

Exclusive: Providers ‘barely breaking even’ from £1bn Saudi college programme

A major programme to run colleges in Saudi Arabia said to be worth £1 billion to the UK economy has been dubbed a failure by several UK providers involved in the project, who say they are struggling to break even.

Some 16 British operators have been hired to run 37 Saudi institutions under the Colleges of Excellence (CoE) programme, which is designed to improve provision of vocational education in the Kingdom.

However, representatives of several operators told *EducationInvestor* student demand had been minimal, and some have been left running virtually empty colleges.

This has left a number struggling to meet their costs – a situation exacerbated by “unrealistic” performance-related targets, staff shortages and poor infrastructure.

Highlighting the discord, Pearson, which was contracted to run three colleges through its TQ division in 2013, has confirmed it dropped out of the programme in June.

It is understood to be in a legal dispute with the Colleges of Excellence – the private company contracted to run the programme on behalf of the Saudi government – but declined to comment on the matter. The chief executive of CoE, Dr Saleh Alamr, did not respond to email requesting comment.

‘Colleges could go bankrupt’

Launched in 2012, the Colleges of Excellence programme involves providers from several countries, including the US, New Zealand and Germany, but UK companies and colleges have won most of the contracts to date.

Most are operating in consortia, such as Hertvec, which includes Hertford Regional College, North Hertfordshire College and Saudi construction firm Samama Holdings. It won a £225 million five-year deal to run three colleges in 2014.

Dr Ian Baird, who stepped

down as chief executive of Hertvec in June, said that after numerous challenges he did not expect the group to break even.

“The Colleges of Excellence project was deemed to be a massive change to how technical and vocational education is delivered in the Kingdom, but the initial excitement for providers has waned,” said Baird, who previously led Pearson’s Saudi consortium.

“The size and complexity of this project could actually cause British state-funded colleges to go bankrupt, as they incur costs without getting paid for the resources they are providing.”

‘Ghost colleges’

Others said they had struggled as well – their chief complaint being that they were told there would be high demand for their courses before signing up to the programme.

Promotional materials from the Saudi government at the time stated “enrolment numbers are unlikely to be of concern”,

and that “there is far greater demand for vocational training in the Kingdom than supply”. But in reality take-up has been low, particularly at colleges in remote parts of the country.

One institute, run by German trade body GIZ and engineering firm Festo, is understood to have around 50 active students, despite having a capacity for several thousand. Hertvec’s numbers are understood to be well below target.

Interserve, a private provider contracted to run three colleges, said it had recruited 1,500 students across its sites and was making “good progress”. However, *EducationInvestor* understands around 1,000 of these students are based at one site, leaving the two other colleges significantly under-attended.

A provider who declined to be named said: “You get paid on a per pupil basis and in some of our colleges there isn’t enough volume to support the core faculty staff.

“You’re also paid for attendance – if students attend

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80% of their anticipated hours – but dropout rates have been very high, because respect for vocational education is low and many students don't have the aptitude to progress.”

He said the consortium “might break even” this year but is unlikely ever to achieve its anticipated profits.

“We have been given ‘minimum guarantees’, but to be honest they are pretty worthless because our operating cost base is far in excess of that,” he said.

Chris Kirk, the former chief executive of GEMS Education Solutions, set up the The Oxford Partnership, comprising GEMS Education (since replaced by Al Farabi College), Activate Learning and Moulton College.

It won a deal in 2014 to run four women's colleges in Al Jouf Sakaka, Arar, Al Qurayyat and Al-Madinah.

Kirk, who is now a partner at PwC, said “the vision [of the programme] remains a strong one” but said there had been challenges.

“[These include] recruiting and acclimatising the required

numbers and quality of Western staff to life in Saudi Arabia, overly-optimistic initial projections of student demand, a lack of understanding of the length of study needed so that students will achieve English proficiency, and teething problems with the infrastructure provided.”

Embarrassment for UKTI

The Saudi government did not respond to emails requesting comment, but in April the country's Consultative Assembly halted the opening of new colleges until quality concerns were addressed.

Others said they blamed foreign contractors for not doing proper due diligence and underestimating the risks of operating in Saudi Arabia.

The revelations will be an embarrassment for UK Trade & Industry (UKTI), the government agency tasked with promoting British education abroad. Last April it described the Colleges of Excellence

programme as “a £1 billion exports win for UK education”, while former skills minister Matthew Hancock called it “a vote of confidence in the UK's improving education system”.

UKTI initially declined to comment, but later told *FE Week*: “While the CoE programme has encountered challenges, the UK providers are working with UKTI and CoE to ensure the success of the programme.

“UKTI continues to support the Saudi government's ambitions to broaden and improve technical and vocational education and training provision in the country.”

It also comes at a bad time for English colleges which face mounting financial difficulties after five years of stringent cuts. More than 10 providers involved in CoE are taxpayer-funded, and Baird said that public money was being wasted.

Institutions such as Highbury College and Hertford Regional College declined to comment,

while others including Nescot and Lincoln did not respond to requests for comment.

Sally Dicketts, chief executive of Activate Learning – which runs three colleges and is a member of The Oxford Partnership – told *FE Week*: “[The partnership] entered into the agreement with CoE recognising that it would be a long-term investment.

“We remain fully committed to our colleges in the Kingdom of Saudi Arabia, which also represent a social investment in empowering women and equipping them with the skills required to access meaningful employment.”

However, a college principal who did not want to be named, told *EducationInvestor* that his college was indeed sustaining losses.

“I don't believe anybody is going to make money out of the Colleges of Excellence programme. They will also find it very hard to extract themselves from the contracts which are frankly grisly,” he said.