



## 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 recurrent (programme) for the 2026-27 Financial Year and associated terms and conditions**

As set out in the October 2025 Post-16 education and skills white paper, I remain firmly committed to strengthening our world-leading higher education sector. Our higher education providers are a source of national pride and global respect - places where ideas are born, innovation thrives, and the future is shaped. They are central to our Industrial Strategy, driving progress through cutting-edge research and transformative discovery.

Higher-level qualifications do more than open doors - they change lives. That is why we will champion every young person and adult with the ambition and potential to pursue Higher Education, wherever they start and whichever Level 4+ provider they choose. We will ensure they have the support they need to step forward with confidence and seize the opportunities ahead.

Skills England analysis shows a projected need for 900,000 additional skilled workers by 2030, with around two-thirds of these roles - 600,000 - requiring Level 4+ skills. That is why I am setting out this year's priorities to bring closer alignment in our higher education system, our skills needs, and the demands of the future economy.

I would like to express my sincere appreciation to the Office for Students for delivering the SPG 2025-26 funding priorities, provider allocations, and successful in-year delivery of 60 capital projects in line with the published guidance. I am also grateful for your continued collaboration on defence-related funding, working constructively with colleagues in DfE and the MOD. This joined-up approach is enabling targeted SPG investment that strengthens provision in support of priority defence-sector workforce needs, and your commitment to this shared agenda is greatly valued.

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.

I am setting a SPG recurrent (programme) budget for the 2026-27 financial year of £1,252,000,000. I am also setting the associated terms and conditions outlined in Annexes 1 and 2 of this guidance. Alongside, I am confirming a DfE contribution of £48,175,000 in capital funding to the Higher Education Innovation Fund, which is managed by the Department for Science, Innovation and Technology and distributed by Research England.

I will write to you separately with further guidance on the government's wider strategic priorities for the OfS. My guidance for SPG capital funding for distribution by the OfS will be sent separately.

### **Strategic Priorities Grant Guidance for the 2026-27 Financial Year Recurrent (programme)**

The SPG, and the leadership you provide as both the regulator and steward of this funding, is central to advancing this government's missions and the growth sectors that underpin our future prosperity. I have set the OfS programme budget at a level consistent with the resources available and with our strategic objectives. My allocation of this funding takes account of the ongoing challenge of this government's fiscal inheritance, which has required difficult decisions regarding spending priorities. This year's SPG allocation also comes in the context of increased income for the HE sector resulting from our decision to raise the cap on tuition fees.

I am asking you to concentrate the SPG allocation on those areas of highest national importance, ensuring the grant is firmly aligned with the need of our higher education system, the skills required by the economy, and long term-demands of national growth and opportunities.

I therefore ask you to focus on prioritising funding which supports:

- High-cost subject courses for specified strategically important subjects
- Student Access and Success, including Student Premiums, Uni Connect, and TASO
- World-leading specialist providers
- National facilities and regulatory initiatives

Details of the approach that I wish for the OfS to take for the 2026-27 financial year are set out below.

I have set out in Annex 2 to this letter, 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 2026-27 financial year. High-cost subject funding has historically been directed towards courses with high delivery costs, including laboratory-based STEM, technology, and healthcare provision. As set out in the Government's 2024 Industrial Strategy, these courses align closely with sectors offering the greatest potential for growth. As in previous years, the terms and conditions therefore reiterate that allocations should continue to prioritise these areas, many of which already attract Strategic Priorities Grant (SPG) funding.

Maintaining this focus will necessarily require trade-offs elsewhere; for this reason, I am asking you to no longer deliver funding to providers through the following areas of the SPG:

- Price Group C1.1 (nursing, computing and history courses)

- Price Group C1.2 (creative arts, performing arts, archaeology and geography courses)
- NHS clinical consultants' pay
- NHS senior academic general practitioners' pay
- NHS pension scheme

I recognise that removing funding from these areas will be challenging. This approach allows me, however, to ask you to allocate the same total budget for High-cost courses in Price Groups A and B. This means that funding for subjects including medicine, dentistry, veterinary science, chemistry and engineering is protected, recognising their critical contribution to skills needs and their materially higher delivery costs. Alongside, I am asking you to protect the funding supplements provided for nursing, midwifery and allied health courses, recognising their important to the government's 10 Year Health Plan.

It is within this fiscal context that, to preserve in cash terms funding for the Disabled and Mental Health premiums, I have reduced the amount of funding allocated to the full-time and part-time student premiums. I believe this level of funding still provides a strong basis for taking steps to provide opportunity for all. As you know, the Access and Participation Task & Finish Group is looking at how to best use resources to reduce gaps in access and succeeding in higher education. My Department will work with OfS on the follow up to the group's Call for Evidence on regional access partnerships, supporting Post 16 Education and Skills White Paper objectives around collaboration at a regional level and with the further education sector as well as widening understanding of level 4/5 provision.

In line with the *Strengthening Oversight of Partnership Delivery in Higher Education* government response, the requirement for unregistered franchised providers with 300+ students to register with the OfS in order for their courses to be designated for student support will not apply to state-funded schools; statutory FE institutions (FECs, SFCs, designated institutions); NHS service providers (including NHS trusts); Police and Crime Commissioners; local authorities; government departments; the Armed Forces; or Mayoral Combined Authorities. The OfS should therefore explore options to count FTE students for qualifying franchised provision within these categories for SPG allocations from this academic year.

### **HEIF Programme ESA10 CDEL**

The SPG's contribution to Higher Education Innovation Funding (HEIF) plays an important role in supporting economic growth. We encourage the OfS to continue collaborating closely with Research England to maximise the positive outcomes of student- and teaching-led knowledge exchange activities, and to ensure these impacts are clearly evidenced through annual monitoring. My Department's contribution to the overall HEIF budget held by DSIT is maintained from last year, as set out in Annex 1 of this letter.

### **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. 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.

Your sincerely,

A handwritten signature in black ink that reads "Bridget Phillipson". The signature is written in a cursive, flowing style.

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

**Annexes****Annex1: Finance Annex**

Figures are rounded

<b>Strategic Priorities Grant All figures in £m</b>	<b>Financial Year 2026-27</b>
<b>Recurrent grant</b>	<b>£1,252m</b>
<b>HEIF Grant - Programme ESA10 CDEL</b>	<b>£48.175m</b>

**Notes:**

- i. The amounts set out above are the OfS's resource and HEIF 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. Recurrent funding of £1,252m includes £3.24m MOD programme contribution for the Defence Skills Programme financial year activities.
- iii. The OfS will receive a separate budget allocation letter detailing their finalised 2026-27 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 £48.175m Strategic Priorities Grant contribution to HEIF in respect of the academic year 2026-27.

## Annex 2: Additional Terms and Condition 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 **£1,252,000,000** allocated by the Secretary of State to the OfS for the financial year 2026-27, for distribution to higher education providers in the academic year 2026/27. Funding for the remainder of the academic year 2025/26 should continue to be allocated on the basis set out in last year's guidance letter from the Secretary of State.
3. The OfS must allocate funding to eligible higher education providers (Providers) **for funding for high-cost courses<sup>1</sup>**.
  - 3.1 The OfS must maintain in cash terms same total level of funding as last academic year (AY2025/26) for funding for High-Cost subject funding falling in Price Group A and B – which includes courses in medicine, dentistry and veterinary science, and undergraduate pre-registration dental hygiene and dental therapy courses.
  - 3.2 The OfS must maintain in cash terms same total level of funding as last academic year (AY2025/26) for Nursing, Midwifery and Allied Health supplements and for the Very High-Cost STEM subjects allocation.
  - 3.3 The OfS must no longer allocate funding for **Clinical consultants' pay; the Senior academic general practitioners' pay; the NHS pension scheme compensation; and for High-cost funding for Price Group 1.2 (creative and performing arts) and C1.1 (nursing, computing, geographical systems and archaeology)**.
4. The OfS must allocate to Providers funding **for Student Access and Success**.
  - 4.1 Where affordable within the SPG budget, the OfS must maintain the current per-student funding rates for the disabled premium and mental health premium as part of the Student Premiums. Where funding pressure arise due to fluctuation in student number changes, the OfS must prioritise protecting these rates, including by reducing the per-student funding rates for full-time and part-time Student Premiums if necessary.
  - 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 and to exempt providers in line with the Strengthening oversight of partnership delivery in higher education Government consultation response published in December 2025. The OfS must also work with my officials in implementing this measure and to look at options for allocating

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<sup>1</sup> Following the terms and conditions set out in this letter, funding for high-cost courses means the following sub-set budget lines: Funding for high-cost subjects in price groups A to B; the nursing, midwifery and allied health supplement; very high-cost STEM subjects.

high-cost subject funding on the same basis. 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.
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 £400,000.
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 2026-27 and apply from 1 August 2026.
8. If the OfS does not comply with any of the requirements in paragraphs 3 to 6, 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 2026-27 financial year and any related spending review decisions.