



## Department for Education

The Rt Hon Bridget Phillipson MP  
Secretary of State for Education

6 July 2026

Dear Ruth and Polly

### **Guidance to the Office for Students from the Secretary of State for Education on Strategic Priorities Grant capital funding for the 2026-27 Financial Year**

I am pleased to confirm capital funding for FY26-27 to FY29-30 to support the ambitions set out in the October 2025 Education White Paper that will help strengthen our world-leading higher education sector.

SPG capital funding provides real incentives to create, increase or improve provision to meet Government's priorities. I would like the OfS to continue allocating the majority of the £88m capital funding in FY26-27 to providers through a competitive process to support specific projects and activities that will help address the government's missions and priority sectors for growth. I also ask that you continue to allocate funding to projects that meet the needs of local employers and regional economies, as identified in Local Skills Improvement Plans (LSIPs), and align with Skills England priorities.

This government remains committed to environmental sustainability. As such, the OfS should continue to consider environmental sustainability within the capital bidding process and seek assurance that providers have fully considered the issue in their funding bids.

I am content for the OfS to maintain small annual formula-based allocations if you assess this to be advisable but ask that the OfS continues to withhold formula-based allocations from providers who receive funding from a competition within any financial year. Capital funding may also be used to support Jisc as in previous years. As we continue to face the extremely challenging fiscal environment, I ask that you continue to closely monitor the progress of funded projects to support efforts to restore economic stability. This may include, where appropriate, recovery of unused funding over the course of the year.

In the longer term, we will issue further guidance setting out priorities for capital funding for FY27–28 to FY29–30. Funding will be allocated on a multi-year basis across this period, aligned with forthcoming SPG reforms aimed at increasing transparency and targeting investment toward areas of greatest strategic importance, high-quality provision, and strong student outcomes.

Yours sincerely

**The Rt Hon Bridget Phillipson MP**  
**Secretary of State for Education**

**Annex1: Finance Annex – Strategic Priorities Grant Capital**

Figures are rounded

<b>Strategic Priorities Grant All figures in £m</b>	<b>Financial Year 2026-27</b>	<b>Financial Year 2027-28</b>	<b>Financial Year 2028-29</b>	<b>Financial Year 2029-30</b>	<b>Total</b>
<b>Main SPG CDEL</b>	£88m	£84m	£82m	£82m	£336m
<b>MOD Capital</b>	£30m			£0	£30m
<b>HEIF Grant - Programme ESA10 CDEL</b>	£48.2m	TBC	TBC	TBC	TBC

**Notes:**

- i. The amounts set out above are the OfS's SPG capital budgets. They represent the maximum amount of resource that the OfS may consume in pursuance of the priorities agreed with the Department for the financial years 2026-27. 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. The MOD capital contribution relates to the Defence Skills Programme financial year activities across FY26-27 to FY28-29.
- iii. 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 £48.2m Strategic Priorities Grant contribution to HEIF in respect of the academic year 2026-27. Future years contributions will be confirmed on an annual basis.