



Permanent Secretary

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Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
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Dear Chair

38th PAC Report of Session 2019-21 – Managing colleges’ financial sustainability

I am writing to update you on progress in taking forward recommendations in the Committee’s report published on 27 January.

Recommendation 3 - The Department should work with HM Treasury to assess the merits of making the rules on VAT consistent for schools and colleges

My officials and I have been examining this recommendation. We have held discussions with both HM Treasury and HM Revenue and Customs, to assess the merits of a consistent set of VAT rules and consider the implications for implementation.

These cross-departmental discussions have given us a fuller understanding of the technical nature and legislative requirements needed to bring about such change. We have prepared and shared relevant documentation with HM Treasury and HM Revenue and Customs for their shared consideration and views on how to proceed.

I am hopeful this documentation will support HM Treasury as it considers any future policy and / or legislative development in this area, and will enable HMRC to consider the administrative implications, should there be a change in policy.

This recommendation remains in progress and DfE will continue to engage with both HM Treasury and HM Revenue & Customs on this proposal.

Recommendation 5 - The Department should consider a change to the formula for funding colleges which takes account of real time or more recent information about student numbers. It should report back to us by the summer about how funding could be delivered that better reflects colleges’ real time position.

We agree that there is a need to reform the funding formula, and in July 2021 the Department launched [Reforms to further education \(FE\) funding and accountability](#) - a consultation into the funding mechanisms within FE adult skills - to examine how funding could be delivered that better reflects colleges' real time position.

In the January 2021 [Skills for Jobs White Paper](#), we set out our plans to transform further education, so it supports people to get the skills our economy needs throughout their lives, wherever they live in the country. Focusing post-16 skills on this core mission will increase productivity, support growth industries, and give individuals opportunities to progress in their careers. The consultation on funding is a commitment made in the white paper and is seeking views on methods of funding. It is worth noting that we're considering changes to adults funding, but 16-19 funding will currently remain unchanged.

We believe this mechanism of in-financial year growth up to the limit of the growth allowed by the department enables support to be provided for colleges and the benefits of the lagged system to be maintained and we recommend it. Whilst further policy work on this is required to refine these proposals, it is assuring that the Committee's recommendations compliments the direction of travel for the future funding system that the Department is pursuing.

Recommendation 6 - The Department should set out within three months what actions it plans to take to improve its intervention arrangements, and how it will assess the success of these actions.

In our Treasury Minute response of 25 March we accepted the recommendation and committed to consult with stakeholders to review and publish an update to our college oversight: support and intervention policy. I can confirm that we have now done so and a copy of the revised guidance for colleges, effective from 1 September 2021 is published at. [College oversight: support and intervention - GOV.UK \(www.gov.uk\)](#)

The revised guidance reflects a more proactive and preventative approach to supporting colleges, through a package of measures called 'active support'. For example, all colleges can now request diagnostic assessments

From 1 September there will be a single Intervention category and we will seek to move colleges out of Intervention more quickly, where there is evidence to support this decision. To enable this, we will introduce 'post-intervention monitoring and support' and agree a plan of action before a college exits Intervention. We will also develop metrics to track progress and evaluate the effectiveness and impact of this change.

We are currently consulting on more fundamental changes to the relationship between colleges and government, through the Funding and Accountability Consultation [Reforms to further education \(FE\) funding and accountability - GOV.UK \(www.gov.uk\)](#)

Recommendation 7 - The Department should undertake research into the extent to which college support services are meeting students' needs, including canvassing the views of students themselves. In its Treasury Minute response, we expect the Department to give a firm commitment to taking this action, and details of the timetable for the research.

I am setting out below what the Department has done to undertake research into the extent to which college support services are meeting students' needs, including

canvassing the views of students themselves.

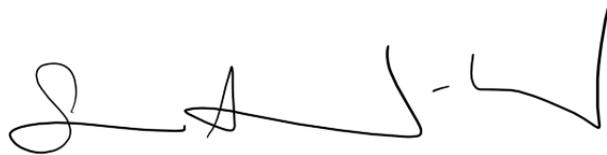
The Department has recently completed the Further Education Learner and Apprentice Experience Survey (FELAES). The survey was designed to understand the experiences of further education learners during the COVID-19 pandemic for the 2020-21 academic year.

The survey was run throughout England, to provide greater insight into the impacts of the pandemic on learners in further education. It focused on areas including pastoral support and quality of teaching in addition to remote learning, impact on learning and apprentices' experiences with their employer and training provider.

The survey was conducted by telephone and online to ensure it was inclusive of all cohorts, including disadvantaged learners. It gave learners the opportunity to feed back to the Department on their experience, which will help inform future policy development.

Fieldwork has been completed and analysis of the data is underway with publication of the results to follow.

I hope this letter is helpful to the Committee.

A handwritten signature in black ink, appearing to read 'S Acland-Hood', written in a cursive style.

**SUSAN ACLAND-HOOD
PERMANENT SECRETARY**