

MORLEY COLLEGE LONDON

GOVERNING BODY

Minutes of a Meeting held at Morley College, 61 Westminster Bridge Road London SE1 7HT on Monday 3 June 2019 at 4.00 pm and re-convened at the same location on Tuesday 11 June 2019 at 5.00 pm.

Present:

Dr Stuart Edwards, External Governor (**Chair**)

To ask the Joint Transition Committee to consider the implications of a 1 December target date for completion of the merger(Minute 4.37)
To approve the scope of due diligence and to authorise the Project Manager to seek tenders from the firms listed in Minute 5.2 (Minute 5.6)

the date of merger. Given the deterioration in KCC's financial position (as reported to the Board on 19 March), this no longer appeared realistic and accordingly funding would have to be sought from the ESFA as part of the merger support package.

Ask 6

- 4.8. No change had been made to the estimate of savings to be delivered in advance of the merger date by KCC's cost reduction programme. A key element of this was a staff restructuring, which was cuu1 0 0 N

Governors noted that the KCC position was significantly worse than in the original proposal, as a consequence both of the slippage in the merger timetable and of the additional losses incurred by KCC in 2018-19.

- 4.17. The next step had been to merge the plans for the two colleges and to make a number of adjustments on the assumption that the merger went ahead on 1 November 2019. These adjustments included:
- the ending of rental payments for the North Kensington Centre;
 - the introduction from 2020-21 of a new adult curriculum; and
 - some savings in staff and other costs as a consequence of merger.
- 4.18. Finally, the plans had been rolled forward for another three years, until 31 July 2025, on the assumption that the College was successful in obtaining additional AEB funding from 2022-13 to support a greatly enhanced offer at the refurbished Kensington Centre (as detailed in Ask 7). The projections showed the merged college achieving a bottom-line surplus (after depreciation and finance costs) of £359k in 2023-24 and over £1 million in 2024-25.
- 4.19. The Director of Finance confirmed that the plans were based on the fundamental assumption that the revised financial 'asks' would be met to the Board's satisfaction, and on six or seven other assumptions:
- that the starting point was realistic;
 - that the step-up in provision at North Kensington from year three was achievable through a new curriculum and effective marketing;
 - that the GLA would grant the growth requests for additional AEB (this was the basis of Ask 7);
 - that average class sizes at Chelsea and North Kensington would be similar to those at Waterloo;
 - that the growth assumptions for advanced and higher learning were achievable;
 - that revenue from 16-19 provision would be sustained; and
 - that renovation of the North Kensington Centre would be completed on time.
- 4.20. Having considered these assumptions and questioned the Director of Finance further, the Board agreed that they appeared at this stage to be realistic and that in each case proper account had been taken both of risks and of opportunities. Further testing would still, however, be necessary to enable the Board to gain greater assurance before taking a decision. This was particularly important in relation to the availability of additional AEB funding and the renovation of the North Kensington Centre; in the latter case, the Board needed to be satisfied not only that the work would be completed on time but also that it would be completed to a satisfactory standard.

At this point Sara Robertson-Jonas left the meeting

- 4.21. The Board was pleased to receive SQW's report following completion of the market evaluation study and to note the conclusion that there was likely to be demand for an enhanced adult learning offer in West London, and specifically for the curriculum that Morley proposed to deliver at each of KCC's two centres. The Board also considered the report of progress with stakeholder engagement and agreed that there was sufficient evidence of internal and external stakeholder support to justify continued working towards merger.

4.22. The Board then considered the Merger Risk Register and agreed that the main risks had been identified, had been correctly assessed and were being appropriately managed. Governors noted, however, that Risk 4 – that finance and funding ‘asks’ were not met – was more complex than was immediately apparent. The preceding discussion of ‘asks’ had shown that, while it would be obvious whether or not Asks 1, 2 and 5 had been met, judgement would need to be exercised in relation to Asks 6, 7 and 8. And in relation to Asks 3 and 4, it was possible for the College and the DfE to agree on the scope of the works to be carried out (thus technically meeting the ‘ask’) but for that agreement not to be executed in a way that met the College’s requirements. That would have an impact on curriculum and quality, on the College’s finances and on its reputation.

4.23. It was agreed that the Merger Risk Register should be amended to ensure that these risks were recognised and that suitable mitigating actions were put in place. In relation to the renovation of the North Kensington Centre, these might take the form of an agreement on compensation arrangements should DfE fail to deliver to specification and on time, or, alternatively, the transfer of control over the building and its renovation to Morley (on terms that recognised the additional management cost and risk that Morley would be taking on).

At this point Mash Seriki left the meeting

4.24. The Board then considered the decision-making process to be followed. The Principal confirmed that KCC, as the dissolving college, needed to give at least four months’ notice of its proposal to dissolve. Although this notice was not irrevocable, KCC would wish to ensure that Morley was committed to the merger (albeit subject to some conditions) before publishing the formal proposal. If the merger date were to be 1 November, the latest date for publication was 1 July.

4.25. KCC had argued that the publication date should be earlier than 1 July to allow consultation to begin in mid-June. Although colleges were only required to consult for a period of a month, KCC believed that a longer period of consultation was necessary and that the consultation should not begin during, or close to the start of, the holiday period, which for many North Kensington residents began in early July. 17 June had therefore been identified as the latest date for Morley to decide that it was ready to proceed. If that deadline were missed, it would not in KCC’s view be appropriate to publish the proposal and begin the consultation until 1 September, which would necessitate a 1 February merger date.

4.26. Following discussion, governors agreed that the consultation could begin before negotiations on the financial and funding ‘asks’ had been concluded, provided that they had the necessary assurance on Asks 1 to 5 and the availability of the North Kensington Centre, and were satisfied that agreement was likely to be reached on the remaining Asks 6 to 8. It was not essential that every detail should have been agreed before the proposal was published: indeed, some solutions might only emerge in the light of the responses to the consultation.

4.27. Governors went on to confirm that it was still their wish to proceed with the merger if the financial conditions could be met. They had received assurance that there was latent demand in Kensington and Chelsea for the sort of provision that Morley proposed to offer, and a generally positive response from local stakeholders. While the unstable political environment made it hard to be sure of continuing

expected to secure the necessary quality improvements. They remained, confident, nevertheless, that the Morley management team had the skills and capacity to effect a turn-round. The merger presented opportunities as well as risks, including the opportunity to build a stronger, more responsive and more innovative college for the long term. The Deputy Principal added that, while the projected growth rates were higher than those that Morley had seen in recent years, similar results had been achieved by other colleges with a clear vision and effective marketing.

4.29. In conclusion, the Board agreed that work should continue towards the merger, but that no decision should be taken to move to Stage 2b until it had received substantial assurance in relation to the financial and funding 'asks'. In the mean time, the financial assumptions should be subjected to further testing.

4.30. Taking account of the time and the volume of business still to be considered, the Board resolved to adjourn the meeting until Tuesday 11 June at 5.00 pm, which was the date and time most convenient for the largest number of governors.

The meeting was adjourned at 6.30 pm and reconvened on Tuesday 11 June at 5.00 pm at the same location. Sara Robertson-Jonas then rejoined the meeting. Heather Fry, Steve Ketteridge, Susan Lindsey, Mash Seriki and Fiona Stephen were unable to attend the adjourned meeting and their apologies were accepted.

4.31. The Chair summarised the outcomes of the meeting that he and the Principal had attended on 5 June at Westminster, chaired by the Rt Hon Anne Milton MP (Minister of Apprenticeships and Skills), and involving the Rt Hon Nick Hurd MP (Minister for London and for Grenfell Tower victims work), David Jeffrey (ESFA) and members of SWC. The meeting had been requested by SWC in order to seek resolution of the issues around the ownership, renovation and continuing use of the North Kensington Centre and to encourage progress in decision making on the merger.

4.32. Ministers had expressed optimism about the prospect of Treasury approval for a funding package being available before the summer recess. That would mean that the biggest decision in financial terms, on the purchase and renovation of the North Kensington Centre, would have been made before any ministerial reshuffle. Governors noted that, in any case, the government commitment to deliver a positive outcome for the people of North Kensington seemed likely to survive any change of minister, or even of government.

4.33. Governors were pleased to note that a constructive relationship was developing with SWC, based on a recognition that the Morley proposal was currently the only realistic solution to the learning needs of the North Kensington community. While SWC had expressed some concerns about the current staff restructuring at KCC, it was generally understood that this process was being led by KCC, not by Morley. In answer to a question, the Principal said that the restructuring appeared to be driven primarily by a need for efficiency savings rather than any long-term

7. Property Strategy

See confidential minutes

8. Patrons, fellows and awards

See confidential minutes

9. Articles of Association

Having considered the report, the Board agreed to approve the proposal to amend Article 4.2 and Article 15.2.15 of the College's Articles of Association and to submit the proposed amendment to a general meeting of the Company.

10. Other business

None

11. Date of next meeting

Confirmed as Monday 15 July 2019 at the Stockwell Centre, 1 Studley Road, London SE4 6RA at 5.30 pm, preceded by a Board Development Session at 4.30 pm.

The meeting ended at 7.00 pm

Martin McNeill
Clerk to the Governing Body

Confirmed as a correct record at the meeting held on 15 July 2019

and signed by.....(Stuart Edwards) (Chair of that meeting)

SCHEDULE OF OUTSTANDING ACTIONS

Minute	Action	Responsible	By when	Progress
3/11 June 2019				
4.23	To amend the Project Risk register to recognise the risk of the North Kensington renovations not being completed on time or to a satisfactory standard	Project Manager	30 June 2019	
4.35	Invite all governors to 25 June meeting of FRF Committee	Clerk	21 June 2019	