

The rise of the private sector in adult and vocational learning

a UCU report

Challenging **the Market** in Education

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Contents

Introduction and Executive Summary	3
1: Measuring the growing private sector in further education and adult vocational learning	4
Train2Gain	4
Franchising and subcontracting arrangements with partner providers	6
Conclusions	6
2: Subsidising the City? Contestable funding and the growth of the private sector	7
Who got that cash?	7
Adult learning in the casino economy	7
Franchises and subcontracting arrangements	12
The rise and fall of Carter and Carter	14
3: Issues for UCU	15
Contestable funding, management behaviour and staff conditions	15
Developing our challenge to the private sector	18
Appendix 1	
FE colleges with Train2Gain contracts of £250,000+ in 2007–8	19
Appendix 2	
Partner providers with contract value of over £250,000	21

Introduction

As we revealed in our first report on Challenging the Market in Education, the UK has one of the fastest growing private sectors in tertiary education provision in the world. Private sector investment is far outstripping that from the public sector. Our report argued that this was a consequence of the policies pursued by successive governments to import market mechanisms into the functioning of public services. Through a series of overlapping and mutually reinforcing policies, governments have imported market imperatives and structures into publicly funded services and in doing so have created conditions that enable the private sector to move into tertiary education.¹

In this follow-up report, we look at the growth of the private sector in further education and examine the main policy vehicles through which this is being pursued.

Executive Summary

In brief, we show that:

- 1 For-profit private companies won 46% of the contracts in the 2007-8 allocations of Train2Gain funding.
- 2 Through Train2Gain and through private companies' partnership arrangements with FE colleges, the for-profit sector received more than £170 million in public funding during 2007-8, representing possibly as much as 6% of the total LSC budget for adult education.
- 3 The top four contract winners under Train2Gain were major national private training providers and they won £30 million in funding.
- 4 Three of these four are or were backed by significant private equity funding from the City of London.
- 5 The availability of Train2Gain funding has become part of City-backed corporate strategies to profit from the growth and consolidation of the private training market.
- 6 These developments carry enormous risks for the sector and represent a major strategic challenge for UCU

¹ *Challenging the Market in Education: Marketisation and the growth of the private sector in tertiary education*, UCU Campaigns Team, May 2008, pp 5-9.

1

Measuring the growing private sector in FE and adult vocational learning

There are two major vehicles for the private sector to gain access to funding for further education and adult learning: the Train2Gain programme and the LSC funding available for subcontracting and franchising arrangements with 'partner providers'.

TRAIN2GAIN

Train2Gain is one of the government's key vehicles for delivering its objective of 'investing in a world-class workforce'. This is a raft of funding that is designed to promote work based training programmes and to be 'employer-responsive'. In theory, Train2Gain funding is accessed by colleges bidding for contracts from the LSC and then operating through skills brokers to shape training provision to the needs of businesses, particularly small and medium businesses who are not seen to prioritise training for their workforces.

The key feature of Train2Gain funding for UCU is that it is, in theory at least, contestable. This means that this funding stream is open to private providers to bid for. Tendering is operated by the regional LSCs, which are each expected to devise a commissioning plan for their region.² Contracts were initially awarded on a three-year basis, but can now be extended to five years.

Because of its high priority status, the government is doubling its spending on the Train2Gain initiative between now and 2010-11. Spending channelled through Train2Gain will rise from £520,527 in 2007-8, to £657,073 in 2008-9, £777,287 in 2009-10 and £1,023,240 in 2010-11.

This represents a rise in the proportion of public funding for adult learning from 17% to 28%.

Analysis of the breakdown of Train2Gain funding allocations shows that private training providers did better than is sometimes thought.

Overall, for-profit private training providers secured 46.8% of the funding. By contrast, colleges secured only fractionally more, at 47.6%. The remainder was divided between not-for profit private providers and public bodies like local authorities.

In total, private companies received £148,438,868 of public money through the Train2Gain programme.

Table 1: LSC budgets 2007-8 to 2010-11

Budget line	2007-8	2008-9	2009-10	2010-11
	£	£	£	£
Train2Gain	520,527	657,073	777,287	1,023,240
Total adult learning	3,063,551	3,215,272	3,305,830	3,599,346
Percentage total adult learning budget	17%	20%	23%	28%

Source: LSC grant letter, 2008-9, Annexe B

² The timetable for procurement and regional commissioning plans can be found at: www.lsc.gov.uk/providers/provider-procurement/

Table 2: LSC region and provider totals

Region	Companies	Colleges	NFPs	PBs	Other providers	TOTAL
	£	£	£	£	£	£
East Midlands	17,531,797	18,833,955	1,131,210	0	189,900	37,686,862
East of England	14,024,711	14,567,900	169,971	3,020,355	0	31,782,937
London	22,183,377	25,657,908	619,047	2,018,383	39,053	50,517,768
North East	8,523,586	3,869,877	164,969	1,168,175	387,700	14,114,307
North West	23,902,240	24,039,368	267,600	1,000,986	71,112	49,281,306
South East	23,519,971	23,770,347	1,067,298	1,338,993	266,257	49,962,866
South West	12,072,640	11,582,340	161,980	3,091,000	0	26,907,960
West Midlands	12,602,611	9,448,871	119,277	774,593	0	22,945,352
Yorkshire and the Humber	14,077,935	19,335,568	605,188	0	0	34,018,691
TOTAL	148,438,868	151,106,134	4,306,540	12,412,485	954,022	317,218,049

Table 3: LSC region and provider percentages

Region	Companies	Colleges	NFPs	PBs	Other providers	TOTAL
	%	%	%	%	%	%
East Midlands	46.5	50.0	3.0	0.0	0.5	100
East of England	44.1	45.8	0.5	9.5	0.0	100
London	43.9	50.8	1.2	4.0	0.1	100
North East	60.4	27.4	1.2	8.3	2.7	100
North West	48.5	48.8	0.5	2.0	0.1	100
South East	47.1	47.6	2.1	2.7	0.5	100
South West	44.9	43.0	0.6	11.5	0.0	100
West Midlands	54.9	41.2	0.5	3.4	0.0	100
Yorkshire and the Humber	41.4	56.8	1.8	0.0	0.0	100
TOTAL	46.8	47.6	1.4	3.9	0.3	100

NFPs = not-for-profit providers (charities, voluntary organisations, trade unions etc)

PBs = public bodies (local authorities, NHS trusts etc)

FRANCHISING AND SUBCONTRACTING ARRANGEMENTS WITH PARTNER PROVIDERS

The private sector is heavily involved in delivering further and adult education through its partnership, franchising and subcontracting arrangements with the LSC.

Given the controversies that arose around the advent of franchising in the 1990s, the LSC is

cautious about supporting these arrangements and requires colleges to register relatively large amounts of detail about these arrangements, including data on learner existence.

The private sector involved in these franchising arrangements is however, diverse in composition. Many arrangements with partner providers are with charities, schools, local or regional community organisations or with small local businesses. Nonetheless, major private training companies and businesses have been able to access large amounts of public funding through these relationships.

Exact calculations from the data are difficult, but using the LSC's returns on partnership arrangements for 2008, we can get a sense of the scale of business benefit by isolating those companies identifiable as 'for-profit' and calculating the value of their contracts as a proportion of the whole.

In total, at least £80,000,000 in LSC funding went

to colleges to fund these franchising and partnership arrangements. On average, the partner providers received around 70% of this funding, meaning that around £56,000,000 in public funding was used to support these partnerships.*

Just over 40% of this total went to for-profit private companies. It has been possible to identify more than 200 partnerships with more than 180 individual for-profit companies. The value of contracts with the for-profit companies was £32,377,197. Assuming that the average proportion of this money passed on to the partner provider was 70%, this means that at least £22,664,038 in public funding went to for-profit private companies.

CONCLUSIONS

Taken together with the figures for private company contracts through Train2Gain, this means that more than £171,000,000 in public funding went to the for-profit private sector.

The total adult learning budget for 2007-8 was just over £3 billion, which means that possibly as much as 6% of the total public funding for adult learning is subsidising for-profit activity.

With the proportion of 'contestable' funding through the Train2Gain programme set to grow year on-year, we could see the proportion of public money subsidising for-profit activity grow as well.

Table 4: Aggregate values of partner provider contracts

	£	%
Total value of contracts for partner provision	80,028,201	100
Total value of contracts for 'for-profit' companies	32,377,197	40.5
Private sector 'gain'***	22,664,038	28.3

Source: LSC FE college partnership returns, 18 August 2008

* Calculations are by UCU and figures are not exact because of missing original data

** Assuming that an average of 70% of the contract value passed to the partner provider

2

Subsidising the City? Contestable funding and the growth of the private sector

As seen in part 1, the expansion of the Train2Gain has seen an expansion of opportunities for the private sector. However, UCU is concerned that aside from the usual risks this carries, Train2Gain has actually become a key component in the corporate strategies of major private training providers. These private companies are using City of London finance to 'consolidate' the market in private training provision and they are attracting City finance to do this in part because they can win public funding.

WHO GOT THAT CASH?

The top four companies winning Train2Gain contracts were Protocol Skills Limited, A4E Management Ltd, Carter and Carter Group plc and Construction Learning World Ltd. Other major recipients of Train2Gain funding included JHP Training which claims to have over 50 centres delivering work-based training around the country, and HIT training, the hospitality industry training specialists.³

Between them, A4E, Carter and Carter, Protocol Skills and Construction Learning World won £29,513,485 in public money, or almost 20% of the total won by private companies.

Of these four companies, the stand-out winner was Carter and Carter Group. The Group itself directly secured contracts worth £5,838,570, but its subsidiaries, Constant Browning Edmonds Limited and Quantica Plc also secured an additional £5,296,569 of contracts.

These companies are a key part of the growing public services industry. A4E, for example describe themselves as 'a market leader in global public services reform'. In addition to their private training provision, they hold contracts in offender learning, job seeker training and community legal advice. The company claims to employ 3000 people and report-

edly increased its turnover by £20 million in the last year. It was also reported to be looking for private investors to help expand its international operations and to cope with 'massive' growth.⁴

ADULT LEARNING IN THE CASINO ECONOMY

An investigation of these companies also confirms that City of London money and particularly private equity has taken a big interest in the companies winning public sector contracts for training provision.

Carter and Carter, for example, received £6.7 million investment from private equity firm Bridgepoint Capital to assist it in buying up its competitors. Bridgepoint owned a 46% stake in Carter and Carter, which they sold before the company collapsed.

Bridgepoint also owned Protocol Skills until September 2007, when it was bought by Close Brothers Private Equity Ltd for £46.5 million.⁵ Close Brothers' press release made it quite clear that their financial support for the management buyout from Bridgepoint Capital was part of a strategy to support a firm seen as likely to benefit from Train2Gain funding. The press release notes that:

'The provision of vocational skills is a priority of the UK government, particularly since the publication of

³ www.jhptraining.com and www.hittraining.co.uk

⁴ <http://bit.ly/8WZX27>

⁵ <http://bit.ly/d623Jj> and <http://bit.ly/9Xi6YT>

*the Leitch Review of Skills in the UK in 2006. The vocational skills market is growing at 13% p.a. as a result of the recent introduction of the Government's 'Train to Gain' scheme. With national coverage through its network of regional offices, Protocol Skills is well placed to support this initiative.' Indeed, following its acquisition by Bridgepoint, Protocol acquired four of its competitors in the training market, Tektra, Harnser, Step Direct and Spring plc.'*⁶

In October 2007, Construction Learning World was bought by Melorio plc for £35 million. Similarly, the purchase was part of a strategy to 'consolidate' the private training market and benefit from growing Train2Gain funding. On its admission to the Alternative Investment Market (AIM) in the City, Melorio said:

*'The Company will look to acquire quality vocational training providers in sectors that the Government has identified as high priority for funding support, in particular construction and care. Acquired businesses will run as autonomous divisions with an absolute focus on operational excellence and performance; best practice will be shared across the group. Successful management teams of acquired businesses will be retained and incentivised through individual performance bonuses and plc equity. Scale and a nationwide presence will bring with them the benefits of relationships in each LSC funding region and enhanced operational performance.'*⁷

Melorio itself is an investment vehicle for Marwyn Investment Management. Marwyn are an investment fund that specialise in financing such 'investment vehicles' to 'consolidate' markets through a strategy of acquisitions in markets identified as fragmented but containing the potential to grow.⁸

In summary, then, the Train2Gain programme represents a major opportunity for the big training

companies and their City of London backers, particularly private equity firms. Seeing the opportunities for profiting from rationalisation in a fragmented market of training providers, investment funds are providing major capital to enable the biggest training providers to buy up their competitors and 'consolidate' the market. The fact that the contracts are for public funding, in line with a policy determination to expand work-based learning only makes it more attractive.

The City's view is perhaps best expressed by an industry insider, who has commented:

*'We are already seeing increasing M&A [mergers and acquisitions] activity in the sector as the "consolidators" acquire additional products, services, market share and private companies, with owner managers beginning to sell out...we are also seeing private equity entering the sector due to the high level of public spend. Essentially, the government only wants to deal with a small number of these companies and at the moment there are around 3000. That number will have to go down to below 1000 or so, so 2000 of them will be bought or will not have their contracts renewed.'*⁹

⁶ Close Brothers Private Equity press release, October 2007: www.cbpel.com/pressreleases_227.htm and,

Sandrine Bradley, Learning a new sector, *Acquisitions Monthly*, September 2005, p.29.

⁷ REG-Melorio PLC Trading Statement, released 29.01.08: <http://bit.ly/95RS1W>

⁸ www.marwyn.com/companies.stm

⁹ Mark Humphries of Catalyst Corporate Finance, interviewed in Sandrine Bradley, Learning a new sector, *Acquisitions Monthly*, September 2005, pp 29-30

Table 5: Companies with Train2Gain contracts of £250,000 and above in 2007–8* (1)

Region	LLSC	Company	£ Total
East Midlands		Protocol Skills Limited	7,498,286
		A4E Management Ltd	6,100,842
		Carter & Carter Group Plc	5,838,570
		Construction Learning World Ltd	4,779,218
		Ufi Limited	4,404,135
		JHP Group Limited	3,820,169
		Constant Browning Edmonds Limited	3,672,289
		Sheffield Trainers Limited	2,938,796
		Hit Training Ltd	2,819,510
East of England	Suffolk	Anne Clarke Limited	2,730,367
		Tng Network Limited	2,333,827
North West		Greater Manchester Economic Solutions Limited	2,244,205
Yorks & Humber	West Yorkshire	West Yorkshire Learning Providers Ltd	1,882,144
		Cumbria Colleges Limited	1,860,891
		Education & Youth Services Limited	1,748,016
		Pdm Training & Consultancy Limited	1,700,450
		Qgs Synergy Limited	1,677,942
		Qube Qualifications And Development Limited	1,654,768
		Quantica Plc	1,624,280
		Csm Consulting Limited	1,525,895
		Inspire To Independence (Training) Limited	1,518,942
		Tbg Learning Ltd	1,512,075
South East	Berkshire	Nwlcc Limited	1,496,279
Yorks & Humber	West Yorkshire	Yorkshire Training Partnership Limited	1,463,021
		Hargreaves Training Services Limited	1,431,250
		Black Country Training Group Limited	1,426,142
		Intec Business Colleges Plc	1,412,950
		Vt Training Plc	1,412,711
		H B Training Limited	1,260,045
		Tng Limited	1,208,696
		B-Skill Limited	1,201,968
East Midlands	Leicestershire	Key Skills Training Ltd	1,177,673
North West	Lancashire	North Lancs Training Group Limited (The)	1,167,304
		Ability Professional Training Limited	1,153,619
		Dayspring Consulting Limited	1,101,762
		Capital Training (South Wales) Limited	1,080,495
		Training West Lancashire Limited	1,075,341
North West	Greater Merseyside	Mercia Partnership (Uk) Ltd	1,074,720

Table 5: Companies with Train2Gain contracts of £250,000 and above in 2007–8* (2)

Region	LLSC	Company	£ Total
North West	Lancashire	Training 2000 Limited	1,029,600
		The Management And Training Exchange Limited	1,000,836
		Tq Workforce Development Limited	998,155
		Safe And Sound Training Limited	974,297
Greater London	London Central	M2 Training Limited	930,987
		Paragon Training (Dorset) Limited	924,779
East of England	Suffolk	TheLightbulb Ltd	898,935
Greater London	London Central	Heathrow Airport Limited	876,151
East of England	Suffolk	Mymar Training Limited	875,400
		Acacia Training Limited	859,435
East Midlands	Leicestershire	The Derbyshire Network	850,485
South East	Berkshire	Ips International Limited	777,225
		Market Driven Solutions Limited	775,620
North West	Greater Manchester	Manchester Training Limited	742,630
		Peter Rowley Limited	718,374
		Seetec Business Technology Centre Limited	691,498
North East		Tyne and Wear Future Strategies Consulting Limited	686,024
Greater London	London Central	5 E Ltd	685,488
North West	Cheshire & Warrington	Cheshire Employer And Skills Development Limited	663,790
		Computer Gym (Uk) Ltd	652,470
		Care Connect Learning Limited	650,425
		Nvquk Limited	650,116
		Ultra Training Limited	617,020
		General Physics (Uk) Ltd	600,381
		The Vocational College Limited	599,591
Greater London	London Central	Keeping It Simple Training Limited	587,743
West Midlands	Birmingham & Solihull	PTP Training Limited	585,210
Yorks & Humber	West Yorkshire	The Consortium For Learning Limited	583,302
		Barford Education And Training (North East) Limited	581,100
		Acacia Training And Development Ltd	573,640
North East	Tyne and Wear	Cablecom Training Limited	569,797
		Jga Limited	559,741
		Qdos Taxwise Limited	520,722
North West	Lancashire	Northern Training Ltd	512,256
South West	Devon and Cornwall	Achievement Training Limited	510,120
North West	Greater Merseyside	Pfl Limited	507,420
		Beneast Training Limited	506,991
East Midlands	Leicestershire	Nlt Training Services Limited	500,000

Table 5: Companies with Train2Gain contracts of £250,000 and above in 2007–8* (3)

Region	LLSC	Company	£ Total
		South West Regional Assessment Centre Limited	491,989
		Four Counties Training Limited	490,176
Greater London	London North	Utilise Training And Development Solutions Limited	482,120
West Midlands	Birmingham & Solihull	The Association Of Coventry & Warwickshire Training Providers	468,852
South East	Berkshire	Woodlands Training Services Limited	467,653
		Seleta Training And Personnel Services Limited	464,989
Greater London	London Central	Professional Business & Training Solutions Limited	445,932
North West	Greater Manchester	Rochdale Training Association Limited	430,400
		Pilot Ims Limited	426,333
South West		Somerset Hudson & Hughes Training Limited	421,500
North West	Cheshire & Warrington	Tte Training Limited	418,642
East of England	Suffolk	Career Development Center Limited	414,000
North West	Greater Merseyside	St Helens Chamber Limited	403,999
		Aylesbury Training Group	386,311
		Trackss Ltd	385,400
North East	Tyne and Wear	Tdr Training Limited	384,000
Greater London	London Central	The London College Of Beauty Therapy Limited	375,787
North West	Greater Merseyside	Scientiam Limited	374,025
North East	Tyne and Wear	Northumbrian Water Limited	368,250
		Test Limited	366,995
East Midlands	Leicestershire	Triangle Training Ltd	359,807
		Train'D Up Railway Resourcing Limited	348,253
		United Kingdom Homecare Association Limited	341,072
North West	Greater Merseyside	The Laird Foundation	334,800
		Positive Outcomes Ltd	329,342
South West	West of England	Kts Training (2002) Limited	316,820
North East	Tyne and Wear	Talent Partnerships (UK) Limited	308,763
South East	Berkshire	Learn To Care Limited	300,792
South East	Berkshire	Ckw Training Consultants Limited	295,507
		North East Chamber Of Commerce (Training) Limited	290,998
Yorks & Humber	West Yorkshire	Community Training Services Limited	288,005
North West	Greater Merseyside	Sysco Business Skills Academy Limited	285,000
North East	Tyne and Wear	Zodiac Training Limited	282,888
North West	Greater Manchester	Alfred Mcalpine Plc	282,600
East Midlands	Leicestershire	Leicestershire Engineering Training Group Limited	282,600
North East	Tyne and Wear	Arc Training (North East) Limited	282,425
		Virtual College Limited	281,675

Table 5: Companies with Train2Gain contracts of £250,000 and above in 2007–8* (4)

Region	LLSC	Company	£ Total
West Midlands	Birmingham & Solihull	Fusion Ict Limited	281,100
South East	Berkshire	Integer Training Limited	267,789
		Mardell Associates Limited	253,105
East Midlands	Leicestershire	Tribal Consulting Limited	251,995
Greater London	London Central	Paddington Development Trust	251,728
East Midlands	Leicestershire	Northamptonshire Training And Development Partnership	250,000

Source: LSC Train to Gain Allocations 2007-08, as at 12 November 2007 (approved allocations only); aggregate calculations by UCU

* The amount of money indicated is an aggregate of each provider's contracts with more than one local LSC, except where there is only one contract for that provider of £250,000 and above, in which case the region and local LSC are indicated.

FRANCHISES AND SUBCONTRACTING ARRANGEMENTS

As previously noted, the composition of the private sector represented in franchising and subcontracting relationships with FE colleges is different from that of the major beneficiaries of Train2Gain funding. Even in the 'for-profit' sector, there is a greater diversity of firms and many more small or medium firms with local or regional relationships represented. The majority of the companies, even many of the bigger ones, tend to be major regional training providers rather than national.

Even so, analysis of the bigger contractors, those with contracts worth more than £250,000 in aggregate, shows some familiar names. The second largest contractor, for example, is Construction Learning World, owned as noted above, by Melorio, the training investment vehicle.

CLW's contracts were worth over £4 million. Eight from the top is Carter and Carter, whose partnership arrangements were worth more than £1,000,000.

The biggest beneficiary of these arrangements is the major national construction company Carillion. Carillion are one of the top national companies involved in PFI projects, with a huge portfolio stretching across the whole public sector. They are expected to

be a major player in the government's Building Schools for the Future programme. Carillion was also named by the Office of Fair Trading as one of a group of companies involved in rigging the prices of public sector contracts. Carillion's contracts with FE colleges were worth £4,013,836.¹⁰

¹⁰ www.carillionplc.com and, <http://bit.ly/cqUECf>

Table 6: Aggregate value of contracts for partner providers* (1)

Trading name of partner provider	Value of contract £
Carillion plc	4,013,836
Construction Learning World	2,506,700
Nova Centric Ltd, trading as Confetti Institute of Creative Technologies	2,025,918
White Rose School of Beauty	1,385,480
MK Language Centre	1,200,493
Interactive Development Limited	1,097,000
Access to Music Limited	1,040,099
Carter and Carter (including ASSA)	1,032,269
Learning First Limited	940,000
Project Initiatives	891,857
National Design Academy	850,000
Apex Leicester Project Ltd.	783,411
Utilise Training	668,115
Peter Rowley Ltd	663,465
Premier Training International Ltd	650,691
ARC Training (NE) Ltd	650,580
The Training Partnership	642,410
Tektra Ltd	626,335
Training Options UK Ltd	624,100
N-Ergy	575,500
EDAS (Grimsby) Ltd	525,311
Central Training Academy	500,000
TBG Learning	482,000
Sheffield School of Health and Beauty	475,000
Sunderland Engineering Training Association Ltd (SETA)	467,740
Pat Clarke Total Training	435,017
Skegness College of Vocational Training	418,365
HIT Training Ltd	412,189
Platform One (IOW) Ltd	406,085
Northern Management Resources	342,236
Klitra	307,333
Torrige Training Services	300,000
First Bus	299,973
QGS Synergy	287,700
Q Training	276,962
Manatec Development Ltd	270,000
Richard Owen Ltd	267,025
Lomax Training	266,667

Table 6: Aggregate value of contracts for partner providers* (2)

Trading name of partner provider	Value of contract £
David Campbell Events Management Ltd	266,000
Trade Assessments Ltd	261,000
Future Strategies Consulting Ltd	260,000
Carl Duisberg Language Centre	250,000

* The amount of money indicated is an aggregate of each partner provider's contracts, except where there is only one contract for that provider of £250,000 and above. Excludes: contracts where only expected final amount indicated; contracts for a period other than 2007–8.

THE RISE AND FALL OF CARTER AND CARTER

The sector has of course had an object lesson in the risks associated with the rise of contestable funding and the growth of the big training companies in the meteoric rise and then collapse of Carter and Carter group.

As we saw above, Carter and Carter's rise was funded by Bridgepoint Capital in 2001 in order to capitalise on public spending in the area of vocational training and to enable it to acquire other training providers in a fragmented market. Bridgepoint's capital enabled Carter and Carter to buy up EMTEC, ASSA, Retail Motor Industry Training, Constant Browning Edmonds, Fern Group, Quantica Training, NTP and IMS. The company was listed on the London Stock Exchange in February 2005 and at its peak it was valued at £526 million. At the time, industry insiders were saying that Carter and Carter 'looks likely to be the key trading consolidator in the sector'. Yet by 2007, the company was unravelling faster than it had risen. Following the death of Philip Carter in May 2007, events moved rapidly. As the Independent reported at the time, 'The shares dropped by 41 per cent in a single day after the first profit warning at the end of June, which was blamed on slow take-up of the Train to Gain apprenticeship programme. They dropped by another 80 per cent in

July with a second profit warning issued after the firm failed to win the Government's Pathways to Work deals. Another profit warning in October saw trading suspended and shares priced at 85p. The finance director John Green – appointed the previous year after the takeover of Assa – quit. And PricewaterhouseCoopers, the company's auditors, announced an investigation of accounting irregularities for the year ending 31 July 2007.¹¹

The company sought to restructure its finances with its lenders, Barclays, Lloyds TSB and HBOS, but the banks took flight at the amounts of money required to save the company. In March 2008, the administrator was called in and investigations began into the falsification of accounts. The company had debts of £130 million and 25,000 learners on its books.

Industry commentators were quick to ascribe Carter and Carter's demise to 'inadequate internal controls and ineffective business strategy', while there was more unease when it appeared that the LSC and the administrator had brokered a deal with Newcastle College that would save 1500 jobs and keep the majority of the learners on courses. Shareholders of course, were left with nothing. There were protests about a lack of transparency and the ambiguity of the college's status as a company or public sector body.¹²

Despite these protests, the real lesson for UCU and for the government would appear to be that the attractiveness of the private training sector and the public funding it can win to the City of London is importing massive instability and risk into service provision. The story of finance capital fuelling high expectations and market failure producing a collapse in confidence, capital flight and a quasi-public bailout has of course become very familiar of late.

¹¹ *Struggling Carter and Carter goes into administration*, Independent, March 11, 2008, <http://bit.ly/bwvEw7> and,

Key provider of training for the motor industry Carter and Carter goes into administration, The Times, 11 March 2008, <http://bit.ly/d2LcfY>

¹² See *Newcastle College bags Carter and Carter*, The Assignment Report: Independent information about the business of education, 31 March 2008, <http://bit.ly/9vYuUo>

3

Issues for UCU

The growth of the private sector in further education and its increasing access to public funding raises questions of critical importance for UCU branches. These can be grouped under two main headings:

- ▶ the increasing dependence of colleges upon contestable funding and its effects on college managers and on staff
- ▶ the need to develop a challenge to the private sector in further education.

CONTESTABLE FUNDING, MANAGEMENT BEHAVIOUR AND STAFF CONDITIONS

UCU is deeply concerned about the effect that the growth of the market in contestable funding will have on colleges' actions.

Public-private partnerships

If, as we have shown, Train2Gain funding is being channelled into the growth plans for big private sector training providers, this will also aggravate the tendency of big colleges forming partnerships with the private sector providers in order to secure these contracts. There is already evidence that some colleges are pursuing this policy. As Nick Lewis, principal of Castle College, Nottingham has said:

*'There's one school of thought that sees this policy as a major threat... The real issue is: how do you respond to it? We've embraced partnerships and those partnerships aren't purely with the private sector... in that environment, you've got to have the strongest offer in terms of quality and capacity... Our aspiration is to do the eroding rather than be eroded.'*¹³

As a higher proportion of the adult education budget becomes contestable year on year, the number of colleges considering the kind of high-risk public-private partnerships that we saw between Carter and Carter and Castle College Nottingham may also grow.

Dragging down standards

We are also concerned that the pressure to keep the cost of bids down is encouraging colleges into pressing down on employment standards in the workforce.

There is already evidence that the pressure on colleges is leading them to cut staff costs, increase casualisation or transfer staff onto cheaper contracts in order to be competitive. As one branch has reported, Train2Gain work is increasingly being delivered by staff on assessor contracts, with inferior terms and conditions and lower pay: *'[Train2Gain work is] in our college, delivered usually by a combination of off the job (delivered by a lecturer) and on the job (delivered by an assessor). However, the pressure is on to reduce the off the job and increase the on the job'*.

Other branches have identified problems arising from an increased expectation that staff will work anti-social hours to provide 'employer-responsive' training. According to one branch officer: *'Staff from other areas (low on teaching hours) have been asked to work on T2G and informed of the need to work hours such as 7.00 a.m. and from midnight'*.

Instability

Finally, we are concerned that 'contestable' funding is functioning to import greater instability into training provision. As one commentator has argued:

'So far, no thought seems to have been given to the staff whose work will go to the private sector. Their

¹³ <http://bit.ly/amGkjd>

position under TUPE is likely to provoke fierce battles between companies and trade unions. Unions and colleges will argue that staff must have the right to transfer, and to take their contracts and conditions with them.¹⁴

While in theory, the tendering process is supposed to be applied on an open basis, in practice, many regional LSCs appear to have combined negotiation and tendering in order to provide more stability with existing employers. Nonetheless, as the proportion of adult learning funding that is contestable grows, so does the threat that more work that is currently being done by our members in colleges will be transferred to the big private training providers. Our branches are reporting that while some colleges appear to be aware of this, no plans for dealing with this eventuality have been discussed.

Who is at risk?

One of the problems hitherto has been identifying the scale of the issue should it arise. As has been noted already, FE colleges did less well than expected, winning 47.6% of the contracts for 2007–8. This funding was won by 177 further education colleges, sixth form colleges and tertiary colleges.

Of this, 130 colleges won substantial contracts worth over £250,000 and 51 colleges won contracts worth a total over £1 million, often with more than

one LSC. The largest was Eastleigh College, whose contract was worth more than £5 million from the Berkshire local LSC alone. They were closely followed by Telford College of Arts and Technology and North Hertfordshire College, both with contracts worth more than £4 million.

However, perhaps the most interesting information is the proportion of college income that the Train2Gain funding stream currently represents. This gives a sense of the level of dependence on Train2Gain funding and therefore the colleges who might be most at risk if they do not retain their contracts.

It is impossible to gauge this with complete accuracy as college income figures are not currently available for 2007–8. However, we can get a rough idea by using the 2006–7 college income figures as a proxy. This is not statistically rigorous, but it is indicative of the likely situation and provides us with a rough map of the current levels of dependence.

While more than half the FE colleges received no Train2Gain funding and others received very small quantities, the analysis also shows that there is a significant level of dependence among some colleges. The analysis suggests that 36 colleges are dependent on Train2Gain funding for more than 5% of their income, while 12 colleges are dependent on Train2Gain funding for more than 10% of their total income.

Table 6: Train2Gain income as a proportion of college income* (1)

College name	2006-7 Total income £	2007-8 T2G income £	2007-8 TG2 income as % of 06-07 total income
Eastleigh College	14,322	5,066	35.40
Telford College Of Arts And Technology	21,269	4,897	23.00
North Hertfordshire College	21,822	4,177	19.10
Braintree College	8,382	1,554	18.50
Richmond Adult And Community College	10,862	1,654	15.20
South Leicestershire College	9,881	1,500	15.20
North Lindsey College	17,099	2,289	13.40
Central Sussex College	29,014	3,454	11.90
Stroud College Of Further Education	8,750	963	11.00

¹⁴ Francis Beckett, *Colleges prepare to do battle with giants*, *Guardian*, 21 March 2006

Table 6: Train2Gain income as a proportion of college income* (2)

College name	2006-7 Total income £	2007-8 T2G income £	2007-8 TG2 income as % of 06-07 total income
Askham Bryan College	10,604	1,150	10.80
Boston College	15,171	1,573	10.40
Preston College	34,141	3,505	10.30
Southwark College	22,818	2,345	10.30
Rotherham College Of Arts And Technology	22,539	2,147	9.50
South East Derbyshire College	13,729	1,298	9.50
Cambridge Regional College	30,989	2,884	9.30
Huddersfield Technical College	34,633	3,200	9.20
Brockenhurst College	18,796	1,607	8.60
Oldham College	20,743	1,763	8.50
City Of Westminster College	23,338	1,954	8.40
West Nottinghamshire College	37,348	3,114	8.30
West Suffolk College	3,024	1,876	8.10
Basingstoke College Of Technology	18,332	1,422	7.80
Wigan And Leigh College	32,570	2,437	7.50
Accrington And Rossendale College	17,246	1,281	7.40
Park Lane College	32,482	2,364	7.30
Uxbridge College	24,493	1,709	7.00
Havant College	6,751	467	6.90
Redbridge College	13,281	909	6.80
Oxford And Cherwell Valley College	31,180	2,023	6.50
Bradford College	57,599	3,616	6.30
Hull College	45,079	2,790	6.20
College Of North East London	30,808	1,862	6.00
Stephenson College	17,045	1,027	6.00
Isle Of Wight College	14,432	843	5.80
Newham College Of Further Education	43,426	2,334	5.40
Lincoln College	28,554	1,500	5.30
West Kent College	20,870	1,049	5.00
Greenwich Community College	19,262	943	4.90
Walsall College Of Arts And Technology	27,576	1,355	4.90
Lewisham College	36,324	1,726	4.80
Swindon College	20,19	886	4.40
Croydon College	32,051	1,335	4.20
Knowsley Community College	25,630	1,075	4.20
Shrewsbury College Of Arts And Technology	13,861	577	4.20
Stanmore College	10,114	429	4.20

DEVELOPING OUR CHALLENGE TO THE PRIVATE SECTOR

Issues for branches

UCU branches will have to be alive to the possibility that their college may seek to form new public-private partnerships with private training companies as happened at Castle College and has happened in another form at Newcastle College. If the increasing use of assessor contracts and the pressure to work antisocial hours are to be resisted, branches should also seek to play a far greater role in regulating the process of bidding for Train2Gain contracts. Similarly, branches should make enquiries about the partnership arrangements operated by their companies to establish whether existing members are engaged in teaching or assessing on them.

UCU will shortly be publishing a major campaigning resource to assist all branches, HE or FE, who face the outsourcing of courses or the establishment of PPPs for educational or training provision. We will also shortly be producing a new resource specifically for FE branches, aimed at helping them to campaign and bargain around the process of bidding for contestable funding contracts.

Branches with Train2Gain funding or partnership arrangements on which members teach or assess should try to organise meetings with their affected members to ensure that the lines of communication are open with them so that they can report issues as they arise.

Issues for the union

The union as a whole faces a major challenge in responding to these developments. Clearly, the collapse of Carter and Carter and the financial crisis in the British economy offer an opportunity for the union to press the ideological and practical case against public money being used to subsidise private training companies and their City backers. That is a fight the union must and will take up. We will be developing the case for public control and accountability and taking it to government and the funding bodies.

But the scale of private sector operations in adult learning now is such that the union must develop a strategy that deals with it as a significant agent in the system. The best strategy will be one that aims

to create a hostile and regulated environment for private companies in order to deter them where possible and raise the costs of their involvement in tertiary education where they already operate. As well as providing a sounder basis for returning private provision into the public sector, it will prevent the private sector operating as it currently does to drag down employment standards.

This raises questions for the union about whether to target key private sector operators for recruitment campaigns. Newcastle College's acquisition of large parts of Carter and Carter's training operations becomes highly significant at this point since the college is a public sector provider, even though it appears to be claiming that these its training operations will be stand alone private sector enterprises. A campaign to organise and recruit in these enterprises would have several advantages to pure 'greenfield' recruiting in one of the competitor companies and could act to establish standards of employment that are more comparable with those of existing further education staff.

With the proportion of public funding channelled into contestable streams set to grow until 2010–11, standing still on this issue is clearly not an option. ■

Appendix 1

FE colleges with Train2Gain contracts of £250,000 and above in 2007–8

The amount of money indicated is an aggregate of each provider's contracts with more than one local LSC, except where there is only one contract, in which case the region and local LSC are indicated.

FE College	Total £	FE College	Total £
Accrington And Rossendale College	1,281,302	Ealing, Hammersmith and West London College	1,759,871
Askham Bryan College	1,150,204	East Berkshire College	808,881
Basingstoke College Of Technology	1,421,701	Eastleigh College	5,066,041
Bedford College	679,515	Exeter College	976,680
Blackpool And The Fylde College	623,443	Gateshead College	294,032
Boston College	1,573,072	Gloucestershire College of Arts and Technology	352,440
Bradford College	3,616,405	Greenwich Community College	942,942
Braintree College	1,554,353	Grimsby Institute of Further and Higher Education	1,458,159
Bridgwater College	558,000	Guildford College of Further and Higher Education	1,153,457
Brockenhurst College	1,607,109	Hackney Community College	294,319
Bromley College of Further and Higher Education	537,041	Halesowen College	292,005
Burnley College	364,050	Harlow College	746,935
Bury College	707,553	Havant College	467,100
Cambridge Regional College	2,884,125	Havering College of Further and Higher Education	1,062,436
Canterbury College	778,207	Hopwood Hall College	355,945
Carshalton College	427,056	Huddersfield Technical College	3,199,648
Castle College Nottingham	501,990	Hull College	2,789,748
Central Sussex College	3,453,643	Isle Of Wight College	843,056
Chesterfield College	500,000	Kensington and Chelsea College	391,838
City And Islington College	609,585	Kingston College	364,375
City College Manchester	279,890	Knowsley Community College	1,074,744
City College, Norwich	584,355	Lambeth College	953,478
City Of Bristol College	492,840	Lancaster and Morecambe College	664,845
City Of Westminster College	1,953,554	Leeds College Of Building	491,834
City Of Wolverhampton College	600,438	Leicester College	1,661,455
College Of North East London	1,862,436	Lewisham College	1,726,439
College Of North West London	1,208,568	Lincoln College	1,500,000
Cornwall College	752,760	Liverpool Community College	363,505
Croydon College	1,335,064	Loughborough College	570,840
Darlington College	428,533		
Derby College	1,149,500		
Derwentside College	250,600		
Dudley College	407,499		

FE College	Total £	FE College	Total £
Manchester College of Arts and Technology (Mancat)	1,750,000	South Nottingham College	300,000
Mid-Cheshire College	317,412	Southwark College	2,344,622
Nelson And Colne College	375,000	St Helens College	266,400
New College, Durham	312,768	Stanmore College	428,950
New College, Nottingham	1,186,411	Stephenson College	1,026,915
New College, Swindon	411,640	Stockport College	652,103
Newcastle College	2,207,563	Stoke On Trent College	1,216,380
Newham College of Further Education	2,333,739	Stourbridge College	880,103
North Devon College	900,720	Strode College	401,760
North Hertfordshire College	4,177,328	Stroud College in Gloucestershire	962,640
North Lindsey College	2,289,416	Sutton Coldfield College	347,250
North West Kent College	277,314	Swindon College	885,980
Northampton College	500,000	Tameside College	340,845
Northumberland College	331,950	Telford College of Arts and Technology	4,896,895
Orpington College	443,760	The Bournemouth and Poole College	544,860
Oxford And Cherwell Valley College	2,022,930	The Oldham College	1,762,500
Park Lane College	2,364,082	Tower Hamlets College	809,733
Pendleton College	504,779	Trafford College	899,422
Plymouth College of Further Education	484,220	Tresham Institute of Further and Higher Education	525,450
Preston College	3,505,122	Truro College	740,160
Reaseheath College	434,480	Tyne Metropolitan College	308,492
Redbridge College	908,656	Uxbridge College	1,709,466
Richmond Adult Community College	1,653,843	Wakefield College	664,448
Riverside College Halton	626,310	Walsall College	1,355,316
Rotherham College of Arts and Technology	2,146,833	Warrington Collegiate	420,350
Runshaw College	302,400	Warwickshire College	328,002
Salford College	372,960	West Cheshire College	665,190
Shrewsbury College of Arts and Technology	577,140	West Kent College	1,049,039
Somerset College of Arts and Technology	288,720	West Nottinghamshire College	3,113,850
South Birmingham College	275,355	West Suffolk College	1,876,170
South Devon College	360,500	Westminster Kingsway College	1,018,128
South East Derbyshire College	1,297,830	Weston College	520,740
South East Essex College of Arts and Technology, Southend	370,138	Wigan and Leigh College	2,436,844
South Kent College	406,997	Wiltshire College	388,440
South Leicestershire College	1,500,000	Worcester College of Technology	1,003,038
		York College Of Further and Higher Education	525,825

Source: LSC Train to Gain Allocations 2007-08, as at 12.11.07 (approved allocations only); aggregate calculations by UCU.

Appendix 2

Partner providers with contract value of over £250,000

(usually between 100 and 1,000 learners)

Provider name	Partner provider trading name	Contract value £
North Devon College	Achievement Training Limited	250,000
B&P College	Tektra Ltd	396,335
B&P College	Project Initiatives	719,000
CRC	College of West Anglia	264,195
CRC	Q Training	276,962
CRC	Intrinsic Training Solutions	387,289
CRC	HIT Training Ltd	412,189
CRC	Community Skills and Dev Agency	425,580
CRC	HRC	599,927
CRC	Peterborough Regional College	639,071
PRC	QGS Synergy	272,700
PRC	Construction Learning World	272,700
PRC	JPB Training Services Ltd (This is only a possible future contractor at this stage)	272,700
South Cheshire College	Petty Pool Trust	761,000
West Cheshire College	Prince's Trust	277,472
Derwentside College	Future Strategies Consulting Ltd	260,000
Derwentside College	Agudist Women's Information Technology and Teleworking Group (AWITT)	300,757
Derwentside College	NA College Trust Ltd	550,000
City College	JBC Computers Ltd	463,614
Chesterfield College	Critical Skills Training	333,333
Chesterfield College	Association for Real Change	375,000
Derby College	East Midlands College	663,000
Derby College	Prince's Trust	945,000
South East Derbyshire College	Construction Learning World (FE)	820,000
South East Derbyshire College	Construction Learning World (Train to Gain)	1,004,000
North Devon College	Torrige Training Services	300,000
Colchester Institute	TBG Learning	282,000
Colchester Institute	Mencap	400,000
South East Essex College	Central Training Academy	500,000
City College Manchester	Greater Manchester Fire and Rescue Service	360,000
Hopwood Hall College	Groundwork Trust	377,080
North Trafford College	Northern Management Resources	342,236

Provider name	Partner provider trading name	Contract value £
North Trafford College	Access to Music Limited	663,099
Salford College	Carillion Craft Training	440,000
Southport College	Carillion Construction Training	558,568
St Helens College	Princes Trust Merseyside	280,000
Eastleigh College	Trade Assessments Ltd	261,000
Eastleigh College	Carillion Craft Training	357,000
Eastleigh College	N-Ergy	575,500
Isle of Wight College	Platform One (IOW) Ltd	406,085
North East Worcestershire College	First Response Training	475,080
Worcester College of Technology	IPP (Institute of Payroll & Pensions) Ltd	413,000
Grimsby Institute of FE & HE	Skegness College of Vocational Training	418,365
Grimsby Institute of FE & HE	EDAS (Grimsby) Ltd	525,311
Hull College	GRM Training	254,221
Blackburn College	Training Options (UK) Ltd	300,000
Preston College	Lancashire Fire & Rescue Services (Prince's Trust)	536,574
Leicester College	National Design Academy	850,000
Leicester College	YMCA Fitness Industry Training	879,400
Stephenson College	Apex Leicester Project Ltd	783,411
Boston College	Pat Clarke Total Training	285,017
Moulton College	University of Northampton	516,000
Northumberland College	Interactive Development Limited	267,000
Northumberland College	Learning First Limited	270,000
Castle College	Peter Rowley	413,465
Castle College	BTCV Institute	765,954
Castle College	Nova Centric Ltd, trading as Confetti Sound	2,025,918
New College Nottingham	Nottingham Community College	777,679
North Nottinghamshire College	Retford College	750,000
West Nottinghamshire College	Richard Owen Ltd	267,025
West Nottinghamshire College	White Rose Central College	290,765
West Nottinghamshire College	First Bus	299,973
West Nottinghamshire College	Klitra	307,333
West Nottinghamshire College	Trackworks	377,654
West Nottinghamshire College	Assa	400,269
West Nottinghamshire College	Carillion	570,940
West Nottinghamshire College	Utilise	668,115
Rotherham College of Arts and Technology	Carl Duisberg Language Centre	250,000
Rotherham College (of A & T)	Sheffield School of Health and Beauty	475,000
West Nottinghamshire College	Utilise	668,115
Rotherham College (of A & T)	Carl Duisberg Language Centre	250,000

Provider name	Partner provider trading name	Contract value £
Rotherham College (of A & T)	Carl Duisberg Language Centre	250,000
Rotherham College (of A & T)	Sheffield School of Health and Beauty	475,000
Sheffield College	DC Training & Development Ltd	320,680
Sheffield College	Peter Rowley Ltd	461,240
South Yorkshire Training Trust	Northern Racing College	592,626
Redcar and Cleveland College	The TTE Technical Training Group	1,800,000
Stockton Riverside College	Carillion Craft Training	494,100
Stockton Riverside College	The Training Partnership	556,160
Stockton Riverside College	ARC Training (NE) Ltd	650,580
Milton Keynes College	Premier International Limited	325,490
Milton Keynes College	Princes Trust Partner: Creating Futures Ltd	846,780
Milton Keynes College	MK Language Centre	1,200,493
Ruskin College	Amicus	299,536
City of Sunderland College	Bridge Project	316,000
City of Sunderland College	Sunderland Engineering Training Association Ltd (SETA)	378,740
City of Sunderland College	Carillion Construction Training	432,473
City of Sunderland College	Carillion OSAT Training 19+	877,422
Gateshead College	Development Training NE Ltd	377,000
Gateshead College	Future Strategies Consulting Ltd	782,000
Newcastle College	Rehab UK	270,000
Newcastle College	Lancashire Fire and Rescue	275,100
Newcastle LA	Learning First Limited	350,000
Tyne Metropolitan College	Lomax Training	266,667
Tyne Metropolitan College	Carillion Craft Training	283,333
Dewsbury College	White Rose School of Beauty (The Central College of Health and Beauty, Leeds)	602,755
Joseph Priestley College	White Rose School of Beauty (The Central College of Health and Beauty, Leeds)	428,000
Leeds Thomas Danby	Tyro Training (Craven College)	270,140
Leeds Thomas Danby	PATH West Yorkshire	270,140
Leeds Thomas Danby	Trackwork Training	279,444
Park Lane College	Peter Rowley Ltd	250,000
New College Swindon	Royal Artillery	268,930
New College Swindon	Migrant Training	383,589

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