



Education Committee

From the Chair
Helen Hayes MP

Rt Hon Andy Burnham MP
Prime Minister

Rt Hon John Healey MP
Chancellor of the Exchequer

Rt Hon Lucy Powell MP
Secretary of State for Education

Tuesday 8 September 2026

Dear Prime Minister,

VAT and Further Education

Thank you for the response from the Exchequer Secretary to my letter of 10 April regarding VAT refunds for further education colleges. I'm grateful for the Government's continued consideration of this issue and I recognise the additional investment that has been announced for skills and further education.

However, I remain concerned that FE colleges continue to face a tax burden that does not apply to other state-funded education providers. The Treasury's response argues that FE colleges do not meet the historical rationale for existing VAT refund schemes. However, since colleges were reclassified as public sector bodies in 2022, the continued exclusion of FE colleges from VAT refund arrangements available to other state-funded education providers has become increasingly difficult to justify.

The practical effect is that public money intended for the education and training of young people is diverted back to the Treasury, while schools, academies and other post-16 providers are not subject to this same disadvantage. This issue is particularly pressing given the scale of the challenge currently facing young people. Alan Milburn's review warned that almost one million young people are not in education, employment or training (NEET), with numbers potentially rising further without intervention. His report identified further education as the "primary recovery layer" for many of those most at risk of disengagement from work and learning.

The Government has rightly placed renewed emphasis on technical education and creating clear pathways into skilled employment. During our inquiry into Further Education and Skills, my Committee saw firsthand the excellent technical education and training being delivered by City College Norwich. The college's Construction Skills Hub is helping to train the next generation of skilled construction workers. Yet, as we heard during our visit to the college last year, had the college not been required to pay VAT on the building of the Hub, it could have used the funding available to expand the building further, potentially adding an extra storey and creating additional capacity for learners.

The forthcoming Budget provides an opportunity to translate the Government's ambition for parity between academic and technical education into practical action. Ending the unjustifiable VAT burden on FE colleges would direct resources into frontline provision, it would strengthen technical education and demonstrate that further education is valued on an equal footing with the rest of the state education system. I therefore urge you to use the Budget in October to resolve this issue and remove the unfair disadvantage faced by further education colleges.

I look forward to hearing from you on this matter.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Helen Hayes', with a horizontal line underneath the name.

Helen Hayes MP
Chair, Education Committee