

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2465

Title: Essential support to Kensington and Chelsea College

Executive Summary:

This Mayoral Decision seeks approval for GLA expenditure of up to £700,000 as a contribution towards essential maintenance and repairs for the estate of Kensington and Chelsea College (K&CC), specifically its Wornington Road campus. Following the Grenfell tragedy and commitments made by local and national government to invest in public services in the local area, the GLA's intervention will feature as part of a wider package of support for the College led by government to help secure the continued operation of the College, and ensure that sustainable delivery of high quality skills-based education and training is retained and safeguarded within North Kensington for the long term.

Decision:

That the Mayor approves:

Expenditure of £700,000 as a funding contribution to Kensington and Chelsea College's estate maintenance and repairs costs, subject to GLA's receipt of and satisfaction with:

1. Government's proposed financial support package, detailing both their funding commitment for securing continued provision at Wornington Road, the associated delivery plan and K&CC Governing Body's agreement to implement this; and
2. The security of the maintenance and repair project's match funding contribution.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

21/6/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 Kensington and Chelsea College (K&CC) occupy one freehold site and two leasehold sites, one of the latter being their Wornington Road campus in North Kensington. This site is currently owned by Royal Borough of Kensington and Chelsea (RBKC) however discussions have been ongoing between the College, RBKC, the Further Education (FE) Commissioner, the Education Skills Funding Agency (ESFA), the Department for Education (DFE), the Ministry for Housing Communities and Local Government (MHCLG), and the Save Wornington College campaign group regarding the future ownership and control of the campus. A recent condition survey has identified a substantial, pressing need for repairs and refurbishments to the site in order that it can continue functioning as a safe environment, conducive to learning.
- 1.2 The financial position of K&CC has deteriorated over recent years. An unsustainable underlying operational deficit and diminishing reserves continue to have a negative impact on the College's long-term ability to provide high quality provision. The position of the College as a stand-alone institution is now untenable and forecasts suggest that, without intervention, it could go insolvent as early as Spring 2020. Following the Grenfell tragedy there was a commitment from local and national government to invest in public services in the local area. The college is an important local asset for the delivery of services enabling support for young people and adults into training and employment. Securing the college's future would help rebuild trust and is a pivotal opportunity to assist in guaranteeing a lasting legacy - particularly for the Grenfell community, survivors and bereaved.
- 1.3 In light of the College's operational issues an FE Commissioner-led Structure and Prospects Appraisal (SPA) was recently conducted. The SPA process independently assessed options for the College to change its structure and provision, seeking solutions to address its long-term sustainability. Specifically, the FE Commissioner examined the financial viability of two potential proposals to secure the College's future and avoid insolvency:
 - A merger proposal by Morley College; and
 - A 'standalone' proposal, whereby the College would remain independent.
- 1.4 The detail behind the two proposals differed markedly, albeit in both cases early investments in refurbishments of the College's Wornington site were deemed essential. Following the SPA, a recommendation was made to the College's Governors on 4th March 2019 by the FE Commissioner's Assessment Panel regarding which option offered the most sustainable and secure way forward. On receipt of this, K&CC's Board agreed to adopt Morley College as its preferred partner to deliver long-term financial sustainability, enhanced educational quality, and a curriculum offer and student experience that has the confidence of stakeholders in meeting the needs of the local community and skills priorities. Following this the Morley Board met on the 19th March 2019 and formally confirmed their own intention to take forward the merger.
- 1.5 A critical factor upon which any sustainable solution for the College's long-term future is reliant is the support of ESFA, who have been working to coordinate a package of support for the College. RBKC, MHCLG and ESFA themselves are preparing to offer significant financial provision, with the likelihood being that ESFA and/or MHCLG invest the majority of the funds required to repurchase the site for continued use. The Morley merger proposal is contingent on this co-ordinated package.
- 1.6 As major funders of the capital's further education and skills related infrastructure the GLA have also been asked by ESFA to assist, to help ensure the College can regain the financial sustainability needed to deliver high-quality education in North Kensington. The GLA have previously committed £100m of funding to London's FE estate through the Further Education Capital Investment Fund and are now delivering the Skills for Londoners Capital Fund (SfLCF) – a programme worth £114m, running between 2017-2024. The second round of the SfLCF opened in late 2018, with up to £10m of GLA

funding available to each successful applicant. K&CC were unable to submit a full bid to this despite their need, with the interim nature of the college's leadership team, the scale of the immediate financial challenges they were faced with, and intensive nature of the FE-Commissioner led SPA process resulting in a lack of capacity to simultaneously develop detailed proposals for strategic investment in the Wornington campus.

- 1.7 Due to these exceptional challenges and the acute need of the local community following the Grenfell tragedy, this decision seeks endorsement for a financial contribution of £700,000 by way of grant as part of a wider package to contribute to the essential repair and refurbishment works required to help ensure that education and skills provision can continue to be delivered in the heart of North Kensington.

2. Objectives and expected outcomes

- 2.1 The GLA funding will be used to deliver a programme of works at the College's Wornington Road site, supporting the sustained delivery of skills services in North Kensington by enabling essential maintenance and investment in to the building's fabric. The cost of the refurbishments necessary is estimated at £1.3m, with significant work needed to carry out a variety of key replacements and upgrades, including an overhaul of the main roof covering, replacement of windows and flooring, lift modernisation and the reconstruction of walls to replace failing brickwork. The detail and security of the match funding (£0.6m) is not yet confirmed but will be outlined to the GLA within a delivery plan for the wider financial support package that is currently being constructed by government. Any GLA expenditure will be contingent on confirmation of the match funding. This project's investment would form a part of an overarching programme of refurbishments of the Wornington Road centre to improve utilisation rates at the College's sites, and grow future provision tailored to meet the needs of the community who were so tragically affected by the Grenfell Fire in 2017.
- 2.2 Award of Mayoral funding for capital investments in London's further education infrastructure is typically made following the outcome of a competitive application process, using a capital budget the source of which is government Growth Deal funding and expenditure of which is devolved to the LEAP. Due to its exceptional nature the K&CC allocation is distinct from these standard channels of investment and is instead GLA revenue, set aside by the Mayor in the 2019-20 Group Budget from additional Business Rate income for direct award to the College. The allocation of this funding is outside the approach generally required by the GLA Contracts and Funding Code for two primary reasons:
- Without multi-agency co-ordination of urgent, extraordinary support from the GLA, government and others, imminent financial failure is projected with the college likely to fall insolvent in 2020. Any such outcome would not be in the interests of the North Kensington community, for whom it is essential that strong, vibrant, high-quality education, training and employment opportunities are locally available.
 - Without supporting K&CC to promptly invest in direct estate improvements, the existing fabric of the Wornington Road site will deteriorate to a point that threatens the College's ability to operate safely. This would result in further underutilisation of its existing learning and teaching space to the detriment of both current and prospective local students and any prospects of financial recovery.
- 2.3 As such, the GLA's investment will help ensure that the Centre is an accessible facility for the community and remains so for the long term.
- 2.4 As with any GLA funding awarded to London's skills providers, the GLA places emphasis on measuring and assessing the outcomes and benefits delivered either directly or indirectly by the investment to ensure value for money. Officers will work with the institution to establish how they can demonstrate both quantitatively and qualitatively the outputs and benefits enabled by the funding. These measures may include:

- Number of learners supported as a result of the intervention;
- Cost savings (in terms of maintenance and running costs);
- Number of SEND (Special Education Needs and Disabilities) learners supported;
- Increased building energy efficiency; and
- Amount of improved training and floorspace

2.5 Through the grant agreement, the newly merged entity will be required to deliver against the project outputs and benefits by an agreed date, providing appropriate evidence of the achieved output and/or benefit. A self-evaluation of the project will take place six months after completion to assess how well the original objectives were met and to capture benefits.

3 Equality comments

3.1 Under section 149 of the Equality Act 2010 (the “Equality Act”), as public authority, the Mayor and the GLA must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status (the duty in respect of this last characteristic is to eliminate unlawful discrimination only).

3.2 The GLA will ensure that due consideration is given to evaluate the potential impacts of the investment with regard to protected characteristic groups. The College’s plans will need to reflect the diverse needs of all learners and be in keeping with the national need to reduce the disability, gender and race employment gaps. Where applicable the project will be required to demonstrate inclusive design of any refurbished estate funded through this support.

3.3 Further to this, as a condition of the funding agreement, the project will be required to meet the Public Sector Equality Duty and demonstrate this through its reporting.

4 Other considerations

a) Key risks and issues

4.1 The SPA process has only recently been completed and there will be a period of consolidation and due diligence ahead of formal initiation of any project. The Morley merger is also reliant on the substantial investment from the ESFA (circa £35m), the detail of which could take several months to construct and agree.

4.2 As mitigation, entry in to grant agreement and drawdown of any GLA funding will be wholly contingent on both the GLA’s satisfaction with the detail of any government commitment to fund a programme that safeguards the site for the long term, as well as specific assurance relating to the security of the match contribution for the repair and refurbishment project.

4.3 The GLA’s contribution would form part of a joint approach to securing sustainable facilities for skills and employment to support the local community in North Kensington. It would not be optimised if spent in isolation. Any works programme should complement a long-term multi-agency approach to safeguarding the site’s future in a fashion that is both responsive to residents’ needs and helps underpin the community’s recovery.

4.4 The GLA investment aligns with the FE Commissioner-led SPA process. Any associated programme of spend will be developed holistically, shaped by the multi-agency stakeholders responsible for the

College's future and will complement the formal recommendations made by the Commissioner regarding the future sustainability of the college and any long-term strategy for its estate. This approach will help ensure that all parties' investments combine to enable the continued operation of the Wornington Centre, contribute to the recovery of K&CC at a key phase of financial improvement, and ensure future facilities and provision on the site are tailored to the needs of the community who were so tragically affected by the Grenfell Fire in 2017.

- 4.5 From January 2019, a new insolvency regime for further education bodies in England and Wales came into force. It provides legal clarity about what will happen in the event of a further education or sixth form college entering insolvency. Staff and non-pay costs currently significantly exceed revenue from fees and grants, leaving the College unable to generate enough income to deliver from two sites. There is a severe risk that if K&CC fails to improve its operating position, it will become insolvent. The College Board are legally bound to take action in advance of such an outcome and as such, without identification of exceptional government support, their options would be to begin preparations to enter in to a managed insolvency that would close the College, or to drawback operations entirely from Wornington Road and endeavour to function solely from their other campus (Hortensia Road) in the South of the borough. Alongside this, the lease on the Wornington Road centre is currently due to expire on 31 August 2019.
- 4.6 The approach of the FE Commissioner-led SPA process and the actions taken based upon its recommendations, including the GLA's contribution to a wider financial package of support, are designed to secure the ongoing sustainability of the College's provision and reduce any risk around its future. The College has contacted RBKC regarding a one-year extension to the lease to secure the College's availability for students for the forthcoming academic year (2020/21). This would in turn allow the necessary time for a sustainable long-term solution to be settled for the College in tandem with government, without halting the delivery of provision on site. Any draw down of GLA funds in relation to the repair and maintenance project would be subject to the GLA's satisfaction with K&CC's security of tenure at Wornington Road, as demonstrated both through evidence of agreement to the one-year extension with RBKC, and both parties' (K&CC and RBKC) subsequent formal commitment to implement the financial support package constructed by government. As such, initiation of this project would be dependent on government's purchasing of the site from RBKC, with entry in to grant and any GLA expenditure only committed following this point. Additionally, the funding agreement will be constructed to include a facility for protection of the GLA investment, through inclusion of a claw-back clause in case the site is not retained for FE usage for a reasonable period following project completion, the duration of which would be brokered prior to entering the agreement.

b) Links to Mayoral strategies and priorities

- 4.7 The Adult Education Budget (AEB) will be delegated to the Mayor from 1 August 2019. Under this delegation the Mayor will perform the functions of the Secretary of State in respect of the Adult Education Budget. As an FE college which primarily delivers adult education, the majority of recurrent grant funding for the delivery of adult education courses will be provided by the Mayor in 2019/20 and subsequent years. The investment complements this grant allocation to the benefit of local residents. The GLA's revenue funding allocation to K&CC represents significant real-terms growth compared with the College's performance in 17/18 and 18/19. In conjunction with this, the GLA have provided K&CC with transition funding within their 19/20 AEB allocation to help stimulate recovery and assist the College in growing towards sustainable provision. However, the impact of these measures is dependent on the resolution of the larger issue being addressed here – namely securing the Wornington site and preserving this important education asset for the local community.
- 4.8 The investment ensures support for the local skills sector, furthering the commitment made within the *Mayor's Skills for Londoners Strategy* that London's skills system meets the needs of London's businesses while supporting all Londoners to access the skills they need to find and progress in work. Essential in enabling this is for Londoners to be able to learn and train in buildings that are inspiring and fit-for-purpose – with a blend of collaborative and bespoke spaces that combined both support modern learning methods and reflect the latest industry working environments.

4.9 This investment also supports the objectives of the London Infrastructure Plan 2050 by ensuring that skills provision aligns to the capital's requirements.

5. Financial comments

5.1 The one off £700,000 contribution towards the College's essential estate maintenance and repairs of £1.3 million is conditional on the merger with Morley college and associated financial package being in place, including a significant contribution from Government. Funding for this decision has been allocated from the GLA's share of additional business rates income in 2018-19 and will be drawn from the Programme Directorate Reserve. The formal completion of the merger is not expected until February 2020 and a grant agreement will then be entered into with funding likely to be drawn down in 2020-21.

6. Legal comments

6.1 The decisions requested of the Mayor (in accordance with the GLA's Contracts and Funding Code) concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:

- Pay due regard to the principle that there should be equality of opportunity for all people;
- Consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom;
- And consult with appropriate bodies.

6.2 In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010 and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

6.3 Paragraph 1.7 above indicates that the contribution of £700,000 to Kensington and Chelsea College amounts to the provision of grant funding and not payment for works or services. Officers must ensure that the funding is distributed fairly, transparently, in accordance with the GLA's equalities and in manner which affords value for money in accordance with the Contracts and Funding Code.

6.4 Officers must ensure that an appropriate funding agreement is put in place between and executed by the GLA and recipient before any commitment to fund is made.

7. Planned delivery approach and next steps

7.1 If approved, GLA officers will require detailed cost and programme plans for the investment, before working to prepare a draft funding agreement. Any formal entry into the grant and facility to drawdown the monies would follow GLA's sight of and satisfaction with government's financial package to safeguard the site. Validation by GLA Finance officers of the security of the repair and refurbishment project's match funding will also be required. Any works associated with the repair and refurbishment project that are carried out by the College prior to entry in to grant agreement will be done at risk.

- 7.2 The panel assessment aspect of the SPA process has completed, and both College boards have committed to pursuing the merger, the construction of the support package upon which the proposed outcome is contingent is subject to further negotiation and agreement. The likely time for completion of the proposed merger therefore is Spring 2020. Ahead of this ESFA would co-ordinate the procurement programme, with a view to the planned works starting on site over the Summer break.
- 7.3 Following completion as part of the grant funding conditions the College will be required to undertake a self-evaluation, which will be submitted to the GLA. This will include the benefit or impact of the project, lessons learnt and dissemination of information, risk and issues following investment.

Activity	Timeline
ESFA, K&CC & Morley College pre-merger negotiation and implementation work	May – July 19
Site Feasibility studies	May – July 19
ESFA Financial support package shared with GLA	June – July 19
Morley College Board decision regarding formally effecting merger	July – Aug 19
Mayor assumes responsibility for AEB	Aug 19
Post feasibility works and cost programme shared with GLA	Aug - Sept 19
Procurement	Aug – Dec 19
GLA and Colleges develop draft grant terms	Jan - Feb 20
Planning	Jan – May 20
K&CC College merger with Morley College formal completion	Feb 20
GLA enters grant agreement for the works	Mar 20
Construction start on site	June 20

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within 1 working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason: This Decision details commercially confidential information. The government financial support package upon which the GLA funding is contingent includes other authorities and agencies, notably RBKC, the ESFA, MHCLG, DFE and Morley College – all of whom are still in sensitive negotiation. It would therefore be prudent to reserve this report from publication until that process is complete and a secure future is assured for the site and community.

Until what date:

Following government commitment to securing the future of the College and the resultant completion of the merger between Kensington and Chelsea College and Morley College – due by **1st March 2020**.

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm (✓)

Drafting officer:

George Neal has drafted this report in accordance with GLA procedures and confirms the following: ✓

Sponsoring Director:

Debbie Jackson has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities. ✓

Mayoral Adviser:

Jules Pipe has been consulted about the proposal and agrees the recommendations. ✓

Advice:

The Finance and Legal teams have commented on this proposal. ✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 17 June 2019.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Tom Middleton on BEHALF OF MARTIN CLARKE

Date

17. 06. 19

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Bellamy

Date

17 / 6 / 2019.