



ASSOCIATION
OF COLLEGES

The Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
Sent via: action.chancellors@hmtreasury.gov.uk

2nd October 2024

Dear Chancellor,

As college leaders, we are writing to ask you to use the October budget to address the lecturer recruitment and retention crisis in our sector, fully fund the growing numbers of young people in colleges, and offer colleges the VAT reimbursement that schools benefit from. Taking these three actions will help to ensure colleges can play their vital part in delivering the government's missions.

The staffing challenge facing colleges is stark. After a decade of cuts under the previous government, college lecturer pay lags far behind school teacher pay – over £9,000 on average – and even further to industry. This directly hampers the supply of new workers in key skills shortage sectors, including construction, engineering and health and social care, and stifles economic growth. The decision to award school teaching staff a 5.5 per cent pay award for 2024-25 and not make funding available for colleges to be able to do the same will sadly see this challenge only deepen, unless action is taken.

Without the lecturers, skill shortages will remain, making it unlikely that the government will be able to fully deliver a number of manifesto commitments, including the 1.5 million new homes, the transition to net zero, a reformed NHS and the productivity gains needed to secure strong economic growth.

Our second request is that you recognise that the growing cohort of 16-year-olds means that colleges are educating and training ever greater numbers. That growth contrasts with falling pupil numbers in schools and requires both a commitment to fund in-year growth to meet demographic growth for 2025-26, as well as capital investment to deliver the extra space and equipment needed.

Our third ask is also urgent. The imminent extension of VAT to independent schools offers the perfect opportunity to put right the injustice of colleges having no VAT relief despite their strong social inclusion and public service roles. Colleges spend an estimated £210 million a year on VAT (3% of income) that they cannot reclaim, unlike schools and academies where VAT is reimbursed. The result is that college students have fewer resources spent on them than their peers in schools.

Taking these three steps in the October budget will help us to deliver the government's missions and equip young people and adults with the skills they need to succeed.

Yours sincerely,
Signatories:

Abigail Appleton, Principal and Chief Executive, Hereford College of Arts
Alan Pease, Principal and CEO, Suffolk New College
Alex Scott, Principal and Chief Executive, Itchen College
Alison Andreas, Principal and Chief Executive, Colchester Institute
Alun Francis, Chief Executive, Blackpool and the Fylde College
Amanda Down, Principal Sixth Form and HE, The Windsor Forest College Group
Andrew Gower, Principal and CEO, Morley College London
Andrew Kaye, CEO, South Hampshire College Group
Andy Berry, Principal and CEO, Bridgwater & Taunton College
Andy Broadbent, Principal and Chief Executive, New College Durham
Andy Green, CEO, Chichester College Group
Angela Foulkes, Chief Executive and Principal, The Sheffield College
Angela Joyce, Chief Executive Officer, Capital City College Group
Anita Lall, Principal and CEO, Craven College
Ann Hardy, CEO, TEC Partnership
Anna Dawe, Principal and CEO, Wigan and Leigh College
Anthony Bravo, Principal and CEO, Basingstoke College of Technology
Bill Jones, Deputy CEO and Executive Principal, Leeds City College (part of Luminate Education Group)
Bill Webster, Principal and CEO, Bolton College
Caireen Mitchell, Principal and CEO, Croydon College
Carina Vitti, Principal, Holy Cross College
Carol Thomas, Principal and CEO, Coventry College
Carole Todd, Deputy CEO and Principal, Darlington College
Chris Nattress, Principal and CEO, Lakes College
Chris Todd, Principal and CEO, Derwentside College
Christine Ricketts, Principal and CEO, Brooklands Technical College
Claire Boliver, Principal and CEO, South Staffordshire College
Claire Foster, Principal and CEO, Boston College
Clare Russell, Principal and CEO, Runshaw College
Colin Booth, CEO, Luminate Education Group
Colin Shaw, Group Sixth Form Principal, West Suffolk College
Corrie Harris, Principal and CEO, Loughborough College
Corrienne Peasgood, President, Association of Colleges
Craig Hodgson, Principal and Chief Executive, Newcastle and Stafford Colleges Group
Danny Metters, Principal and CEO, Bishop Burton College

Darren Hankey, Principal and CEO, Hartlepool College of FE
David Akeroyd, Principal and Chief Executive Officer, Barnsley College
David Alexander, Principal and Chief Executive, Gateshead College
David Glead, Chief Executive and Executive Principal, North Kent College
David Hughes, Chief Executive, Association of Colleges
David Malone, Principal and Chief Executive, Calderdale College
David Pomfret, Principal and Chief Executive, College of West Anglia
David Warnes, Principal and CEO, Chelmsford College
David Williams, Principal and CEO, Herefordshire, Ludlow and North Shropshire College
Dawn Whitmore, CEO and Principal, SMB Group
Debra Gray MBE, Principal and CEO, Hull College
Denise Brown, Group CEO, South Essex College of Further and Higher Education
Diana Bird, Principal and CEO, Shipley College
Dr Lindsay Pamphilon, CEO and Principal, East Surrey College
Dr Rebecca Gater, Principal and Chief Executive, Solihull College & University Centre
Dr Sam Parrett CBE, Group CEO, London South East Colleges
Elaine Bowker, Principal and Chief Executive, The City of Liverpool College
Emma Beal, Principal and CEO, Northern College for Adults
Fazal Dad, Principal and Chief Executive, Blackburn College
Fiona Morey, Executive Principal South Bank Colleges, South Bank Colleges
Gary Headland, CEO, Activate Learning
Gavin Hughes, Principal, Richmond upon Thames College
Gerry McDonald, Group Principal and CEO, New City College
Gill Banks, Principal and CEO, Wirral Met College
Gill Burbridge, Principal and CEO, Leyton Sixth Form College
Gill Worgan, Principal and CEO, West Herts College Group
Gillian May, Group Principal and CEO, The Windsor Forest Colleges Group
Graham Razey OBE, CEO, EKC Group
Graham Thompson, Principal, Saint Francis Xavier Sixth Form College
Grant Glendinning, Chief Executive and Group Principal, Education Training Collective
Helen Odhams, Principal and CEO, Brockenhurst College
Iain Hatt, Principal and CEO, Wiltshire College & University Centre
Iain Wolloff, Principal and Chief Executive, Newbury College
Jackie Grubb, Chief Executive and Principal, City College Plymouth
Jackie Moores, Principal and CEO, Tameside College
Jacqui Canton, Principal and Chief Executive, Abingdon and Witney College
Jacquie Carman, Principal and CEO, Halesowen College
James Scott, Principal and CEO, The Trafford and Stockport College Group
James Staniforth, Principal and CEO, Shrewsbury Colleges Group
Jamie Purser, Principal and CEO, NewVic 6th form College
Janet Smith, CEO and Principal, Nottingham College
Jasbir Dhesi OBE, Principal and CEO, Cheshire College South & West



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Jason David Lancaster, Principal and CEO, Northampton College
Jatinder Sharma, Principal and Chief Executive, Walsall College
Jenny Craig, Principal and CEO, Buckinghamshire College Group
Jeremy Kerswell, Principal and CEO, Plumpton College
Jerry White, Principal and CEO, City College Norwich
John Beaty, Principal and CEO, Burton and South Derbyshire College
John Laramy CBE, Principal and CEO, Exeter College
John O'Shea, Principal, Kingston and South Thames Colleges
John Rees, Chief Executive Officer, DN Colleges Group
John Thornhill, Chief Executive, LTE Group
Jon Ridley, Principal, Newcastle College
Julia Gray, Principal and CEO, City of Bristol College
Julia Heap, Principal and CEO, Hopwood Hall College and University Centre
Julie Kapsalis, Principal and CEO, Nescot
Julie Milburn, Principal and CEO, Sparsholt College Group
Julie Richards, Principal and CEO, Chesterfield College
Karen Buchanan, Principal, Burnley College
Karen Redhead OBE, CEO and Principal, West London College
Karen Spencer, Principal and CEO, Harlow College & Stansted Airport College
Katy Quinn, Principal and CEO, City of Portsmouth College
Keith Smith, CEO, HRUC
Kelvin Nash, Principal and CEO, Kendal College
Kevin Hamblin, Principal and CEO, South Gloucestershire and Stroud College
Kit Davies, Principal and Chief Executive, North Hertfordshire College
Laurence Frewin, Principal and CEO, South Devon College
Lawrence Wood, Principal and Chief Executive Officer, Telford College
Leah Palmer, Principal and CEO, New College Swindon
Leon Riley, Principal and CEO, John Leggott College
Lindsey Whiterod, Chief Executive Officer, Tyne Coast College
Lisa Capper MBE, Principal CEO, Stoke on Trent College
Liz Bromley, CEO, NCG
Louise Fall, Principal and Chief Executive, City of Wolverhampton College
Mandie Stravino OBE, CEO, Derby College Group (DCG)
Marcus Clinton, Principal and CEO, Reaseheath College
Marion Plant OBE, Principal and Chief Executive Officer, North Warwickshire and South Leicestershire College
Mark Bolton, CEO and Principal, Yeovil College
Mark Locking, Principal and CEO, Lincoln College
Mark Malcomson CBE, Principal and Chief Executive, City Lit
Mark Robertson, Principal and CEO, Cambridge Regional College
Mark Smith, CEO, Ada, National College for Digital Skills
Martin Raby, Principal, The Northern School of Art
Martin Tucker, Principal, Truro and Penwith College



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Mary Elizabeth Murphy, Principal and CEO, Riverside College, Halton
Matthew Burgess, Principal and CEO, Gloucestershire College
Melanie Lenehan, Principal and CEO, Fircroft College
Michael Jaffrain, Principal, Loreto College
Michelle Brabner, Principal CEO, Southport Education Group
Michelle Dowse, Principal and CEO, Heart of Worcestershire College
Mike Gaston, Principal and CEO, HSDC
Mike Hopkins MBE, Principal and CEO, South & City College Birmingham
Natalie Davison, Principal and Chief Executive, Barking & Dagenham College
Neil Coker, CEO and Principal, Barnet and Southgate College
Neil Thomas, Chief Executive and Principal, Dudley College of Technology
Nichola Newton, Principal and Chief Executive, Warrington & Vale Royal College
Nicola Cove, Principal and CEO, Furness College
Nikos Sawvas, CEO and Principal, West Suffolk College
Oliver Symons, Principal and CEO, Moulton College
Palvinder Singh, Principal and Chief Executive Officer, Kirklees College
Pat Carvalho, Principal and CEO, Birmingham Metropolitan College
Patricia Jones, Principal and Chief Executive, Weston College
Paul Deane, Principal and Chief Executive, Grantham College
Paul Padda, Principal and CEO, East Coast College
Paul Stephen, Principal and Chief Executive, Newham College of Further Education
Paul Wilson, Principal and CEO, WQE and Regent College Group
Peter Brammall, Principal and CEO, Capel Manor College
Phil Sayles, Principal and CEO, Bournemouth and Poole College
Professor Andy Collop, Vice-Chancellor, Principal and CEO, Hartpury University & College
Rachael Hennigan, Principal, Hugh Baird college
Rachel Curry, Principal, The Manchester College
Rachel Kay, CEO, Macclesfield College
Rachel Nicholls, Principal and CEO Inspire Education Group , Inspire Education Group
Rebecca Parks, Group Principal, Salford City College
Ros Parker, Principal and CEO, Isle of Wight College
Sally Alexander, CEO and Group Principal, Milton Keynes College
Sam Wright, Principal and CEO, Heart of Yorkshire Education Group
Sara-Jane Watkins, CEO and Principal, Warwickshire College Group
Shabir Ismail, Acting Principal and CEO, Leicester College
Shaun Hope, Principal and Chief Executive, Bishop Auckland College
Shireen Razey, CEO and Executive Principal, Christ The King Sixth Forms
Simon Cook, Principal and CEO, Mid Kent College
Simon Jordan, Principal, Oldham College
Simon Nixon, Principal and Chief Executive, Preston College
Simon Pierce, CEO and Principal, St Helens College
Stephen Davis, Chief Executive Officer and Group Principal, United Colleges Group

Suzannah Reeves, Principal, Oldham Sixth Form College
Therese Reinheimer-Jones, CEO, Mary Ward Settlement
Tim Whitaker, Principal and CEO, Askham Bryan College
Tony Medhurst, Principal and Chief Executive, Hertford Regional College
Tracy Aust, CEO and Principal, West Thames College
Virginia Barrett, Principal CEO, Farnborough College of Technology
Wes Johnson, CEO and Principal, Myerscough College and University Centre
William Baldwin, Principal, Brighton Hove and Sussex Sixth Form College (BHASVIC)
Yiannis Kouris OBE, CEO, The Bedford College Group
Yolanda Botham, CEO, The Sixth Form Colleges Trust
Zoe Lewis, Principal and CEO, Middlesbrough College

CC: Darren Jones MP, Chief Secretary to the Treasury – action.cst@hmtreasury.gov.uk
Bridget Phillipson MP, Education Secretary – sec-of-state.ps@education.gov.uk
The Rt Hon. The Baroness Smith of Malvern – smith.ps@education.gov.uk

Appendix 1 VAT and colleges

Education in the UK is exempt from VAT which means that colleges pay the tax but cannot charge it. Unlike councils, academies and many other public sector organisations they are not covered by the VAT refund scheme. Colleges spend an estimated £210 million a year on VAT that they cannot reclaim. This is a tax on FE students – the beneficiaries of college activity – and uses up 3% of college income.

VAT distorts the provision of 16 to 18 education and has never been properly justified by government apart from to blame the EU or to claim that funding was adjusted 30 years ago when colleges became self-governing. The differing treatment of sixth form college corporations and sixth form college academies in the VAT refund scheme exemplifies the absurdity of the current rules, particularly as more than 30 sixth form college corporations have converted to academy status in the last few years. Simply by changing their legal status, the college obtains a VAT relief. There is growing interest from leaders in whether they too should restructure operations to convert all or part of the college into academy status. If nothing else, this could make progress with plans for technical excellence colleges more difficult.

VAT as it applies to colleges makes no sense, particularly given the vital role colleges play in supporting so many young people and adults from the lowest socio-economic groups and communities. It would be relatively simple for government to amend the 1994 VAT act regulations to include colleges in the refund scheme in the same way that previous governments extended the rules to cover academies, national museums and various new organisations.

The HM Treasury proposal for removing the VAT exemption for private schools shows that it is possible to make targeted changes to the rules. This refutes the argument we have heard from officials in the past that a change for colleges would create an unwelcome and costly precedent. Without addressing this anomaly, the perverse situation could be that whilst private schools have to charge VAT on fees, they will as private businesses be able to offset that against costs, whereas colleges will not be able to even do that.