



Education Committee

From the Chair
Helen Hayes MP

Rt Hon John Healey MP
Chancellor of the Exchequer

Tuesday 15 September 2026

Dear Chancellor,

Financial Statement and Budget 2026

I am writing to you as Chair of the Education Committee to highlight a number of funding and spending priorities that have emerged from the Committee's recent work.

Higher education

We remain very concerned about the financial state of the higher education sector. This has been manifested in high levels of redundancies for academic and support staff, the closure of departments and campuses, the merger of institutions (such as the Universities of Kent and Greenwich), and the takeover of Lincoln Bishop University by Global University Systems. This has sat alongside a reduction in international student numbers following the tightening of immigration rules and continuing negative trends in visa applications for international students over the summer.

Given the financial pressures facing the higher education sector, the ability for Higher Education institutions to share backroom services to benefit from economies of scale and share best practice is vital. Yet our inquiry on Higher Education and Funding heard that VAT rules on shared services were often a barrier to collaboration, and the current Cost Sharing Group VAT exemption had been found to be unworkable by some institutions.

Furthermore, when we wrote to HM Treasury seeking to understand the potential revenue impact of changes to VAT rules, the then Exchequer Secretary, Dan Tomlinson MP, told us that it was not possible to breakdown VAT receipts that relate to suppliers of shared services, as organisations are not required to provide this level of detail in VAT returns. The Government response to our report stated that there was work across Government "to jointly explore whether/how VAT rules constrain effective collaboration". Therefore, we would urge that the Government again consider our

recommendation at the Budget to support and facilitate providers to draw down the benefits of sharing back-office functions.

The Committee further recommended the reintroduction of the Strategically Important and Vulnerable Subject programme through the Strategic Priorities Grant. This would help to support subjects that are both strategically important and vulnerable to the emergence of cold spots.

Further education

The Government has rightly set out the importance of supporting and improving the Further Education sector as a priority. The Committee has, however, heard compelling evidence that funding for the Further Education sector remains under considerable strain. Despite recent funding increases, evidence received during our inquiry into Further Education and Skills showed that per-student funding remains below historic levels in real terms, following substantial reductions over the past decade. At the same time, colleges and other providers are facing growing demographic pressures as the population of 16 to 18-year-olds continues to increase. Whilst we welcome the additional investment announced in the last Spending Review, it is essential that funding keeps pace with both inflation and rising student numbers.

FE colleges face a tax burden which other state-funded education providers do not have to bear. Since FE colleges were reclassified as public sector bodies in 2022, their exclusion from VAT refund schemes that are available to schools and academies has become increasingly difficult to justify. This tax arrangement diverts funding intended for education back to the Treasury at a time when colleges have a vital role to play in addressing rising numbers of young people not in education, employment or training. Removing this disparity would redirect resources to frontline education, support the Government's ambitions for technical training and help address rising levels of youth economic inactivity and disengagement from education.

Mobile phones in schools

The Committee supports the Government's decision to place guidance on mobile phone use in schools on a statutory footing. This policy helps school leaders and teachers to apply restrictions consistently and it also encourages parental support. However, schools should not be expected to bear the cost of implementing stricter policies themselves. Where schools choose to adopt phone-free approaches or use lockable pouches or lockers, the Government must provide dedicated, additional funding to support their implementation and minimise classroom distraction.

Reading for pleasure

In our recently concluded inquiry into reading for pleasure, we heard concerning evidence about the steep decline in reading over the past 20 years. The role of schools in encouraging pupils to read cannot be overstated, and they must be funded and supported to effectively fulfil this role. We are calling for the Government to extend its pledge to fund a library in every primary school to include every secondary school, and to commission and fund research into best practice to support reading for pleasure in secondary schools.

Public and community libraries are essential infrastructure and are a lifeline in enabling children and young people to access books, particularly the most disadvantaged. The Committee is calling on the Government to restore the funding for public libraries that has been lost since 2010 by the end of this Parliament. We are also recommending that the Government fund a dedicated outreach officer for all library services and establish a 'library sufficiency standard' for local authorities.

Historical forced adoption

The Committee welcomes the Government's commitment to provide support for those affected by historical forced adoption practices. The mothers and adoptees we heard from, and who contributed so powerfully to our inquiry, deserve practical and sustained support alongside recognition of the harms they experienced, and we will continue to monitor the Government's delivery of its commitments to these survivors. We therefore urge the Government to ensure that sufficient funding is available to deliver its support package in full. We also ask for the Government to provide the Committee and survivors with greater clarity on how this funding will be allocated, over what timeframe, and how adequacy of provision will be assessed.

The Committee believes that investment in the areas outlined in this letter would deliver substantial benefits for learners, education providers, communities and the economy. I hope that these priorities will be reflected in the Government's Budget decisions, and I look forward to continuing our engagement with the Treasury on these matters.

Yours sincerely,

A handwritten signature in blue ink, which appears to read 'Helen Taylor'. The signature is written in a cursive, flowing style with a horizontal line underneath the name.

Helen Hayes MP
Chair, Education Committee