A UCU BRIEFING: OCTOBER 2012

INTO a risky business?

The proposed joint venture between The University of Gloucestershire and INTO University Partnerships

The University of Gloucestershire's Council has provisionally approved a proposal to set up a Joint Venture with a private, for-profit education company called INTO University Partnerships. UCU are deeply opposed to the proposed venture. In this briefing we would like to draw the University community's attention to important information about INTO.

We would also like to explain why we believe this proposal represents an unacceptable risk for the University of Gloucestershire.

Who are INTO?

INTO is a private company that offers to form joint ventures with universities in which it assumes control of the recruitment and teaching of international students for universities and runs as a 'for profit' enterprise.

They also commonly offer to take over and develop university property, turning it into new facilities for international students. The land is leased to INTO for 35 years and the facilities are owned by INTO.

UCU has led a series of high profile campaigns against universities forming partnerships with this company as we believe these joint ventures are risky enterprises with a risky company.

Why does UCU oppose this proposal?

We believe a joint venture with INTO would be an unnecessary gamble and that it would represent a threat to the high quality of education and reputation of the University of Gloucestershire.

We believe that joint ventures with INTO are an extremely risky proposition and for the University to enter into partnership with the company would be playing with fire in financial terms.

Staff across the sector are opposed to this kind of privatisation and INTO are on public record as paying their staff less than partner universities.

1. High level of financial risk to the University

The University's proposal is to commit between £1.6 and £1.8 million to the joint venture in the form of cash and loans over the first two years, with the commitment of £8 million in the third year of the Joint Venture for a capital project, to build some estate that may be leased to INTO over a 35 year period, as in other joint ventures.

This is a big financial commitment for the university. As the University's own briefing document recognises it carries with it serious risks, and success depends on the joint venture recruiting enough international students to generate cash for both parties.

Yet there are plenty of reasons to think that this might not happen.

2. Volatile international student market and risky private providers

The international student market is currently extremely volatile due to the political interventions of the UK Border Agency at London Metropolitan, Cavendish College and elsewhere. Indeed London Metropolitan's problems with the UK Border Agency are reported to have begun as a result of its relationship with a private provider recruiting and teaching international students, the London School of Business and Finance (LSBF).

UCU has long warned that private providers, especially for profit providers with a commitment to the bottom line for their shareholders, are highly risky partners for universities and it may be that with the closure of Cavendish college and the questions over London Metropolitan's partnership with LSBF, we are beginning to see this unravel.

It certainly seems like a huge gamble for Gloucestershire to be embarking on a joint venture in this market which commits University assets.

3. Risk of joint venture losses or failures

The university's rationale for pursuing this option is that it will generate more international students than could be achieved by the university and their fees will generate cash for the University.

Aside from the gamble involved in entering the international market at this time, there are good reasons to worry about the prospects of Gloucestershire benefiting enough to repay its commitment.

The University report indicates that they have spoken to people at two joint ventures. Presumably, two of the more successful ones. But this is not the whole story.

Firstly, the joint venture may not succeed.

- INTO's partnership with Manchester College was dissolved in 2009, following losses of £1.4 million.
- At City University it was reported in January 2011 that recruitment shortfall was generating a forecast loss of £1.3million to the joint venture rather than the surplus the company had forecast. In FY 2009-10, the joint venture posted losses of £2.5million.
- Company accounts for 2009-10 showed that the joint venture at Queen's Belfast lost £1,539,237.

Secondly, the number of students progressing to the University may not be sufficient.

Figures from a series of FOI requests submitted by UCU show that at even at the bigger established joint ventures at Newcastle and Exeter Universities and University of East Anglia, on average only half of students recruited progress to their partner university.

4. INTO – a risky partner

INTO is owned by Andrew Colin, an education entrepreneur who previously ran Study Group International, a specialist in English language training for foreign students. He sold it to Daily Mail & General Trust for more than £40m in 2000. In May this year, it was reported that he was now reported to be seeking a private equity fund to take a minority stake in the company.

UCU has produced a report on the dangers of companies controlled by private equity, citing the example of the US higher education sector, where private equity funds fuelled the growth of massive for-profit education companies which have become a public and political scandal for their educational failures.

INTO's finances are also a source of concern. Although its company accounts from 2010 showed that it had finally moved into profit after five years operating in the sector, they also indicated that the group's liabilities were significantly in excess of their assets, their ability to meet those liabilities.

INTO's directors also lent the company £2.7 million in the form of interest-free loans that year.

It's not possible to know that latest situation as INTO's latest set of accounts is more now six months overdue at Companies House. This is not the first time this has happened. INTO failed to file its 2006 accounts on time too, prompting a question in Parliament from Labour MP Austin Mitchell.

INTO's chairman is also a man of high ambitions. Having just sold his previous company Study Group International to the Daily Mail Group in 2000, INTO chairman Andrew Colin told the Times Higher Education Supplement:

> *'I developed partnerships with universities in Australia, North America and the UK. Some see their core business as brand identity, postgraduate teaching, research and quality control – not necessarily teaching undergraduates. There is nothing to stop undergraduate teaching being outsourced.'*

INTO and their staff

UCU has also long warned that for-profit private providers like INTO depend on cutting the cost of teaching to generate their profits, creating downward pressures on quality that will eventually rebound to affect their partner universities.

Transferring staff out of university employment

- At several joint ventures, staff have been transferred out of university employment to become employees of the joint venture. TUPE offers temporary protection for the pay and terms and conditions of these staff but they lose their right to incremental pay progression, while rates and terms and conditions can be altered whenever the employer decides to make a business case for doing so.
- Some staff report changes to rates of pay.
- Many have told us that teaching workloads increased dramatically under INTO's joint ventures.
- Membership of TPS and USS cannot be maintained under a Joint Venture with INTO.

New staff: less qualified and on lower pay and poorer conditions

- Firstly, INTO appear to recruit less qualified staff than their public or in-house counterparts. INTO job advertisements ask for 'an appropriate postgraduate qualification' (this could be CELTA, DELTA or a PGCE). It is desirable but not essential to have 'an understanding of challenges of teaching international students'. Public institutions typically demand a higher level of qualification and experience of teaching in higher education.
- Chairman of INTO Andrew Colin is on public record admitting that 'rates of pay are probably worse' in his company than in partner universities. This is borne out by job adverts.
- INTO salaries for full-time jobs range from £24,000 per annum at the bottom to a maximum of £28,000 per annum. There is no incremental progression. By contrast, public institution salaries range from £27,319 to £39,000 with many lecturers positioned on Grade 6 which has a salary range from £27,319 to £33,600.
- INTO offers a markedly inferior pension scheme to either USS or TPS with 12% annual contribution shared equally between INTO and the employee. Staff are eligible to join the scheme only after a 12 month period of employment. In TPS by contrast, employees join straight away and pay a 7-8% contribution, while the employer pays 14.1%.
- Full-time INTO employees work an 800 hour teaching year. Some are employed on zero hours contracts. INTO provide only statutory maternity leave and sick pay.
- INTO centres remain open during university closure days and staff must take these off from their holiday allowance.
- INTO contracts include clauses enabling the company to summarily dismiss you if you 'are guilty of any conduct which in the Company's opinion is likely to prejudice the interests of the Company whether or not such conduct occurs in the course of your employment'.
- INTO contracts also include clauses saying: *'You agree to submit to a personal search and/or to a search of your office, locker, desk and other personal effects whenever the Company reasonably believes such a search to be necessary for safety reasons, for the protection of health... for the prevention of crime or the protection of the rights of others (including the Company's rights).'*

In UCU's view, these kind of pay rates, pension rights, terms and conditions and contracts are inappropriate for university professionals and incompatible with the fostering of a collegiate academic and professional community.

The Joint Venture will be jointly owned by the University. If it is allowed to introduce contracts like these to its joint venture, it will be embedding a two-tier workforce in the University community and setting a terrible precedent.

Universities are constantly looking to reduce their staff costs and one way of doing so would be to begin to introduce elements of contracts like INTO's more widely.

If we allow a joint venture with terms and conditions and pay rates here, we are sending a clear message to the University management that we will not stand in their way, particularly if they do it piecemeal.

Staff across the sector are opposed to joint ventures with INTO

UCU has polled staff at four universities on how they thought a joint venture with INTO would affect their university's reputation.

- At Queen's University Belfast 96% of those voting said that they thought a joint venture with INTO would adversely affect the reputation of the university.
- At Goldsmith's College 94% said they thought a joint venture would adversely affect the college's reputation.
- At Essex University 90% said they thought a joint venture would adversely affect the reputation of the university.
- At De Montfort University, 90% said they thought joint venture would adversely affect the reputation of the university.

It's just too risky

UCU has strong views that universities should be publicly funded and regulated and that these are vital elements in defending the quality of higher education in the UK.

But whatever your view of how higher education should be conducted, we believe that this proposed joint venture with INTO is just too risky for Gloucestershire.

The financial commitments for the University are too big and the risks of failure and permanent reputation damage for the University are too great.

Perhaps this is why so many other universities have turned down INTO including Essex, Goldsmiths College, Oxford Brookes, Royal Holloway, Reading, Queen Mary and most recently De Montfort University.

The Vice Chancellor of De Montfort emailed his staff earlier this year to explain the university's reasons for turning down the joint venture:

> '*While there are a number of benefits to be had from entering into such a partnership, any decision to do so must be based on a robust consideration of the potential risks weighed against the potential rewards. On that basis, and after careful consideration, the Executive Board (EB) has made the decision not to proceed with this joint venture partnership. This decision has not been reached lightly. The up-front investments involved, coupled with the significant uncertainties in the current funding regime (which require us to conserve our cash reserves and generally limit our exposure to risk) meant that EB members did not feel able to support a joint venture partnership with INTO.*'