

**Manchester City Council
Report for Information**

Report to: Executive – 29 June 2022

Subject: LTE Group - Estates Strategy Delivery Update

Report of: Deputy Chief Executive & City Treasurer
Chief Executive, LTE Group

Summary

This report sets out progress to date against the LTE Group estates strategy programme to create new facilities for the Manchester college and align the location of facilities to the future needs of the city. It sets out the next steps on disposals to support the strategy with a specific update on The Fielden Campus.

Recommendations

Executive is asked to note the contents of this report and the progress to date in relation to the delivery of the LTE estates strategy in relation to the previous Executive report on 17 February 2021.

Wards Affected: All

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

In July 2019, Manchester City Council (MCC) declared a climate emergency, committing to become net zero carbon by 2038. To achieve this, emissions must be reduced by 13% every year between now and the deadline. The commitment includes the requirement for all new buildings to be zero carbon by 2028. To support the Council in achieving their target and in line with the Low Energy and Carbon Agenda, the development of the Manchester College City Centre Campus has incorporated a number design features to reduce carbon emissions. These include:

- Application of BREEAM standards to achieve an 'Excellent' rating;
- Achieving an EPC rating of A;
- Achieving a minimum 10% carbon reduction, in line with the MCC Core Strategy;
- Reducing operational costs through sustainable design;
- A design which is responsive to a wide range of occupancy patterns, including the split between FE and HE provision and the impact this has on the operation of the buildings systems;
- Providing comfortable internal conditions year-round; and
- Providing high quality internal environment from a daylighting and artificial lighting perspective.

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

Through the development of the Estates Strategy, the LTE Group have carefully considered the type of provision required to ensure that this meets the needs of all learners.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The LTE Group makes an important economic contribution to the city not only as an employer but in helping to underpin the skills needs of a wide range of key sectors in the city. It is the largest provider of 16-19 technical education and one of the largest providers of adult education in Manchester/ GM, with more than 25% of Greater Manchester's learning provision undertaken by the College. The LTE group also provides HE through its UCEN offer
A highly skilled city: world class and home grown talent sustaining the city's economic success	The LTE Group and Manchester College supports significant numbers of students in Manchester to be equipped with the right skills to be employed within the Greater Manchester economy.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The LTE Group and Manchester College is committed to working with all communities within the city actively and energetically. It is inclusive and offers education and training at all levels from entry to HE.
A liveable and low carbon city: a destination of choice to live, visit, work	The LTE Group and Manchester College has a strong commitment to environmental sustainability. This is embedded within the management of the existing estate and the plans for the new estate.
A connected city: world class infrastructure and connectivity to drive growth	The LTE Estate Strategy seeks to deliver new world class assets across the city that will continue to support our growth ambitions over the next decade and beyond.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Not applicable

Financial Consequences – Capital

Not applicable

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive & City Treasurer
Telephone: 0161 234 5515
E-mail: carol.culley@manchester.gov.uk

Name: John Thornhill
Position: Chief Executive, LTE Group
E-mail: john.thornhill@ltegroup.co.uk

Name: Angela Harrington
Position: Director of Inclusive Economy
Telephone: 0161 234 3171
E-mail: angela.harrington@manchester.gov.uk

Name: Sarah Narici
Position: Head of PMO: Commercial Governance & Directorate Support
Telephone: 07971 384491
E-mail: sarah.narici@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 Manchester College Estate Strategy 2017 – 2022: Executive, 15th November 2017
- The Manchester College - New Campus: Executive 25th July 2018
- Great Ducie Street Strategic Regeneration Framework: Executive, 14th November 2018
- The Manchester College City Centre Campus: Executive, 12th December 2018
- Former Boddingtons Brewery site Strategic Regeneration Framework: Executive, 13th March 2019
- Former Boddingtons Brewery site Strategic Regeneration Framework: Executive, 26th June 2019
- LTE Group Performance Update: Economy Scrutiny, 5th December 2019
- LTE Estates update: Executive, 17th February 2021

1. Introduction

- 1.1 The Our Manchester Strategy clearly sets out the city's ambition to be a place where world class and homegrown talent can flourish in order to support Manchester's future economic success. That strategy recognises the need to better connect the skills and education system with employers in the city, so that skills, training and apprenticeships clearly relate to the city's growth sectors and creating a pipeline of employable people with the necessary qualifications to succeed. Such an approach is clearly central to the Strategy's related ambition of ensuring that everyone in the city has an opportunity to make a positive contribution by unlocking the potential of our communities. The LTE Group and Manchester College has, and will continue to play, a pivotal role in realising these ambitions for the city.
- 1.2 A key component of facilitating learning is the provision of high-quality learning facilities. This report sets out the progress made to date on the delivery of the LTE estates strategy, which is developing leading edge facilities for post-16 education and skills training serving Manchester and the wider Greater Manchester (GM) Area.

2. Background

- 2.1 The estates strategy seeks to reduce reliance on old, inefficient and listed buildings where the educational experience is significantly lower than LTE would want to provide or is now being demanded by curriculum or qualifications evolving as part of the skills white paper e.g., T levels and Higher Technical Qualifications (HTQ's). The original strategy was to execute the college programme in one phase, however, there has been insufficient government funding – (regional or national) to meet the city's need either in terms of curriculum or capacity.
- 2.2 In order to facilitate the estates investment, LTE Group opted to fund 80% of a first phase strategy on the basis that regional government or central government would, at some point in the future, bring forward capital funds to address the balance to a more usual 70/30 ratio. This first phase strategy relied on a series of disposals as well as a grant from GMCA and financial support from Manchester City Council to acquire the City Centre Land on the old Boddingtons brewery site.
- 2.3 The strategy provides for significant new build facilities at Openshaw, a major new City Centre Campus, and upgrades to neighbourhood hubs in Harpurhey and Wythenshawe. Overall, the estate will reduce from 19 locations to 5, in doing so the strategy will provide the best post 16 vocational education and skills facilities in the UK and locate these facilities in areas where many more people can access them. The strategy is connected to the city and GM transport strategy to 2040 and is developed with Manchester's housing and growth plans in mind.

3. Estates Strategy – Progress to date

- 3.1 Despite the challenges of the pandemic and Brexit, the new construction and upgrade of facilities remains on target and on budget. A new £25m new extension to the Openshaw campus opened on time in December 2021 to very positive feedback from students, communities and stakeholders. The new City Campus Manchester will open on time in September 2022. The upgrades to Harpurhey and Wythenshawe are also on track and the ambition to significantly reduce the carbon footprint of the college estate is also on track to be delivered, with the new City Campus Manchester comfortably achieving BREEAM excellent standard. Elsewhere air source heating and energy saving approaches have been part of the upgrades to neighbourhood hubs.
- 3.2 The project relies on some sites being disposed of so that the proceeds can be reinvested in the new facilities. Where possible LTE Group has sought to create a win-win with other strategies across the city such as affordable housing or helping support a better sense of place in a community. The disposals programme has worked well and the details so far are set out below:

Disposals		Purchaser
Property Name	Disposal Date	
Moston Campus	31/07/2019	One Manchester Ltd Social Housing
St John's Campus	18/08/2019	Henry Boot Developments Commercial Office space
Great Ducie St Surplus land	11/06/2021	Clarion / Latimer Affordable/Social Housing
Northenden Campus	27/08/2021	Miller Homes Residential including affordable housing
Welcomb St Campus	29/04/2022	Network Space SME Light Commercial use

- 3.3 A site that is now key to dispose of is the Fielden Campus, which is to generate much needed funds to finish the estates strategy but is also key in that the proceeds from this sale go towards repaying the bridging loan from Manchester City Council, which went towards construction costs for the estates strategy.

4. Fielden Campus, Didsbury West

- 4.1 Following a report to the Council's Executive in February 2021, LTE Group commenced a formal bid and tender process for the disposal of the 2.64 hectare (6.50 acre) site off Barlow Moor Road in West Didsbury. The majority of the site is held as a freehold by the College. The Council has a small property interest within the site that would be made available for disposal for market value to support the development. The site has a number of constraints, notably Level 2 and Level 3 flood zones to the south end of the

site where it drops away to the River Mersey, which reduces the net developable area of the site and creates an area of open space that would need to be managed.

- 4.2 The marketing period resulted in over a dozen initial bids which were analysed in detail by appointed property advisors Cushman & Wakefield. Through a professional process of iteration, the bids were narrowed down to a final three bidders. The final three being:
- (1) A bid from a Manchester based education provider to consolidate their existing educational provision at locations in Chorlton and Withington on to one site at Fielden, with the potential to provide new homes across the sites vacated in Withington / Chorlton or disposing of land for alternative uses such as new public healthcare facilities. Any new housing developments will be requested to be a mix of houses and apartments including policy compliant social / affordable tenure provision.
 - (2) A bid from a residential developer to develop high value houses with small policy compliant affordable/social off site.
 - (3) A mixed development of homes, primarily apartments, with some affordable /social housing provided on site.
- 4.3 Both residential proposals involved demolition of the existing buildings and remediation of a main sewer running under the site. It is to be noted that potential disruption to local residents and road closures would be significant during demolition and construction phases.
- 4.4 Cushman & Wakefield, acting as advisor to LTE Group on the estates strategy project, analysed the bids and the outline development proposals across the three remaining bidders. What was evident is that the site has had interest from residential developers but crucially not at the values originally anticipated. This in part appears to be due to the difference between the overall size and scope of the site and the amount of developable area that would be possible. In particular, the flood plain to the rear of the site and the likely remediation of a main underground sewer that runs under the Fielden building for any developer proposing to demolish the existing buildings. The bid for a school proposes no change of use and uses the existing building.
- 4.5 Cushman & Wakefield recommended to LTE, and subsequently to the LTE Board of Governors and Trustees, that an offer from the school which utilises the existing buildings would need to be compared to the best net residential developer offer when accounting for Section 106 provisions and full account of the work needed on the sewer.
- 4.6 Following this exercise, it highlighted that an offer from the school would be significantly higher, 30%+. In turn, the pro-rata value for the city council's small land interest would also be much higher from the school offer.
- 4.7 LTE Group in making its decision on which offer to accept also sought independent legal advice about what offers would be valid, in light of the

Trustees needing to act in the best interest of LTE as a Charity. In addition, LTE Group conducted very wide financial due diligence, with independent assurance from PwC, on the Directors and Trustees of the school seeking to acquire the site and the financial approach to funding the purchase. The Board of LTE Trustees were satisfied that the school offer was in the best interests of the Charity, provided the best low risk opportunity to provide for a repayment of the relevant loan from Manchester City Council and provided the best offer with low risk to facilitate the completion of the new college facilities being built elsewhere for Manchester and GM residents.

- 4.8 The Fielden site has a small land interest owned by Manchester City Council (circa 5%). As part of the proposals to sell the site for continued educational use, LTE property advisors tested whether a repurposing of the overall plot could facilitate some affordable or social housing development on the council owned land, or whether a different parcel of land could be developed for the same purpose elsewhere on the site. Cushman & Wakefield met with planning officers to test the potential for this but despite best efforts on the part of all parties, the ecology of the area next to the site and a private road bordering the site prevented this as a viable option.
- 4.9 Therefore, the LTE recommendation is to sell the Fielden site for ongoing educational use and explore considerations for the successful joint resolution of the council land interest, in order that the sale may proceed and funds be reinvested in the new facilities due to open in Manchester City Centre in September 2022, with a timely repayment of MCC loan can be facilitated.

5. Recommendations

- 5.1 Recommendations appear at the front of this report.

6. Key Policies and Considerations

(a) Equal Opportunities

- 6.1 An outcome will be to capture local employment opportunities and ensure that local residents have the opportunity to compete for such job opportunities.

(b) Risk Management

- 6.2 There is a robust risk management plan in place for the LTE estates strategy as a whole as well as detailed risk plans and mitigations on a scheme by scheme basis.

(c) Legal Considerations

- 6.3 Not applicable for this report.