



Department for Education

The Rt Hon Bridget Phillipson MP
Secretary of State for Education

19 May 2025

Dear Sir David,

Guidance to the Office for Students from the Secretary of State for Education on Strategic Priorities Grant funding for the 2025-26 Financial Year and associated terms and conditions

Higher education providers make a vital contribution, as education and research institutions, to our economy, to society, and to industry and innovation. They contribute to productivity growth; play a crucial civic role in their communities; and have a key role to play in enhancing the UK's reputation across the globe. As you are aware, I have embarked on a reform programme to drive the best outcomes for students and communities, growth and efficiency.

I am writing to set out, for the first time in my tenure, the budget and my funding priorities for the Strategic Priorities Grant (SPG) for the financial year 2025-26. I want to thank the OfS for the successful delivery of the third and final wave of the degree apprenticeship development fund, providing important support for 146 level 6 degree apprenticeship programmes across 33 universities and colleges. The funding will not only expand level 6 degree apprenticeships in existing providers, but also enable new providers to offer this pathway, boosting level 6 apprenticeship numbers, and ensuring greater equality of opportunity for all level 6 degree apprentices.

Furthermore, I would like to thank the OfS for the successful conclusion of the multi-year capital funding allocation. Ensuring we have high-quality learning environments is essential in supporting better learning outcomes for students.

This letter provides guidance to the Office for Students (OfS) under section 2(3) of the Higher Education and Research Act 2017 (HERA 2017) and separately sets terms and conditions of funding under section 74(1) of that Act. In giving this guidance and determining the terms and conditions of funding, I have had regard to the need to protect the institutional autonomy of English higher education providers (HEPs) under sections 2(4) and 74(3) of the HERA 2017.

Your SPG budget for the 2025-26 financial year has been set at £1,347,700,000 with details of the related terms and conditions set out in Annexes 1 and 2 of this guidance. I will write to you separately with guidance on the government's broader strategic priorities for the OfS.

I am making this funding allocation against the backdrop of the extremely challenging fiscal context inherited from the previous government. Once again, I ask you to note that, in order to support this government's efforts to restore economic stability, I have asked my officials to work with yours to monitor expenditure closely. This may include, where appropriate, recovery of unused funding over the course of the year.

You will also be aware that a Spending Review is currently underway and will conclude on 11 June. The outcome of the Spending Review will clearly have an impact on your planning for the 2025/26 academic year. I am grateful for the work your team is doing with my officials to ensure that funding allocations take account of this.

Within this challenging fiscal context, it is more crucial than ever that our SPG investment supports Government's long-term ambitions on growth and opportunity. I would therefore like you to work with my officials over the coming months on reviewing and reforming the SPG from Academic Year (AY) 26-27 onwards so that:

- High-cost funding can be more effectively targeted towards priority provision which supports future skills needs and the Industrial Strategy.
- Student access and success funding best supports and is targeted effectively towards students from disadvantaged and underrepresented groups to participate and progress in HE, with clear demonstration of impact of interventions.
- The impact and effectiveness of the SPG more broadly can be demonstrated through improved and proportionate evaluation, aligned to wider regulatory requirements and adhering to public money guidance.

Strategic Priorities Grant Guidance for the 2025-26 Financial Year

The SPG funding and the role you play as the HE regulator and as distributor of this funding are key in supporting the government's missions and priority sectors for growth. The fiscal context means I have set the OfS programme budget at a level that will help me deliver against this government's priorities. This is why I am asking you to focus SPG resources on the highest priority areas, in support of provision and activity which maximises growth and opportunity.

Therefore, I ask you to focus on prioritising funding which supports:

- High-cost subject courses for strategically important subjects; nursing, midwifery and allied health; and very high-cost STEM subjects
- Student Access and Success, including the Student Premiums, and Uni Connect
- World-leading specialist providers
- National facilities and regulatory initiatives

Details of the approach that I wish for the OfS to take for the 2025-26 financial year are set out below.

I have set out in Annex 2 to the guidance, the terms and conditions of funding made under section 74(1) of HERA 2017, that apply to the SPG funding provided to the OfS for the 2025-26 financial year.

You will know that high-cost subject funding has historically supported the provision of courses that incur high running costs, including lab-based STEM, technology and healthcare courses. This government's 2024 Industrial Strategy sets out the sectors that offer the highest growth opportunity for the economy and business. I am therefore setting out in the terms and conditions that your funding allocations should support provision of courses in these sectors, noting that a significant proportion of them currently attract SPG funding. Prioritising in this way does, however, involve making compromises elsewhere; for this reason, I am asking you to reprioritise high-cost subject funding away from media studies, journalism, publishing and information services courses. While I recognise that these courses are valued by the universities that deliver them and the students that take them, my decision is informed by the challenging fiscal context we have inherited.

It is this fiscal context that also means we have had to make the difficult decision to reduce the overall amount of money provided for student premium this year. I am asking you to achieve this saving by allocating Student Premiums on a basis which disregards courses delivered at franchised providers, except where these providers are in the Approved (fee cap) category of your register. Alongside, I am asking you to explore options for allocating high-cost subject funding on the same basis. This requested approach to franchised provision is driven by my determination to protect the integrity of the HE sector and to ensure that this government achieves maximum value when spending public money. I am grateful for the work the OfS has already done in this area.

Our commitment that opportunity is available for all remains unwavering, and we will achieve this by addressing gaps in access and outcomes faced by underrepresented groups. To ensure we achieve this shared goal we will need an even more determined focus on high impact, evidence-based interventions, as well as innovative approaches to make higher education more accessible. This includes by learning from the initiatives and lessons shared by the HE Mental Health Implementation taskforce and the forthcoming National Review of HE Student Suicides.

OfS should consider how Uni Connect supports actions taken by individual providers on access, playing a strengthened role in providing co-ordinated outreach, offering prospective students an unbiased view of options. This includes considering how Uni Connect best focuses and prioritises its resources to deliver for underrepresented groups, demonstrating the lessons of the recent review of collaborative support for improving equality of opportunity in access to higher education.¹

¹ [A review of collaborative support for improving equality of opportunity in access to higher education: Uni Connect - Office for Students](#)

Changes to student numbers

The impact of changes to student numbers on the total funding requirements for formula-funded grant elements should continue to be assessed. The OfS should protect per-student funding rates for high-cost courses and nursing, midwifery and allied health supplement, and where affordable, for Student Premiums.

I have asked my officials to work with yours over the next few months to meet the objectives set out here. Thank you for the work your team is doing to maintain our world-leading higher education sector, including through your delivery of the SPG. I look forward to working with you in the coming year to deliver our ongoing reforms to the sector.

Yours sincerely,

A handwritten signature in dark ink, reading "Bridget Phillipson". The signature is written in a cursive, flowing style.

The Rt Hon Bridget Phillipson MP
Secretary of State for Education

Annexes

Annex 1: Finance Annex

Figures are rounded

Strategic Priority Grant	Financial Year 2025-26
All figures in £m	
Recurrent Grant	1,347.7
Capital Grant	84

Notes:

- i. The amounts set out above are the OfS's resource and capital budgets. They represent the maximum amount of resource and capital that the OfS may consume in pursuance of the priorities agreed with the Department for the financial years 2025-26. Figures may not sum due to rounding. If the Department's level of overall funding is decreased due to wider events, or in order to cover other unavoidable financial pressures, the Department may, within the framework set out by Parliament, need to make in-year adjustments to allocations to our Partner Bodies in order to meet budget reductions. The funding that is set out in this letter is, as ever, subject to Parliamentary approval through the Estimates process twice a year.
- ii. Capital funding of £84m in total will be made available for the financial years 2025-26.
- iii. The OfS will receive a separate allocation letter detailing their finalised 2025-26 financial year unrounded resource, capital and administrative allocations.
- iv. Although the teaching and student element of Higher Education Innovation Funding (HEIF) is distributed by Research England, the OfS will be responsible for the priorities and evaluation of the £48m Strategic Priorities Grant contribution to HEIF in 2025-26. This is included in the figures above and has been protected at the same level as in the 2024-25 financial year.

Annex 2: Additional Terms and Conditions of funding

1. The Strategic Priorities Grant (SPG) is allocated by the Secretary of State to the Office for Students (OfS) for the financial year for distribution pursuant to section 39 of the Higher Education and Research Act 2017 to higher education providers for the academic year.
2. The following terms and conditions apply to the SPG of **£1,347,700,000 or** allocated by the Secretary of State to the OfS **for the financial year 2025-26** for distribution to higher education providers for the **academic years 2024-25 and 2025-26**.

3. The OfS must allocate funding to eligible higher education providers (Providers) for **funding for high-cost courses²**.
 - 3.1. The OfS must maintain the per-student funding rates in line with last year as documented in your annual guide to funding AY2024/25³, unless not possible due to fluctuation in student numbers, for **High-Cost subject funding** for all price groups and for **nursing, midwifery and allied health supplement**.
 - 3.2. The OfS must develop a methodology to reprioritise funding for courses in media studies, journalism, publishing and information services for the **academic years 2025-26**, with any savings generated reallocated to support subjects in Price Group B.
 - 3.3. The OfS must maintain in cash terms the same level of budget allocation as last year the target allocation for **very high-cost science, technology, engineering and maths subjects**. **This amount can be exceeded only as direct result of in year allocation adjustments that can only be made retrospectively to take account of new courses and cohorts and merging providers. You must notify my officials ahead of implementing any such adjustment if they occur.**
 - 3.3 The OfS must no longer allocate funding for the additional targeted allocations for **Accelerated full-time UG courses; Intensive postgraduate courses; Postgraduate taught supplement; Overseas study programmes; the degree apprenticeship development fund; and level 4 and 5 skills top up funding**.
4. The OfS must allocate to Providers funding for **Student Access and Success**.
 - 4.1. Where affordable within the SPG budget, the OfS must retain the per-student funding rates for the full-time, part-time, disabled premium and mental health Student Premiums at their current level unless not possible due to fluctuation in student numbers.
 - 4.2. The OfS must allocate Student Premium funding for students attending franchised provision only where the franchise provider is in OfS' Approved (fee cap) category. The OfS must also work with my officials in implementing this measure. The agreed methodology must acknowledge that it is for the provider in receipt of Student Premium funding to determine how it is used.
 - 4.3. When determining the amount to be allocated to Providers the OfS must ensure that the budget for Uni Connect funding is not more than £20,000,000.

² Funding for high-cost courses means the following sub-set budget lines:

Funding for high-cost subjects in price groups A to C1.1; funding for high-cost subjects in price group C1.2; the nursing, midwifery and allied health supplement; very high-cost STEM subjects; level 4 and 5 provision; clinical consultants' pay; senior academic general practitioner's pay; NHS pension compensation scheme.

³ [Guide to funding 2024-25](#)

5. The OfS must allocate Funding for **Specialist Providers**

5.1 The OfS must maintain the budget allocation at £56,800,000 for World-leading specialist provider funding.

5.2 The OfS must ensure **Transitional funding** allocation to providers is no more than £700,000 for this year.

6. The OfS must allocate funding for **National Facilities and Regulatory Initiatives**.

6.1. When determining the amount to be allocated to the Centre for Transforming Access and Student Outcomes (TASO) the OfS must ensure that the total budget for TASO is no more than £1,500,000.

6.2 The OfS must not allocate funding to any **new challenge competition(s)** unless the OfS has identified funds from the Grant which are not otherwise allocated and the OfS has sought and received written agreement from the Secretary of State to run any new challenge competition(s).

7. All changes to funding stated in clauses 3 to 6 are applicable to the academic year 2025-26 and apply from 1 August 2025.

8. If the OfS does not comply with any of the requirements in paragraphs 3 to 7, the Secretary of State may require the repayment of the whole or any part of the Grant still held by the OfS.

9. The Secretary of State may revise these terms and conditions as appropriate, including, but not limited to, to take account of changes to the funding allocated by the government to the OfS for distribution to Providers in the 2025-26 financial year and any related spending review decisions.