# UK government cuts higher education capital funding by almost half, triggering sector-wide crisis



The UK government's recent announcement regarding significant cuts to capital funding for higher education has sent shockwaves through the sector, sparking concerns over the long-term sustainability of university courses and employment. Education Secretary Bridget Phillipson revealed that capital spending will be slashed almost in half, dropping from an annual allocation of £150 million to £84 million starting in 2025-26. This comes alongside cuts to grants for high-cost subjects, which will decrease from £1.46 billion to £1.35 billion.

In a clear shift of focus, the government plans to redirect funding away from media-related courses—including journalism, publishing, and information services—towards lab-based disciplines considered strategically vital for the economy. On the surface, this move is framed as a response to an "extremely challenging fiscal" environment, but the implications are profound for universities and students alike. Phillipson's letters to the Office for Students indicate an era of reductions, including the loss of access to student premiums for franchised providers.

The financial outlook for UK universities is increasingly precarious. Less than two weeks before this announcement, the Office for Students warned that many university providers were already scaling back capital investments, with infrastructure in some institutions potentially falling into disrepair. With nearly a quarter of leading universities, including prestigious members of the Russell Group like Cardiff and Durham, reportedly planning staff reductions and budget cuts, the sector appears to be on the brink of a crisis. Tim Bradshaw, chief executive of the Russell Group, described these funding cuts as “another blow” to universities that are already grappling with “stark financial challenges.” Many institutions are facing difficult choices to protect their long-term futures, and the new immigration reforms are anticipated to further complicate matters by making it harder to attract high-fee-paying international students.

Vivienne Stern, chief executive of Universities UK, underscored the extraordinary financial pressures institutions are facing, exacerbated by dwindling international student numbers and rising costs associated with employer national insurance. With such challenges in place, she stated, "We need [the] government to work with us to stabilise the ship and put it back on an even keel. That is the opposite of what happened today."

The ripple effects of these funding cuts extend beyond higher education. The Royal College of Nursing has raised alarms regarding reductions in nursing courses, signalling a potential worsening of staffing crises in both the NHS and social care sectors. As hospitals continue to face workforce shortages, such cuts could jeopardize efforts to address these pressing healthcare needs.

Broader discussions around funding cuts reveal a troubling trend towards the underfunding of arts and creative courses. The government’s prior decision to freeze top-up funding for performing and creative arts reflects a neglect of significant cultural sectors, often dubbed essential for the UK’s vast creative industries, valued at approximately £115 billion. Critics argue that the cuts threaten the development of future talent in these fields, further endangering a vital component of the UK economy.

Looking ahead, the Office for Students has warned that by 2025-26, as many as 72% of higher education providers could be operating at a deficit, leading to a projected total shortfall of £1.6 billion across the sector. As financial pressures mount, the need for radical reforms—potentially involving course closures and university mergers—has been emphasised by the Office’s chairman as essential for future stability.

The cuts to higher education funding ring alarm bells for a sector already under immense pressure, raising critical questions about the support necessary for its survival amidst a challenging fiscal landscape. There is a growing consensus among education leaders and sector advocates that immediate government intervention is essential to prevent further deterioration of UK universities' financial health and to protect the diverse range of courses that cater to the educational needs of all students.

### Reference Map

1. Paragraphs 1, 2, 3
2. Paragraphs 1, 2
3. Paragraph 3
4. Paragraph 5
5. Paragraph 4
6. Paragraph 4
7. Paragraph 6

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/ec744435-ae1e-43b4-9474-37aa27d74f00> - Please view link - unable to able to access data
2. <https://www.ft.com/content/ec744435-ae1e-43b4-9474-37aa27d74f00> - The UK government has announced significant cuts to capital funding for higher education in England, reducing the annual allocation from £150 million to £84 million starting in 2025-26. Additionally, the grant for high-cost subjects and access initiatives will decrease from £1.46 billion to £1.35 billion. Education Secretary Bridget Phillipson cited a challenging fiscal environment and plans to redirect funding from media-related courses, such as journalism and publishing, to lab-based courses in strategic sectors. Franchised providers will also lose access to student premiums. Universities have expressed concern over these cuts, warning of potential course closures and job losses.
3. <https://www.theguardian.com/education/2025/feb/11/the-guardian-view-on-campus-cuts-academics-pay-a-high-price-for-westminsters-mistakes> - The Guardian editorial highlights the severe impact of funding cuts on UK universities, noting that nearly a quarter of institutions, including prestigious Russell Group members like Durham and Cardiff, are reducing staff and budgets. The Office for Students (OfS) predicts that 72% of higher education providers in England could be in deficit by 2025-26, potentially leading to up to 10,000 redundancies. The Royal College of Nursing has expressed concern over cuts to nursing courses amid a staffing crisis in the NHS and social care sectors.
4. <https://www.theguardian.com/education/2024/apr/04/ministers-to-cut-funding-for-performing-and-creative-arts-courses-in-england> - The UK government plans to cut funding for performing and creative arts courses in England, freezing the top-up funding at £16.7 million for 2024-25, which is a real-terms reduction due to inflation. This decision has been criticized by industry leaders, who argue that it undermines the creative talent pipeline essential for the UK's £115 billion creative industries sector. The cuts are part of broader financial challenges facing universities, including frozen tuition fees and declining international student numbers.
5. <https://www.theguardian.com/education/2025/feb/01/quarter-of-leading-uk-universities-cutting-staff-due-to-budget-shortfalls> - Nearly one in four leading UK universities are reducing staff numbers and cutting budgets in response to budget shortfalls, with up to 10,000 redundancies or job losses anticipated. Institutions like Cardiff University have announced significant cuts, including to highly rated nursing courses. The Royal College of Nursing has expressed concern that these reductions could exacerbate the staffing crisis in the NHS and social care sectors. The financial pressures are attributed to declining international student numbers and rising operational costs.
6. <https://www.bbc.com/news/articles/c0k5n0k101lo> - Cardiff University has confirmed plans to cut 400 full-time jobs amid a funding shortfall. The cost-cutting proposals could also involve course closures and department mergers, with subjects like nursing, music, and modern languages facing cuts. The Cardiff University and College Union (UCU) has called the measures 'cruel and unnecessary' and stated it would fight plans for compulsory redundancies. The university stated it would only make compulsory redundancies 'if absolutely necessary'.
7. <https://www.bbc.com/news/articles/c14lv7e61d3o> - Despite an increase in tuition fees to £9,535 in autumn 2025, nearly three-quarters of universities in England are expected to face financial problems. The Office for Students (OfS) predicts that 72% of higher education providers in England could be in deficit by 2025-26, with a total £1.6 billion deficit forecast across the sector. The OfS chairman called for radical change, suggesting course closures and university mergers might be needed for financial stability.