

31 January 2025

To:

Heads of higher education institutions
Heads of further education institutions
Apprenticeship leads
Directors of education

Dear colleagues,

Funding assumptions for academic year 2025/26

This document sets out, in broad terms, the funding assumptions that underlie the planned distribution of Medr's budget.

These proposals are based on the draft Welsh Government budget published in December 2024 and the subsequent Indicative Funding Letter received in January 2025.

The final Funding Letter is expected before the end of March 2025. Currently, we do not anticipate that there will be significant changes to the assumptions set out here on receipt of that letter.

The funding proposals in this document are presented with the caveats that the allocations for 2025/26 academic year from 1 August 2025 to 31 July 2026 (AY) may be adjusted if the Welsh Government revises the 2025-26 financial year from 1 April 2025 to 31 March 2026 (FY) Medr budget line.

The indicative budget was considered by the Medr Board at its January meeting. Prior to the final budget being approved by Welsh Government (27 February 2025) leading to Medr's formalising and publishing our final allocations in April 2025.

Confirmation of the final funding allocations at an institutional/provider level will be subject to the availability of quality assured and verified data used to inform the agreed funding methodologies.

Rydym yn croesawu gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg, ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome correspondence in Welsh. Any correspondence in Welsh will be answered in Welsh, and corresponding in Welsh will not lead to a delay in responding.

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The settlement

Details of Medr's settlement for the financial year 2025-26 are presented in Table 1. The Welsh Government budget figures are for a financial year from April to March.

Budget area	Net resource budget
Education	£804,681,000
<i>Of which: 14-16 junior apprenticeships</i>	<i>£600,000</i>
Apprenticeships	£143,277,000
Net revenue budget:	£947,958,000
Non-cash (depreciation)	£437,000
Resource budget	£948,395,000
Higher education capital	£10,000,000
Further education digital capital	£3,000,000
Medr implementation capital	£500,000
Capital budget	£13,500,000
Total resource and capital budget:	£961,895,000
<i>Grant in Aid adjustments:</i>	
<i>Less non-cash (depreciation)</i>	<i>£437,000</i>
Total Grant-in-Aid (Cash)	£961,458,000

Indicative allocation of the Medr Budget

In deploying the 2025-26 budget it should be noted that allocations to tertiary education and research providers are predominantly allocated on an academic year basis. Therefore, the 2025-26 financial year budget must first take account of the known cash requirement to meet the remaining 2024/25 academic year funding commitments placed on the Medr budget by previous Ministerial and Higher Education Funding Council for Wales (HEFCW) Council decisions.

In the same way, in agreeing 2025/26 academic year allocations, a similar commitment will be placed on the 2026-27 financial year budget, which has not yet been set by the Welsh Government.

Medr operating costs are not detailed separately in the Welsh Government budget. Before the academic year allocations are derived, Medr's forecast operating costs are deducted.

A number of funding lines have been ring-fenced in direct support of specific activity. In 2025-26 this relates to apprenticeships provision of £143,277,000 and junior apprenticeship provision of £600,000.

The Welsh Government has given particular 'steers' as to the deployment of the budget, which are included in the published [Children, Young People and Education Committee: Evidence paper on Draft Budget 2025-26](#).

Indicative allocation of the financial year budget

The indicative allocation presents a proposed budget based on the current information available regarding budget line obligations. It includes all the funding that we expect to receive from the Welsh Government at the time of writing.

	£ million
Cash requirement to meet the commitments of 2024/25 allocations as agreed by the Minister for Further and Higher Education	159.410
Cash requirement to meet the commitments of 2024/25 allocations as agreed by HEFCW Council	68.805
Operating budget *	16.128
Ring-fenced budget for apprenticeships	143.277
Ring-fenced budget for junior apprenticeships	0.600
Core budgets **	531.967
Strategic budgets	29.333
Capital budgets	13.500
Total	961.458

*£1.562 million of the £16.128 million operating budget will be released to the sector in 2025/26 as Medr continues to grow towards its agreed operating model.

** within the financial year a total of £21 million has been identified to recognise increased participation in the 16-19 cohort. This will be allocated upon receipt of in-year data returns to ensure increased participation has been evidenced.

Conversion of financial year budget to an academic year allocation

In order to arrive at academic year allocations, the allocation of the Welsh Government budget has been converted to an academic year. In most cases this is calculated using a proportion of the current draft FY budget (around 60%) and a balancing proportion (40%)

of the next year's FY budget. This may vary depending on sector with both further education (FE) and apprenticeship operating on a 63/37 split.

	2024/25 £ million	2025/26 £ million
Ring-fenced: apprenticeship contract	134.520	134.520
Core: local authority sixth form*	116.664	116.853
Core: local authority Adult Community Learning*	6.479	6.479
Core: further education mainstream	409.066	422.826
Core: further education additional learning support	16.741	16.741
Core: further education Financial Contingency Fund	6.715	6.715
Core: higher education research and innovation ** 1	97.068	97.295
Core: higher education teaching funding ** 2	69.661	69.434
Core: degree apprenticeships	9.411	9.411
Strategic: access, well-being and inclusion ***	23.962	25.962
Strategic: employability and skills ***	3.320	3.320
Strategic: research and innovation***	1.733	2.000
Strategic: student/learner and workforce ***	8.254	8.254
Strategic: data and technology ***	3.993	3.993
Strategic: strategic developments	2.250	3.500
Capital: higher education	10.000	10.000
Capital: further education digital	3.000	3.000
Total	922.840	940.300

We draw attention in particular to the following:

* Historically, local authority sixth form and Adult Community Learning allocations have been derived on a financial year basis. For 2025/26, it is proposed that local authorities receive a 16 month allocation from April 2025 through July 2026, allowing Medr to move all tertiary core provision to an academic year budget cycle.

** At this point core higher education research and innovation and teaching funding have been calculated based on allocations using unverified data. This may result in slight variations, either way, when calculating final funding allocations using the most up-to-date verified data.

** Following the application of a one off £11 million pro rata reduction in 2024/25. As Welsh Government funding in 2025-26 does not reverse this cut, the figures presented in this table have been calculated based on the figure post-reduction, pro rated against each line for comparative purposes.

*** Strategic budgets are made up of strategic funding lines transferred to Medr from the Welsh Government and HEFCW. A total of 49 strategic funding lines have been grouped into six thematic budget lines. A largely cash flat budget has allowed for

1 This includes Quality Research (QR), postgraduate research (PGR) and Research Wales Innovation Fund (RWIF)

2 This includes full and part time premia, credit-based and per capita allocations.

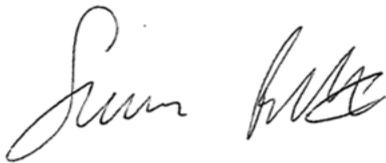
stability in the levels of funding with increases in the access, well-being and inclusion budget (£2 million to recognise the Welsh Government steer of a £2 million increase for mental health support) and the research and innovation budget. These groupings may change in subsequent years following evaluation of the purpose and outcomes of these strategic investments.

In addition, the proposals:

- Follow clear steers set out by the Welsh Government in relation to maintaining pay parity between teachers and FE lecturers.
- Align with founding phase of Medr's Strategic Plan in allocating all core allocations in line with previously approved funding methodologies.³
- Place a cash requirement of £331.286 million on the 2026-27 financial year budget in converting the 2025-26 financial year budget to a 2025/26 academic year allocation.

Where verified data allows, this funding assumptions note will be followed by indicative allocations at an institutional/provider level. Final academic year allocations will be provided to all tertiary providers following the Welsh Government's final budget and receipt of all verified data.

Yours sincerely,



Simon Pirotte
Chief Executive

³ In preparation for the growth phase of the strategic plan we anticipate early engagement with the sector before formally using powers to consult on funding methodology reviews where necessary.