sup> April 2023, based on the revaluation, the rateable value for Space Studios will increase from £645,000 to £1,600,000, meaning the rates liability for the existing facility will more than double, once fully payable following an initial transition period, which places a pressure on the operational business plan. This highlights the risk of the Council via MCDA continuing to operate the facility.

#### Screen Sector Tax Relief

- 5.8 The screen sector in the UK currently benefits from tax reliefs which make the UK an attractive global location to produce high value Film and HETV content. HM Treasury have recently consulted on a number of issues relating to the Screen Sector tax reliefs. As part of the consultation, the Government has considered revising the minimum expenditure threshold for HETV upwards to reflect “current production costs and budgets.” An increase in the minimum spend threshold could impact on the types of productions currently using Space Studios.

#### Benefits and Outcomes of Disposal

- 5.9 Under private ownership, Space Studios Manchester will continue to generate significant positive economic returns in terms of local job creation and GVA. The key benefit of the studios to the Council is not necessarily the financial income it yields, but the employment and GVA it generates across the Manchester economy on account of the hosted productions and wider supply chains. This will continue and may even increase under private ownership, particularly if the delivery of Phase 3 is achieved.
- 5.10 A private sector owner-operator will likely bring deeper global industry networks and the commercial acumen that will help the studios attract even more productions to Manchester. A private sector operator – particularly one with an existing portfolio of studio facilities in the UK or globally – will bring with it a global network that will maintain or increase the utilisation of Space Studios. With an ownership position, a global operator will have even further commercial motivation to maximise the use of the facility and be able to enhance the current market reach of the studios.
- 5.11 Space Studios is in need of expansion, at a significant cost, if it is to continue to attract productions and compete in an increasingly competitive market. This

expansion could be met through private investment if private ownership and the overall proposition allows the investors an opportunity to recoup their investment. Across the UK, significant market-driven private investment continues to flow into the development of new studio facilities. Currently, Space Studio's public ownership means that it cannot as easily access the capital required to expand. Under private ownership and with the ability to capture the long-term future returns, Space Studios expansion would be readily financed from private sources without the need for the Council to carry forward the financial, development and operational risks.

- 5.12 A Domestic skills shortage in the Film and HETV sector can be considered both a risk and an opportunity to Space Studios and the city. Manchester, currently, is considered to have a relatively deep local crew base and sector workforce which is one of its strengths as a location. However, with the forecast increase in production spend, ScreenSkills forecasts the UK will require between 15,000 and 20,000 additional full time cast and crew workers by 2025. This requires an estimated £90m to £100m to be invested annually over the next three years in workforce training, including upskilling and training new entrants to the sector. This could present an opportunity for Manchester to benefit from the further growth of Space Studios and the need for further public and private investment into skills and training within the sector.

## **6.0 Options for Disposal**

- 6.1 **Do nothing** – The Council could retain the asset and MCDA continue to operate it via a services contract. However, as set out elsewhere in the report there are increasing risks to the continued operation of Space Studios which could increase the financial risk to the Council. Risks include the increasing supply of studios in the pipeline expected to be delivered by 2025 and the increasing number of large- scale competitors with a greater market reach acquiring and marketing existing studios space. The changes in rateable value place an unexpected and significant pressure on the operational business plan going forward. Market analysis suggests Space Studios is also in need of further investment to increase the stage floor space to over 100,000 sq ft in order to remain competitive in an increasingly competitive market (Phase 3 will increase stage floor space to c120,000 sq ft).
- 6.2 **Retain and Self Deliver** – Officers have considered the option of the Council delivering Phase 3, consistent with the two previous phases. Due to cost inflation prevalent in the construction market over the past 24 months, existing spend to save commitments and now the prevalence of larger scale operators with greater market reach, there is no justification for the Council to carry forward the associated development, finance and operational risk. This is also set against the context of the strong interest received in the potential acquisition of Space Studios.
- 6.3 **Long Leasehold Disposal** – Considered to be the preferred option, a disposal of a long leasehold interest of 250-years to a private sector organisation will allow private investment into the existing facility and its expansion. This offers the Council the ability to balance a capital receipt with

some retained control over the site through its retained freehold interest. The Council will transfer its risk to a private owner in favour of an upfront receipt. The Council will aim to control the use of the site as TV and Film studios for up to 10 years and seek to incentivise the delivery of Phase 3 with the inclusion of delivery dates and a subsequent option to buy back the Phase 3 land if further development is not delivered where it is considered viable to do so.

- 6.4 **Other Options** – Council officers have been advised by industry experts, and other disposal options considered included shorter term leasehold disposals to a production or operator. However, these options are considered difficult to achieve in the regional markets and with the existing scale of Space Studios. The majority of such deals have been focussed around the Greater London area. The operator model is also unlikely to attract the global platforms which offer greater expertise, with UK operators offering a relatively weak covenant. It could result in reduced income, but not materially reduced risks as the Council would be a more involved landlord with ongoing resource/ management input required. Joint Venture partnership either with an equity partner or studio operator would also mean the Council retains the operational onus and risk and would be based around a potentially complex structure with increased pressure on reporting, management and performance of the asset.

## 7.0 Disposal Process

- 7.1 Professional advisors were selected to advise the Council on market testing and on the tender process, with the objective of obtaining a capital receipt, but with significant consideration given towards the credibility, development and operational expertise of prospective purchasers within the TV and Film Studio sector.
- 7.2 The Council's consultants engaged with the market with sales and marketing particulars and invitations to bid were subsequently issued, with a scoring panel shortlisting preferred parties to be taken through to a second and final round. Following further engagement, shortlisted parties were requested to submit best and final offers. A bid evaluation was carried out by the scoring panel, with a recommendation made to select a preferred bidder. Further details of this process and the commercial details are contained within the Part B report.

## 8.0 Financial Implications

### Grant Funding Agreements

- 8.1 There are several grant agreements which relate to the acquisition the site and development of Space Studios. Although there will be a large capital receipt coming into the Council as a result of this disposal, it should be noted there is a risk of clawback, as covered in more detail the Part B report, which will need to be considered when making a final decision to dispose.

### Existing Spend to Save Commitments

- 8.2 Phase 1 of Space Studios was completed in 2014 on Council owned land and was delivered for £10.5m, funded through ERDF grant (£4m), HCA (HE) Grant (£500K) and MCCs capital fund (£6m). The £14m Phase 2 was delivered through a mix of prudential borrowing (£8m) and MCC capital fund (£6m) with an additional amount (£588K) borrowed to deliver tenant fit out works, repaid through increased rents.
- 8.3 There is an annual commitment for Space Studios to repay £427K towards the repayment of the principal amount borrowed over a 25-year period and an additional £47K to repay the tenant fit out costs over a 15-year period.
- 8.4 More recently, a budget of £700K was approved to progress the design of Phase 3 up to planning approval and RIBA Stage 3 design, including £325K grant secured from Evergreen Surplus Revenues, which is not expected to be subject to clawback.
- 8.5 The remaining spend to save commitments associated with Space Studios will be recovered from the capital receipt.

#### Costs of Disposal

- 8.6 A budget of £65K was approved to cover costs associated with the disposal process, including consultancy fees, the preparation of marketing materials, the data room and specialist VAT advice. There are also additional internal surveyor and legal costs, as well as the agent's fees, which will be confirmed on conclusion of the transaction and also funded from the capital receipt.
- 8.7 Whilst it is acknowledged that there are numerous costs associated with the disposal, officers still consider the position that disposing to a preferred bidder is the best option for the Council and the long-term future of Space Studios.

#### **9.0 Manchester Creative Digital Assets Ltd and Remaining Assets**

- 9.1 It is proposed that MCDA continue to manage and operate the remaining digital assets, The Sharp Project, Arbeta and Screen Manchester under its current services contract with the Council.
- 9.2 Arbeta is now achieving good occupancy rates despite the impact of COVID on lettings and the move to hybrid working within its target sector (Digital and Creative businesses). The Sharp Project continues to operate with an average occupancy of above 90% and Screen Manchester continues to evolve and provide services to the sector as the city's dedicated screen office. MCDA will continue as a going concern following the disposal of Space Studios. A strategy will be developed between Council officers and MCDA to ensure the remaining assets are financially sustainable going forward. More detailed revenue implications are set out in the Part B report.
- 9.3 There is a potential for any social value offer received through the disposal to be used alongside other sector specific funding to increase the number of placements, apprenticeships and hands on craft, technical and production

training opportunities within the sector. This will ensure that the Council will continue to play a leading role in developing sector specific skills and training, alongside third-party funding and partners, following disposal.

## **10.0 Recommendations**

Are set out at the beginning of this Report.