



Y Comisiwn Addysg Drydyddol ac Ymchwil
Commission for Tertiary Education and Research

Condition: Governance and Management (Including Financial Management)

A provider registered with or funded by Medr **must**:

- have effective governance and management arrangements, including financial management

Condition Category

This is an initial and ongoing condition of registration. This is a condition of funding.

Legal Basis

Under Sections 27 and 31 of the **Tertiary Education and Research (Wales) Act 2022** (the Act), Medr is required to develop a condition in relation to the: “governance and management of the applicant tertiary education provider (including its financial management).”

Under Section 108, Medr is also able to develop terms and conditions of funding in relation to the effectiveness of the governance and management of the provider (including its financial management).

Introduction

As providers will have different levels of complexity (including size, nature of the business and legal form), different management and governance arrangements may be appropriate for different providers in order to adhere to the principles of good governance. Arrangements that may be appropriate for large, complex providers, those with degree awarding powers, or with a university title may not be appropriate for small providers. A provider **must** therefore demonstrate that its particular management and governance arrangements are appropriate for its size, its complexity and the risk environment in which it operates.

In judging whether a provider has demonstrated adequate governance and

management arrangements, material that Medr may consider includes:

- the provider's governance and management arrangements and their assessment of these
- the size, complexity and type of provider
- the governance code to which the provider says it is committed, the appropriateness of this code, and the visibility and strength of that commitment
- the extent to which a provider operates in an open and accountable way, with transparent decisions and actions made in line with good governance practices
- the extent to which a provider has complied with the conditions, and
- whether the provider takes appropriate action to mitigate increased risk of a breach of this condition

Compliance Requirements

Good Governance

1. The governing body and all those who work for or represent the provider **must** follow and live the ethical standards set out in the Seven Principles of Public Life (the 'Nolan Principles'). These are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
2. A recognised and appropriate governance code, where such code is available, **must** be adopted by the provider and followed.
3. The principles and structures set out in providers' governing documents **must** be followed and adhered to. It is for each provider to decide how it delegates assurance within its governance structure based on these documents.
4. Due regard **must** be given to associated statutory sector guidance.

Governing Body

5. The governing body **must** be collectively responsible and accountable for compliance with the legal requirements for the governance of the corporate form of the provider.
6. The governing body **must** be collectively responsible and accountable for overseeing a provider's activities, for determining its future direction, fostering an environment in which the provider's mission is achieved and ensuring the provider is fulfilling its purpose as effectively as possible with the resources available. This includes where a collaborative partner delivers activities on behalf of a provider under sub-contractual arrangements or where a provider has validation arrangements in place. As such, the composition of the governing body needs to be appropriate to deliver these activities.
7. The governing body **must** comprise the appropriate balance of knowledge, skills, background, experience, diversity and independence for it to discharge its governance roles and responsibilities objectively and effectively.

Strategic Direction

8. There **must** be a shared understanding of, and commitment to, the provider's mission and values and the governing body ensures that this purpose is being delivered effectively and sustainably.

Leadership and Management

9. Each provider **must** be led by an effective senior executive team that provides strategic leadership and management in line with the provider's mission and values.
10. An accountable officer **must** be designated at each provider. In the absence of the accountable officer, this authority must be delegated. The authority must be delegated in line with a scheme of delegated authority, if such a scheme exists.
11. The accountable officer **must** advise the governing body if at any time an action or policy being considered by the governing body would result in the provider being in breach of the ongoing conditions of registration or funding.
12. Where the clerk to the governing body (or secretary or equivalent governance professional) has significant responsibilities at senior executive team level within the provider, the independence and accountability of the clerk's (or equivalent) position **must** be considered.

Stakeholders

13. The provider **must** effectively engage with and encourage participation from its stakeholders, including staff and learners, to ensure there is trust and confidence in its work.

Financial Management

14. To manage their finances appropriately providers **must** establish appropriate systems and controls to maintain financial records of sufficient quality and granularity to:
 - comply with all statutory and regulatory requirements
 - allow oversight of all entities within the control of the group
 - monitor cash levels, loan and covenant requirements and other key financial indicators on an appropriate forward basis to permit strategic intervention where required, and
 - provide timely and accurate information to support decision making management, and appropriate levels of good governance oversight
15. For supplementary detail on requirements please refer to [financial management](#).

Estates Management

16. The estate for which a provider is responsible **must** be managed in a sustainable way, contributing to both the sound financial management of the provider and in maintaining the estate in terms of environmental sustainability. Medr would therefore expect provider strategies, as approved by the governing body, to encompass appropriate estates management linked with financial resources and management.
17. Medr is required to safeguard and monitor assets acquired using exchequer interest (assets purchased in full or part using public funds from Medr, predecessor funding bodies, Welsh Government, local authorities, research councils, and the Welsh Office to former voluntary and direct grant colleges). higher and further education providers **must** maintain a list of assets acquired with exchequer interest, including the gross and depreciated value. Any changes relating to exchequer interest assets **must** be notified to Medr. For detailed guidance please refer to [assets acquired using exchequer interest](#).
18. For supplementary detail on requirements please refer to [estates management](#).

Assurance Environment

External Audit Services

19. Providers **must**:
 - comply with the conditions of Medr's Accounts Direction(s)
 - ensure that governance best practice is adhered to in managing external audit
20. The external auditor **must**:
 - be listed on the Register of Statutory Auditors
 - always adhere to the professional standards and ethics of a recognised accrediting accounting body
 - comply with the reporting requirements of the prevailing annual Medr Accounts Direction(s) where applicable
 - have regard to compliance with Medr's conditions of registration that impact financial sustainability and management
21. For detailed guidance please refer to [external audit](#).

Internal Controls and Risk Management

22. Policies and procedures **must** be in place for all key areas, accompanied by a schedule to ensure that these are regularly reviewed. Assurance processes exist to ensure that these policies and procedures are complied with and instances of non-compliance or areas of weaknesses are identified and addressed.

23. In order for risks to be effectively managed, there **must** be a documented risk appetite, approved by the governing body. Risks are managed in line with this appetite via an effective framework for risk management, internal controls and assurance, which enables the provider to successfully identify and manage existing and emerging risks which threaten delivery of its strategy or compliance with legislative or regulatory requirements. This framework **must** include assurance mapping.
24. Providers **must** conduct a thorough risk assessment of adverse events that could give rise to sustainability concerns. The extent to which the risk assessment considers adverse events will be determined by reference to events which a reasonable, informed individual could foresee as giving rise to sustainability concerns.
25. Providers **must** comply with all relevant legislation, including Welsh, UK and international legislation. Where a provider operates in another country outside of the UK, it **must** comply with the regulatory requirements and statutory guidance in the countries in which it operates.
26. Higher education institutions and further education institutions **must** have an internal audit function which complies with relevant internal audit standards. All other providers **must** ensure that appropriate controls are in place and are subject to periodic review, in order to provide assurance to the governing body.
27. The governing body **must** ensure that there is a robust framework in place for conflicts of interest and whistleblowing for all staff and governing body members.

Monitoring

Initial Monitoring

When first seeking registration each provider is required to submit a self-evaluation of the adequacy and effectiveness of its governance and management arrangements. In order to undertake an initial assessment of the provider's governance and management against the requirements set out above Medr requires:

- The self-evaluation **must** consider the provider as a whole and **must** encompass any group structures or subsidiaries. The self-evaluation **should** draw on:
 - compliance with the principles set out in this condition
 - compliance with the appropriate governance code
 - the most recent effectiveness review of the governing body and the actions taken in response to the report
 - risk management tools and processes
 - management of reportable events
 - any other sources of data and assurance
 - a robust and evidence based self-evaluation process, and

an action plan which identifies any gaps or areas for improvement and shows how these will be addressed (accompanying the self-evaluation)

- For higher education providers and further education providers, the self-evaluation **must** also draw on:
 - compliance with the supplementary detail which supports this condition
 - the most recent effectiveness review of the committees of the governing body and the actions taken in response to the reports
 - the annual reports of any of the provider's committees of its governing body
 - internal and external audit annual reports
 - internal audit plan
- Medr may request further information and/or carry out reviews of the provider's governance and management arrangements, where it considers this to be necessary or desirable to confirm that a provider satisfies the initial condition

Ongoing Monitoring

Medr will monitor compliance with this condition¹ in the following ways (for definitions of these, see Medr's approach to monitoring):

- **Annual Assurance Return:** providers are required to submit an annual assurance return
- **Reportable Events:** Reportable Events reported by providers will be used to assess provider's governance and management
- **regulatory concerns submissions and complaints monitoring:** in instances where concerns to Medr, or analysis of complaints data, identify themes or systemic issues that relate to compliance with the Governance and Management Condition.
- **self-evaluation:** providers are required to undertake an annual self-evaluation. Medr reserves the right to call in these annual self-evaluations. The annual self-evaluation format to be determined by the provider and should draw upon the areas set out in the initial monitoring self-evaluation
- **independent assurance:** if a provider has adopted and follows a recognised and appropriate governance code, where such code is available, and the code requires the provider to undertake a governance effectiveness review, the provider **must** report any findings from such a review to Medr
- **independent assurance:** if a provider receives a negative assurance internal audit report in the area of governance and management the provider **must** share a copy of this report with Medr once finalised
- **provider website monitoring:** Medr may monitor websites and associated materials published on websites
- **engagement activities:** at either provider or sector level, Medr will engage with providers in reviewing how advice or guidance is considered

¹ For higher education providers and further education providers, monitoring compliance with this condition includes monitoring of the requirements set out in the supplementary detail on requirements, noting that this supplementary detail is a subset of this condition.

Providers with a prior record of non-compliance, deteriorating trends in data or identified as at risk of future non-compliance may be subject to increased scrutiny. Failure to comply with monitoring requirements will prompt further investigation and possible interventions.

Review and Amendment

Medr will regularly review this condition and supplementary detail to ensure that they align with evolving sector needs, policy changes, and feedback from stakeholders.



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Supplementary Detail: Governance and Management (Including Financial Management)

Applies to: Governance and Management (Including Financial Management) Condition

For Higher Education and Further Education Providers

Higher education and further education providers must:

- work towards compliance with the supplementary detail for the Governance and Management (including Financial Management) initial and ongoing Condition. Full compliance **must** be achieved by 1 August 2027

Good Governance

1. Providers **must** make governing documents readily and publicly available.
2. Providers **must** keep under review the governance information published on their websites to ensure that it enables the promotion of transparency, accountability and public trust.
3. Providers **must** make publicly available, in writing, the responsibilities of the governing body and governance and executive functions. This includes the chair, governing body and its committees.
4. Providers who are exempt charities **must** comply with the below section on [exempt charities](#).

Culture

5. Providers **must** assess and monitor how their culture encourages openness, transparent decision making, accountability, challenge and how this desired culture has been embedded.

6. The governing body and senior executive team **must** be receptive to challenge and encourage open and honest conversations.
7. Where policy, practices or behaviour are not aligned with the provider's purpose, values and strategy, the provider **must** ensure corrective action is taken.

Governing Body

Governing Body Arrangements

8. The governing body's arrangements **must** be in accordance with its governing documents. When agreeing and keeping under review its governing documents, a governing body **must** have regard to recognised good governance practice and the adopted governance code.

Governing Body Operations

9. Providers **must** ensure that governing bodies have a budget to draw on and access independent experts if required.
10. There **must** be oversight of all settlement agreements and non-disclosure agreements (NDAs) as a result of settlement agreements within a provider's governance structure.

Leadership and Management

11. Providers **must** have an effective, maintained and documented succession plan for its senior leadership team.

Stakeholders

12. Providers **must** recognise their broader responsibilities towards communities, the Welsh language, stakeholders and wider society, and act on them in a manner consistent with their mission, values and available resources.
13. Providers **must** consider the benefits of working in partnership with other organisations, both locally and nationally, where this will further its objectives and purpose. Providers **must** undertake initial and ongoing due diligence when entering such arrangements to safeguard against financial, reputational and other risks.
14. Providers **must** take action to promote meaningful collaboration and innovation with recognised trade unions, learner representatives and learner representative bodies.

Assurance Environment

15. Internal auditors **must** always adhere to relevant internal audit standards.
16. Internal auditors **must** not take on any executive management responsibilities,

or hold any interest - financial or non-financial, direct or indirect - in the provider other than the normal employee or contractor relationship (or the funding of any prize, scholarship or academic appointment).

Conflicts of Interest

17. Providers **must** maintain and regularly monitor a register of conflicts of interest, hospitality and gifts for all staff and governing body members.
18. The register of conflicts of interest, hospitality and gifts **must** be made publicly available in respect of the senior executive team and governing body members.

Supplementary Guidance on Requirements

Strategic Direction

19. Providers **should** consider the strategic priorities of Medr and Welsh Government when developing strategic plans.



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Supplementary Detail: Financial Management

Applies to: Governance and Management (Including Financial Management) Condition

Financial Management

1. Financial management **must** extend to oversight of all entities within the control of the group.
2. In order to manage their finances appropriately providers **must**:
 - plan and conduct financial affairs on a sustainable basis
 - keep proper accounting records
 - prepare financial statements in respect of each accounting period
 - ensure that appropriate arrangements are in place for the organisation and management of financial affairs, including an adequate and effective [internal control environment](#)
 - prepare and regularly update forecasts of cash inflows and outflows covering at least the upcoming 12 months in order to monitor operational cash availability
 - have due regard to value for money in respect of use of public funding
 - ensure that that public funds are used solely for purpose and are not used to subsidise non-public activities
 - ensure that the use of any restricted, designated or other ring-fenced funds is appropriately monitored
 - comply with the relevant annual accounts direction(s) issued by Medr;
 - submit financial returns on a timely basis and notify Medr in advance where returns are expected to be delayed. Where in scope, this includes returns submitted to HESA or via Office for Students
 - where a financial commitments threshold has been calculated and issued by Medr based on submitted information:
 - monitor compliance with the threshold (multiple and monetary)
 - notify Medr on a timely basis if the threshold multiple is likely to be

- exceeded
 - where new financial commitments are being considered that will exceed either the monetary or multiple threshold, notify Medr as early as possible
 - where a provider has been notified by Medr that they are under “increased engagement”, review of governance by Medr **must** be sought for all new financial commitments, in line with Medr’s guidance on [financial commitments](#)
3. Processes and reporting **must** be in place for regular executive and governance oversight of the providers actual performance against budget, key financial metrics and targets, treasury management forecasts, and other provider specific financial risks.

Supplementary Guidance on Requirements

4. Providers **should** know the full cost of their activities and use this information to make decisions. If a provider does not seek to recover the full cost of an activity, this **should** be the result of a clear policy set by the governing body and included in the financial strategy and **must** not risk putting the provider in financial difficulty.
5. Providers **should** ensure that budget setting and financial forecasting processes are aligned to and complement the strategic plan of the entity.



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Supplementary Detail: Estates Management

Applies to: Governance and Management (Including Financial Management) Condition

Estates Management

1. Estates are likely to represent a materially significant part of the provider's asset base. As such sound financial organisation and management processes include good management of the estate, including both owned and leased assets.
2. Providers **must** manage their estate in a sustainable way, in line with an estates strategy and a maintenance plan, covering its long-term and routine maintenance requirements.
3. Where applicable providers **must** abide by Charity Commission requirements relating to the disposal of charity land and buildings. This includes requirements regarding the disposal price relative to the market value of an asset.

Assets Acquired Using Exchequer Interest

4. Where higher and further education providers hold assets acquired or constructed in full or part using capital funding provided for a specific purpose from Medr and its predecessor funding bodies, the Research Councils, Welsh Government and Welsh Office, Medr **must** be notified at the earliest opportunity to support wider understanding of the rationale before:
 - raising any finance on security over such assets
 - disposing of such assets where the valuation exceeds a market value of £25,000
 - ceasing to use such assets for their intended purpose
 - leasing such assets. In this case the rent or an appropriate proportion thereof (after deduction of any ground rent or other charges, administration costs and any expenditure necessary to keep the property

in a state to command that rent) **should** be paid to Medr unless the activities are:

- vacation lettings
 - those activities eligible for funding by Medr under Section 22 of the Act
5. On receipt of a notification, Medr's role is to assess whether the proposed action has implications for a provider's financial sustainability, the appropriate use of public funds, or the continued protection of the exchequer interest. Any engagement initiated by Medr will therefore relate to these regulatory responsibilities and will not constitute a determination of whether the disposal or change of use may proceed. Providers remain responsible for ensuring that any disposal or repurposing of assets complies with relevant legal requirements, including charitable obligations where applicable, and for determining an appropriate valuation and treatment of any remaining exchequer interest.

Supplementary Guidance on Requirements

6. The need to improve environmental sustainability and reduce carbon emissions is fundamental to the effective management of estates. Providers **should** actively seek opportunities to reduce carbon emissions through the effective management and development of the estate. A carbon management plan **should** be maintained to monitor and improve their environmental performance towards net zero.
7. Processes **should** be implemented to ensure that space is effectively managed. This **should** include keeping holdings of land and buildings under review, with the objective of rationalising and disposing of those which providers consider to be no longer needed.



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Supplementary Detail: Exempt Charities

Applies to: Governance and Management (Including Financial Management) Condition

Exempt Charities

1. Where a provider is an exempt charity many of its legal obligations are the same as a registered charity. This includes, but is not limited to, Further Education corporations in Wales.
2. All charities **must** comply with the law, including the requirements set out in the Charities Act 2011, and these requirements apply to a provider that is an exempt charity unless the Charities Act specifically states that they do not. For clarity, monitoring of compliance with charity law and regulation is within the remit of the principal charity regulator of the provider.
3. The Charity Commission publishes guidance to charities and their trustees about the legal duties and responsibilities of both. Although the Charity Commission's guidance is framed for charities that it has registered, much of this guidance is also relevant to exempt charities, as they **must** also comply with charity law².
4. In summary, charity trustees **must**:
 - ensure the charity is carrying out its purposes for the public benefit, and that its assets are applied solely for its charitable purposes
 - comply with the charity's governing document and the law
 - act in the charity's best interests, including by managing conflicts of interest
 - ensure the charity is accountable
 - manage the charity's resources responsibly, including managing risks and protecting its assets and people

² See www.gov.uk/government/publications/exempt-charities-cc23. Connected charities of exempt charities are also exempt under paragraph 28 of Schedule 3 to the Charities Act 2011.

- act with reasonable care and skill



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Supplementary Detail: External Audit Services

Applies to: Governance and Management (Including Financial Management) Condition

External Audit Services

1. Providers **must**:
 - submit full audited financial statements to Medr – regardless of whether these are required to be produced for any other regulatory body
 - notify Medr on a timely basis and in advance of any delays expected in the submission or publication of audited financial statements
 - comply with ASB Ethical Standards³ or successor standards when considering length of tenure on lead partner rotation and re-appointment of external auditors and undertake periodic market testing in line with current guidance
 - provide external auditors with unrestricted access to information – including all records, assets, personnel and premises – and be authorised to obtain whatever information and explanations the external auditor reasonably considers necessary
 - provide written responses to any recommendations made or issues raised in the external auditor’s report to the governing body or appropriate committee thereof

2. The external auditor **must**:
 - be independent of the provider, and of the preparer of the financial statements. The external auditor **must** not take on any executive management responsibilities, or hold any interest - financial or non-financial, direct or indirect - in the provider (other than the normal contractor relationship, or the funding of any prize, scholarship or academic appointment)

³ [Ethical Standard for Auditors \(frc.org.uk\)](http://frc.org.uk)

- be listed on the Register of Statutory Auditors
- always adhere to the professional standards of a recognised accrediting accounting body
- comply with the reporting requirements of the prevailing annual Medr Accounts Direction(s) where applicable
- issue to the governing body a report (or reports, if more than one, covering different stages of the annual audit) which records accounting issues and control deficiencies arising from the audit. For providers who are charities, any issues around the use of charitable assets for non-charitable purposes **must** be highlighted in such reports
- ensure that the report(s), with management responses, are made available to the provider's governing body, or appropriate committee thereof, on a timely basis
- have regard to compliance with Medr's conditions of registration or funding that impact financial management

Non Audit Services

3. Providers **must**:

- obtain the consent of their governing body, or appropriate committee thereof, where additional services commissioned may have a bearing on the auditors' objectivity and independence. Additional work **must** not impair the independence of the external audit opinion

Appointment and Removal of External Auditor

4. When appointing external auditors, providers **must**:

- agree procedures to appoint external audit providers that include the advice of the provider's governing body or appropriate committee thereof
- ensure that selection criteria and procedures for appointing external audit providers are determined and endorsed by the governing body, or appropriate committee thereof, before proposals are received, and
- ensure that internal and external audit services are not provided by the same or a connected firm or provider

5. Where external auditors cease to hold office for any reason, they **must**:

- provide the governing body with either a statement of any circumstances connected with their resignation or removal which they consider **should** be brought to the governing body's attention, or a statement that there are no such circumstances
- provide a copy of this statement to Medr within three months of the governing body receiving it

Supplementary Guidance on Requirements

6. Providers **may** commission external auditors to provide additional services.