

Medr

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

Summary of the findings of the independent review commissioned by Medr on the applicability of the Gillies Lessons Learnt Report for the Welsh tertiary sector

May 2026

Mae'r ddogfen hon hefyd ar gael yn y Gymraeg |
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Purpose and context

The Gillies Report¹, commissioned by the Scottish Funding Council (SFC), examined the causes of the rapid deterioration in the financial position of the University of Dundee. While the report concludes that many of the causal factors were specific to Dundee, it highlights sector wide risks facing tertiary education providers in an increasingly volatile operating environment, particularly in relation to student recruitment, cash management and governance oversight and identified a series of lessons relevant to the wider higher education sector and regulators.

On that basis Medr commissioned an independent review of the relevance of those lessons for Wales and for Medr, intended to inform the ongoing development of our regulatory approach, with a particular focus on the prevention of disorderly financial collapse and the protection of students and the public interest. While the Gillies Report focuses on the higher education (HE) sector, Medr, as a tertiary regulator, scoped the review to include applicability to the wider tertiary sector, while recognising the wide diversity that this encompasses.

This document summarises the key findings of Medr's independent review.

Overall assessment

The review concludes that no regulatory framework could provide absolute assurance that a Dundee type failure could not also occur in Wales. However the review identifies a number of positive actions already being taken by Medr to reduce the likelihood of such a scenario as well as recommendations of further action for continuous improvement. It also recognises that financial failure can emerge rapidly where governance and decision-making do not keep pace with risk, or where information flow is impeded by the embedded culture. As autonomous institutions, responsibility for financial sustainability and governance rests primarily with providers and their governing bodies. However, Medr has a statutory duty to monitor financial sustainability, to identify emerging risks, and to engage proportionately and effectively where risks increase. Effective risk mitigation therefore depends not only on regulatory processes, but on the quality, timeliness and openness of engagement between providers and Medr, particularly in periods of financial volatility.

The findings of the Gillies Report reinforce the importance of:

- early visibility of financial stress;
- robust governance challenge;
- open and transparent relationships between regulators and providers; and
- sufficient regulatory capacity to analyse financial information and act at pace.

¹ <https://www.sfc.ac.uk/wp-content/uploads/2025/06/Gillies-Report.pdf>

Key areas of learning and actions for Medr

1. Strengthening oversight of financial reporting and cash management

The Gillies Report highlights the critical importance of integrated, timely and transparent financial reporting, covering income and expenditure, cash flow, balance sheet, capital investment and borrowing arrangements.

The review also highlights the importance of organisational resilience and capacity in producing and scrutinising financial information, particularly where institutions are undergoing restructuring or where knowledge is concentrated in a small number of individuals.

Medr's current safeguards include:

- requiring multi-year financial forecasts including, for HE, standardised and institutional specific down-side modelling, and audited annual accounts;
- enhanced focus on cash flow forecasting and minimum cash levels;
- scrutiny of the governance over borrowing proposals through the borrowing threshold process;
- regular engagement with provider finance leads, with increased frequency for higher risk providers.

Further recommended actions for Medr include:

- facilitating sector-wide sharing of good practice in the presentation and use of financial reporting (for example, management accounts) by executive teams and governing bodies;
- encouraging improved transparency of income as well as expenditure at provider level, particularly during periods of volatility;
- strengthening expectations around notification to Medr of unplanned changes in senior finance leadership or governing body membership;
- expanding engagement with internal and external auditors.

2. Risk management and governing body challenge

A recurring theme in the Gillies Report is the failure to identify, escalate and challenge growing financial risks despite the existence of formal risk registers and committee structures. The review reinforces that effective risk management depends on active challenge, curiosity and confidence to question, not solely on the presence of documented processes.

Medr's current safeguards include:

- receipt of annual Internal Audit reports;
- engagement with sector audit and finance networks;

- development of provider risk assessments and risk letters to governing bodies;
- requiring Governing body self-evaluations.

Further recommended actions for Medr include:

- supporting enhanced governor training and sector-wide risk awareness, tailored to the Welsh context;
- encouraging stronger peer learning through pan Wales networks linking the chairs of committees such as audit and finance and resources to the chairs of equivalent committees in other Welsh providers;
- requesting greater visibility of significant internal audit findings where they relate to governance or financial control weaknesses;
- maintaining regular, senior level engagement between Medr and provider Chairs, Accountable Officers and senior leadership teams.

3. Early warning signals, sensitivities and escalation

The review emphasises the importance of realistic sensitivity analysis, particularly in relation to student recruitment and cash headroom, and of acting decisively when early warning signs emerge.

The review also recognises that early warning signs are not always purely quantitative and may emerge through engagement, behavioural indicators or concerns raised informally. Acting on such signals requires clarity of escalation routes and a culture that supports timely disclosure.

Medr’s current safeguards include:

- mandatory sensitivity analysis within forecast submissions;
- requirements to report specified events under the Financial Management Code, and equivalent requirements in the new regulatory system;
- reinforcing a “no surprises” culture in engagement with providers.

Further recommended actions for Medr include:

- extending sensitivity analysis beyond the first year of forecasts;
- seeking additional assurance from higher risk providers on the frequency and quality of financial reporting to finance committees and governing bodies;
- reviewing reportable events to ensure alignment with the lessons from the Gillies Report and the “no surprises” principle.

4. Borrowing, covenants and treasury risk

The Gillies Report illustrates the risks associated with insufficient oversight of borrowing arrangements and covenant compliance, particularly where monitoring is not timely or transparent, or where that monitoring is not being appropriately reported.

Medr's current safeguards include:

- review of borrowing proposals and covenants through the borrowing threshold process;
- monitoring of covenant compliance through forecasts and engagement with finance leads.

Further recommended actions for Medr include:

- strengthening expectations around real-time reporting of covenant risks and potential breaches;
- reinforcing discussion of financial risk at senior-level engagement meetings with provider leadership;
- clarifying expectations around early disclosure of changes to borrowing terms.

5. Culture, governance and openness to challenge

A central conclusion of the Gillies Report is that culture matters: effective governance relies on openness, curiosity, psychological safety and clear accountability. The review highlights that cultural weaknesses can undermine formal governance arrangements, particularly in periods of stress, and may inhibit challenge even where structures appear sound.

Medr's current safeguards include:

- requirements for periodic independent governance effectiveness reviews;
- monitoring of board composition, tenure and compliance with governance codes;
- engagement with student governors and university secretaries;
- review providers' whistleblowing arrangements.

Further recommended actions for Medr include:

- complementing cyclical assurance visits with thematic, risk-informed engagement;
- promoting clearer guidance and checklists to support governing body challenge of financial information;
- encouraging clear safeguards to facilitate challenge, such as nominating a senior independent member for board to feed back challenges and concerns;
- strengthening engagement with university secretaries and clerks;
- exploring safe routes for provider staff to raise concerns with Medr where appropriate, should provider internal reporting routes fail to operate as designed;
- improving mapping of stakeholder engagement, regularisation of timelines for such engagement across Medr teams and improved internal dissemination to assist triangulation of intelligence from engagement activities and maximise multi-source assurance;

- maintaining capacity to monitor governance standards in a more intervention-ready regulatory framework.

Conclusion

The Gillies Report provides a timely reminder that financial failure can emerge quickly, even in long established institutions, when governance, reporting and culture fail to keep pace with risk. While many of the failures identified were specific to the University of Dundee, the underlying principles of good financial management, strong governance and open culture are universally relevant and the underlying lessons are highly relevant to Wales and to the wider tertiary education sector.

For Medr, the emphasis is on strengthening early warning mechanisms, deepening engagement, supporting effective governance, and ensuring sufficient internal capacity to act decisively when risks escalate. These priorities are reflected both in the findings of this independent review and in the ongoing development of our proportionate, risk-based and prevention focused regulatory approach, aligned to our statutory duties, the protection of learners and the public-interest.

Following completion of the review, an associated action plan has been developed to take these lessons forward. We have already begun implementing a number of actions, including strengthening financial analysis capacity, enhancing sector engagement, and embedding lessons from the Gillies Report into the design and operation of our new regulatory framework. In parallel, we have required each of the Welsh higher education institutions to review their own arrangements against the Gillies recommended actions and to report the outcome of that review to their governing body, reinforcing the shared responsibility for financial sustainability and effective governance, while recognising that no regulatory framework can fully eliminate the risk of rapid financial deterioration.

We will continue to work with the sector to mitigate these risks as far as possible within the context of the resource constraints inherent in the current challenging financial environment. Other actions will be progressed on a phased, proportionate and risk-informed basis, recognising both the diversity of the tertiary sector and the need to prioritise those measures most likely to strengthen early warning, governance challenge and regulatory readiness.

However, the review also underlines that continued vigilance is required in a highly volatile operating environment, and that effective regulation depends not only on frameworks and processes, but on sustained analytical capacity, timely information, and open, transparent engagement between Medr and providers. Applying these lessons consistently will help reduce the risk of disorderly failure, protect learners and public investment, and maintain confidence in the governance and autonomy of tertiary education institutions in Wales.

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