
UCLAN'S proposal to change corporate form

Our universities are important bastions of civil liberties and important support structures for democratic society. How do we prevent that being eroded as we move towards market liberalisation?"

Malcolm McVicar, 'Academic freedom: higher education reform and the threat to civil liberties', The Guardian, 15 November 2011.

In this briefing, we explain why UCU, alongside our UNISON colleagues, are opposing the move to Company Limited by Guarantee status and why we are calling on the Board to withdraw this proposal.

PRECARIOUSNESS OF PAY, TERMS AND CONDITIONS AND PENSIONS

As a trade union, UCU is obviously concerned to protect the terms and conditions, pay and pensions of our members. We have a particular concern that our members' pension provision may be affected by the move to CLG status.

It is our understanding that if this move is made, UCLan would lose its automatic membership of TPS and would have to seek admitted body status. This obviously places staff working at UCLan in a more precarious position than they currently enjoy and as such we must oppose this move.

LACK OF CONSULTATION

We are deeply concerned at the way this proposal has been tabled as a fait accompli. It was announced that an application for the change of status had been submitted to the Secretary of State without any prior consultation with either recognized union. Our subsequent calls for management to engage with us have been rebuffed with the claim that the proposals originated from the board.

This failure to submit the proposals to basic democratic consultation or scrutiny sends out a very bad signal to UCU and UNISON, both in terms of management's general level of respect for both unions and the future for the recognized unions under the proposals themselves. It also means that we have to approach the University Board directly.

GOVERNANCE AND THE THREAT TO THE UNIVERSITY COMMUNITY

As an academic union, we are also concerned that the move to CLG status places the governance of our university community on a similarly precarious and contingent footing.

The university's own Q and A document, circulated to staff, made clear that the change would remove the 'need to seek

Privy Council approval for any changes to the Articles [of governance]. **The University will be more able to shape its governance and structural arrangements to meet the needs of the changing operating environment and new opportunities.** As such we will be able to respond more effectively and more quickly as needs change.'

Similarly, the new structure grants new powers to the Vice Chancellor as head of the subsidiary company, more akin to a company CEO; **'the new Vice-Chancellor will determine any changes to internal structures s/he thinks are necessary to the future success of the University.'**

In essence, the statutory basis of bodies like the Academic Council would disappear and its existence, form, composition and powers could be determined by the VC.

This is a major erosion of the academic checks and balances necessary to defend quality and our international reputation.

Perhaps most fundamentally, though, the move to CLG status changes the ownership basis of the university, moving it becoming a private company, bringing closer the threat of future moves to for-profit status or an asset-stripping buyout.

THE PRIVATE EQUITY THREAT

As UCU has shown recently, private equity funds and for-profit companies based in the US are circling around the UK higher education sector in search of investment platforms. Companies like BPP and Kaplan, both subsidiaries of massive US for-profit providers in the US, have publicly expressed an interest in buying a struggling university.

And as in the US, private equity funds are looking hungrily at the sector. **Glynne Stanfield of Eversheds, who is advising UCLAN on its change of corporate form, was quoted recently saying that he was aware of five 'big private equity firms' planning to invest in UK universities in the near future.**¹

As UCU's report showed, private equity funds have a reputation for loading their companies with debt, and sucking value out of their acquisitions by attacking staff pay and terms and conditions and selling assets in the search for short-term profits. In the US, private equity-funded higher education companies have been guilty of some of the worst abuses in that controversial sector, being accused in a recent Senate report of operating scams.²

UCLan's move to CLG status would bring that possibility much closer.

CLG STATUS – TEMPTING PRIVATE EQUITY INVESTORS

Education Investor magazine recently carried an article in which UCLan's move to change corporate form was cited as one of the two most significant developments for companies in the sector, alongside the sale of College of Law to the private equity fund Montagu Private Equity.

The feature noted that **'the move to CLG... should eliminate the need to explain an unfamiliar legal form, making it easier to attract partners – and investors'**.³

Education Investor is a trade magazine owned by a company which specializes in market analysis for private companies and

¹ Jonathan Bacon, 'Academic Pursuits: the private equity industry is preparing to give universities a much-needed financial boost', Education Investor, October 2011, p25

² See, Public Service or Portfolio Investment? How private equity funds are taking over post-secondary education, UCU, September 2012.

³ 'Empire Building: Two very different institutions are plotting global domination', Education Investor, December 2012, p. 16.

private equity funds looking to break into and profit from the Health and Education sectors.

In the past few years, three very high profile charitable companies limited by guarantee have been bought by private companies or private equity funds and turned into for-profit enterprises.

- In 2004, following the sale of the **charitable company limited by guarantee Edexcel to Pearson**, the assets of the company passed over into the hands of a new for-profit company.
- In 2011, **the charitable company limited by guarantee Learndirect** was bought from the Ufi Charitable Trust for the sum of £40 million by **LDC**, the private equity arm of the Lloyds Banking Group.
- In 2012, the charitable company limited by guarantee **College of Law** was bought for £200 million by the private equity fund **Montagu Private Equity** and is now a for-profit 'University'.

Not one higher education corporation has been similarly turned into a for-profit company.

The Higher Education Corporation of UCLAN has tangible assets worth over £260 million according to the latest available figures, **£175 million of which have been funded wholly or in part by the British taxpayer.**⁴

The bottom line is that if UCLan moves to become a CLG, it will look far more attractive to the kinds of private equity funds looking to reproduce in the UK the appalling disasters of the US for-profit HE sector.

The price for this would be paid by the students and communities that UCLAN serves and the taxpayers who have funded UCLAN over generations.

STEWARDSHIP OF UCLAN

The Vice Chancellor has said that the idea for moving to CLG status came from the University Board and was also quoted recently as saying that **'The university board has made it clear to all staff that it would not contemplate any move to a CLG if that had any negative impact on the position of staff and students.'**⁵

We hope that we have shown why we believe that the move to CLG status will have a negative impact on the position of staff and students – **putting their pensions, pay and terms and conditions in a precarious position, eroding the governance arrangements that provide checks and balances and defend quality and placing the university's assets at risk.**

We would ask you to withdraw the proposal to allow for a genuine debate about UCLAN's future among all university stakeholders. That is the least that UCLan's staff, students, communities and the wider public interest deserve.

⁴ UCLAN: Consolidated records and financial statements, July 2012.

⁵ "Professor McVicar said that the group structure idea came from the university's board, which considered it to be "a model ... used in many medium-sized companies which have ambitious plans for the future" John Morgan, 'Company policy: where Uclan restructure plans lead, post-1992s may follow', Times Higher Education, 22 November 2012; Staff protest over uni plan to 'go private' Lancashire Evening Post, Friday 1 February 2013