

Issues for Consideration by Governing Bodies and Executive Boards | Lessons Learnt from the University of Dundee

What happened at the University of Dundee?



In June 2025 a report was presented by Professor Pamela Gillies to the Scottish Funding Council (SFC) setting out the findings of an investigation into financial oversight and decision-making at the University of Dundee. The SFC commissioned this independent investigation in order to determine the causes and contributing factors to the deterioration of the University's financial position as revealed to its Court on 12 November 2024. The SFC wished to understand how it was possible that the financial deterioration of the University had not been identified by the University Executive Group (UEG) earlier and notified to the SFC.

The full report can [be downloaded from the SFC website here](#) and it contains a great deal which will be of interest to governing bodies and executive boards.

In this comprehensive blog, we present some of the key learning points – which go far beyond the particular circumstances of Dundee – and highlight a number of questions for discussion by HE governors and leaders.

What were the issues?

The foreword to the report by Professor Gillies provides a concise summary of the specific failings:

The main causal factors of the financial failure uncovered by this investigation are largely specific to the University of Dundee. They include poor financial judgement, inadequate management and reporting, poor monitoring of the financial sustainability key performance indicator, lack of agility in responding to a fall in income by the University leadership and weak governance in relation to financial accountability by the Court. Financial oversight was lacking when most needed.

These failings were compounded by the top-down, hierarchical and reportedly over-confident style of leadership and management, a lack of transparency and clarity in respect of financial data, the promulgation of a positive narrative around financial matters and a culture in which challenge was actively discouraged.

Key lessons to be learned for the University of Dundee and the sector are captured in this report. They cover themes relating to: financial acumen; the accurate, consistent, clear and comprehensive reporting of financial data; the importance of a knowledgeable, responsive and effective Court holding senior management to account and the value of an engaged workplace and inclusive University culture in which challenge and dissenting voices are welcomed and listened to.

The consequences have been significant and far-reaching with loans required from the SFC to keep the university afloat and the departure of a number of senior staff, including the Principal and Vice-Chancellor.

Many of these failings should resonate with institutions across the sector, though not to the same extent and not coinciding to the same degree. The Office for Students (OfS), for example, has alluded to its concerns that governance in the sector may not be well equipped to deal with the challenges the sector in England now faces. It would be a mistake, therefore, not to take the opportunity to reflect on what the wider sector can learn from Dundee and the Gillies report.

What was the challenge for university governance?

Gillies presents a chronology of issues going back to August 2021. Some of these issues, particularly the deeper cultural matters, predate that starting point but remain worthy of consideration

The single pervasive issue that emerged from the investigation was the extent to which cultural context and values in relation to leadership and governance contributed to the financial difficulties experienced by the University. A summary of submissions made to the investigation include comments on: issues in the presentation, clarity and interrogation and understanding of financial data; inhibition in expressing opinions most especially dissenting views; leadership style promoting a positive narrative; lack of collaborative working at UEG; poor transparency with respect to decision making and information sharing; and limitations in the challenge from Court and in monitoring key performance indicators. However, there were individual and collective failures in the financial governance of the University.

The key reference documents here are the Committee of University Chairs (CUC) Higher Education Code of Governance from 2020 and its Scottish counterpart from 2023, the Scottish Code of Good Higher Education Governance. There is also the Financial Memorandum with the Scottish Funding Council (OfS regulatory framework in England).

The CUC Code and the Scottish Code essentially cover the same ground, although the latter document does go into considerably more detail than the former, which is more principles-based. The CUC Code is currently under revision, and we can expect more advice for governing bodies following the Gillies report.

AdvanceHE has helpfully published recently a report arising from its 'Big Conversation' on higher education governance. This report, which sets out [10 priorities to enhance higher education governance](#), suggests a number of changes including in relation to board composition, more agile decision-making, proactive scenario planning, transparency, strategic partnership and regulatory compliance openness.

What should governing bodies be doing to respond?

In considering the fundamental governance issues arising from the Gillies report, governing bodies will be well advised to set aside the idea that the set of circumstances which led to the crisis point at Dundee was unique to that institution. Drawing together the themes in the report, governing bodies should, in our view, take the opportunity to consider how comfortable and confident they currently feel in dealing with the following areas:

- [Accountability, risk and governance operations](#)
- [Financial management, operations and financial reporting](#)
- [Culture, challenge and openness](#)

We will explore each of these areas in more detail and discuss what governing bodies should do to address them.

Accountability, risk and governance

Gillies identifies a range of gaps, failings, missed opportunities, structural and cultural issues in the University's accountability and risk framework and governance arrangements:

UEG [University Executive Group] as a group failed throughout the latter part of FY24 to properly respond to the worsening situation and collectively failed to make appropriate disclosures under the Nolan Principles to FPC [Finance and Planning Committee] and Court.

FPC failed in its reviews of FY24 forecasts for FY25 (21 May 2024), and again at its following meeting on 10 October 2024. There was no unexpected event or culmination of unexpected events beyond those impacting the sector as a whole. The University was not 'different'. This was an embedded issue and was reasonably foreseeable in May 2024.

Court failed in its governance responsibilities in June 2024. The failure of the University's financial governance system was self-inflicted and experienced multiple times and at multiple levels. This led to a failure in identifying the worsening situation and not responding early enough.

The university failed to act following a big decline in overseas Postgraduate Taught (PGT) student recruitment in September 2023 and January 2024. Indeed, it continued to implement its plans for investment and growth and did not act until Q3 FY25 when a recruitment freeze was introduced. During this period staff numbers, and operational expenditure continued to grow, although the decline in student numbers and the wider environmental factors made the worsening financial position entirely predictable. No re-evaluation of plans or cost reductions were introduced, and the Principal and Vice-Chancellor delivered a very upbeat message to staff about the University's position in March 2024.

The first of the six key elements set out in the Committee of University Chairs (CUC) Code concerns accountability:

The governing body is collectively responsible and accountable for institutional activities, approving all final decisions on matters of fundamental concern within its remit.

Within this broad requirement the Code also specifies that:

The governing body has overall responsibility for all decisions that might have significant reputational implications for the institution's sustainability (including partnerships or collaborations). It therefore needs assurance that the institution:

- a) meets all legal and regulatory requirements imposed on it as a corporate body;*
- b) complies with its instruments of governance such as statutes, ordinances and articles; and*
- c) meets the requirements falling upon the institution in respect of public funding issued by bodies, including income from the Student Loan Company.*

The second key element in the CUC Code is sustainability, which is about the mission, strategy, aims and values of the institution:

In ensuring the sustainability of the institution the governing body actively seeks and receives assurance that delivery of the strategic plan is in line with legislative and regulatory requirements, institutional values, policies and procedures, and that there are effective systems of control and risk management in place.

This requirement for assurance is developed further in the Code as follows:

The governing body will need to receive regular, reliable, timely and adequate information to monitor and evaluate performance against the strategic plan. The governing body's role is to have oversight of performance and constructively challenge it, encourage quality enhancement, maintain and raise standards, celebrate achievements and learn from difficulties.

The governing body needs assurance that the institution is meeting the conditions of funding as set by regulatory and funding bodies and other major institutional funders. These include:

- *the need to use funds in line with the principles of regularity, propriety and value for money;*
- *robust systems of financial control and governance;*

As will be seen when we turn to financial reporting and the broader cultural issues in parts 3 and 4, the information was not there, performance was not evaluated effectively and there was an absence of meaningful challenge. These, and other factors, constituted a fundamental failure of governance in the University.

The head of institution and the governing body

The CUC Code also includes a specimen 'Statement of Primary Responsibilities' for a governing body. This translates the key elements into specific responsibilities which every governing body should have adopted. Several of these refer to the relationship with the head of institution (HoI), including:

4. *To delegate authority to the HoI for the academic, corporate, financial, estate and human resource management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the HoI.*
9. *To appoint the HoI as Chief Executive and to put in place suitable arrangements for monitoring their performance.*

The Gillies report notes that the court was not perceived by most respondents who mentioned it

to be a forum for detailed discussion and debate especially about financial matters which were assumed to be 'fine' because the Principal had consistently told them 'all was well'.

There was also an "unwillingness to challenge the Principal and UEG", and very few people apparently dared to speak truth to power.

Effectiveness

Given the general lack of challenge to the principal and vice-chancellor and the inadequacies of financial reporting and monitoring, combined with the many other failings scattered across the report, it would be surprising if the University were delivering on the fifth of the CUC key elements, effectiveness:

The governing body ensures that governance structures and processes are robust, effective and agile by scrutinising and evaluating governance performance against this Code (and other Codes where an institution's constitutional form requires it), and recognised standards of good practice.

One of the primary responsibilities as set out in the CUC Code is:

6. *To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.*

There is reference in the report to an external court effectiveness review taking place in July 2024, but it is not clear what the findings of this review were. The university's response to Gillies says that the recommendations from the effectiveness review have been built into the wider action plan. However, in broad terms it would be difficult to make a case for the effectiveness of governance at the University given the scale and impact of the failings identified by Gillies.

Risk management

One of the other dimensions of the effectiveness element of the Code relates to the response to strategic risks:

The governing body needs to focus on strategic risks and emerging opportunities for the institution and have enough flexibility to respond to these quickly and effectively.

Gillies makes a number of references to the lack of action on identified risks, including in relation to a new digital system intended to support student recruitment named Blueprints. The worsening of the student number growth risk is reported to a number of committees:

The risk register reviewed by both UEG and ARC [Audit and Risk Committee] increased the risk of the inability to meet budgeted student growth to 'red' in March 2024 to a score of 16 (on a typical '5x5 score card') – based on the international visa changes but with no mention of Blueprints. Indeed, at the same meeting the risk of the inability to deliver major capital projects was rated as green with a score of 6. When reviewed by the same groups in October 2024 the growth risk had risen, further impacting financial sustainability but again with no mention of Blueprints.

At the ARC meeting on 12 March 2025, an update to the Risk Register was given. The register notes the 'inability to recruit students' risk had a High-Risk score (25) and was increasing partly due to challenges with the Blueprints system.

It is not clear what action, if any, was taken as a result of this change in risk profile (but note that the outcome of the March ARC meeting is unknown as the minutes followed the conclusion of the review).

Gillies draws two general lessons from this example of a failure properly to manage a changing level of risk:

2. *Active and critical appraisal and challenge of the Risk Register;*
3. *Where there are obvious sensitivities (high risk rating) on student recruitment or financial sustainability, there should be regular updates to the Finance Committee (or equivalent) as a check and balance on budgets and forecasts;*

The critical nature of student recruitment to the university's ambitions for growth and its failure on several occasions to get close to its targets also demonstrates the vital significance of key indicators such as progress towards recruitment targets as means of early warning of issues to come. Dundee's operations appeared not to fully take this into account until it was too late (despite warnings in relation to the Blueprints system and from the vice-principal International as noted in the report). The importance of awareness on the part of executives and governors of progress towards hitting student recruitment targets, which delivers a large element of income for many institutions, is hard to overstate.

Specific governance issues

Gillies makes a number of specific observations on governance practices at the University. The report is somewhat critical of the role of ARC, and there is clearly a view that the committee was insufficiently curious about identified risks and problems but also not as robust it should have been in tackling known problems. As stated in the general lessons section:

11. The ARC should be able to stand back on any matter and review or enquire. The ARC should be the conscience of the University – the ultimate back stop for any matter.

In common with many institutions the university had the chair of FPC in attendance at ARC, and vice versa, but the report's view is that this arrangement compromises the objectivity of the ARC chair and the independence of ARC. This is something for governing bodies to consider for the future.

In similar vein, the report identifies another structural governance risk:

13. In extremis, and it is seen (UK wide), institutions have a habit of forming a 'Committee of Chairs of Committees' or similar. In doing so, the Chair of ARC automatically loses their objectivity. The 'conscience of the University' is lost and objectivity over new and emerging risks can readily be overridden by a bias from prior (and detailed) consideration in a different context to ARC's considerations;

Moreover, this kind of informal committee can end up bypassing formal governance structures in a quite unhelpful way, even where terms of reference are properly articulated and approved by the governing body (which did not appear to happen at Dundee).

Governance operations

Element 5 of the CUC Code includes the stipulation:

The Secretary (or Clerk) is responsible to the governing body for the provision of operational and legal advice in relation to compliance with governing instruments, including standing orders. They are also responsible for ensuring information provided to the governing body is timely, appropriate and enables informed decision making.

There are many examples in the report of vital papers for major University committees being provided late, extremely late (even retrospectively), or not at all and, even where they were circulated, not always being fit for purpose.

Timely distribution of properly-formulated papers is a governance fundamental and has to be a core part of ensuring effective operations. Accurate minuting is another absolute requirement and again there are comments of bias and other inadequacies in the report.

Discussion points for governing bodies and executive boards

- Is the governing body fully sighted on the principal risks facing the institution and the mitigations in place?
- Do the governing body and executive board have full oversight of the latest key performance indicators, including comprehensive, timely and accurate financial information and any leading indicators such as student recruitment data?
- Is the governing body satisfied that it could demonstrate that its audit and risk committee is sufficiently independent?

- When was the last time the governing body reminded itself of its duties and primary responsibilities under the CUC Code/Scottish Code? Is the governing body confident that it is properly executing its legal responsibilities, requirements of public funding bodies and lenders and its duties as set out in the Code and governing instruments?
- How effective is the institution's approach to the identification, oversight, monitoring and response to strategic risks? Is risk front and centre in governing body/executive board discussions?
- Are the arrangements adequate to guarantee the advance preparation, quality and timely provision of papers and other material to support effective decision-making by the governing body/executive board?

Financial management

The Gillies report sets out, at considerable length, the financial management failings of the University of Dundee during the period in question.

Some of the key failings included:

- The university failed to act following a big decline in international PGT student recruitment in September 2023 and January 2024. There was also a drop in undergraduate numbers, but the university nevertheless determined it would continue with its investment plans.
- The University did not act to control expenditure until Q3 FY25 when a recruitment freeze was introduced. During this period staff numbers, and operational expenditure continued to grow. No re-evaluation of plans or cost reductions were introduced despite the obvious consequences of reduced student fee income.
- Throughout FY24 and Q1 of FY25 the university did not have effective internal systems and controls over financial management. Internal audit did not pick this up.
- In March 2024 there were strong indications of financial distress from the data presented to the UEG, but this was not reported to anyone. The report states that the principal either was aware or should have been aware at this point and should have taken appropriate action, which would have included advising the FPC, the ARC, and court
- Known external factors and the under-recruitment of students were not addressed in budgets. Savings aspirations were only vaguely expressed and never properly introduced. The failure to make savings in FY24 meant the budgets for FY25 were already too high.
- Cash flow was not managed prudently due to issues with poor governance, the ownership of cash management and reporting and transparency. The lack of visibility of cash movements meant that the University was not controlling cash at all and ended up breaching its covenants.
- The covenant breach was not reported to court until 12 November 2024, although senior staff must have been aware of it for a period before that date and there were opportunities to raise the issue at both FPC and ARC at their October meetings, but this did not happen.

- There was very poor reporting on finances to both UEG and court. For example, the finance team did not prepare the P7 accounts in FY2024 because it was prioritising financial forecasts. This should have been a red flag, as should the fact that the P9, P10 and P11 management accounts (April, May and June 2024) were produced in draft but never finalised into papers that reached UEG.
- Notwithstanding the poor financial reporting there were opportunities for individuals at various meetings to challenge the financial information in front of them, including the lack of specificity around savings targets for example, but this did not happen.

Financial controls as primary responsibilities

The CUC Code includes the following points in its list of primary governing body responsibilities:

5. *To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment, value for money arrangements and procedures for handling internal grievances and managing conflicts of interest.*
12. *To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall accountability for the institution's assets, property and estate.*

The Scottish Code includes the additional stipulation that:

The governing body must ensure that the institution has appropriate arrangements for financial management.

And

8. *The institution's financial regulations must specify the financial responsibilities and authority of the governing body, its committees and staff. Financial procedures should specify processes to be followed in day-to-day financial transactions. There should be clear policies on a range of systems, including (but not limited to) treasury management, investment management, risk management, debt management, grants and contracts, and delegated authority. These should be monitored to enable continuous improvement.*

This really could not be much clearer. And the gap between this expectation and the findings set out in the Gillies report is substantial.

Financial management oversight

Among the recommendations made by Gillies for general consideration are two helpfully direct proposals for university executives to take on board:

1. *The UEG, or equivalent, should actively consider and challenge the management accounts of the institution from a position of understanding of the totality of operations. There needs to be:*
 - *An integrated income & expenditure, cashflow and balance sheet.*
 - *Transparent cash reporting and cash management i.e. budgeted and allocated cash, unallocated operational cash.*
 - *Control and reporting of capital projects in a way that is not separate to or segregated from the whole university financial reporting; and*

- *Transparent treasury management (especially if RCFs [revolving credit facilities] or loan finance is being used or is available).*
4. *Where there are loan or RCF covenants, depending on headroom these should be reported to UEG on a monthly or quarterly basis (in real time and based on the prior month's management accounts);*

Discussion points for governing bodies and executive boards

- Is the governing body confident about the systems of financial control and operations which are in place?
- Do the institution's financial regulations specify the responsibilities of relevant committees and staff?
- Are the arrangements for financial reporting to the executive and to the governing body and its committees sufficient to enable each to execute its responsibilities?
- Are the policies relating to the various financial systems clear, comprehensive, up-to-date and effective?
- Are the governing body and the executive fully sighted on and regularly updated on the status of loans or credit facility covenants?
- Are there sufficient levels of financial literacy among members of the governing body and executives? Is further training or updating required?

Culture

The third element in the CUC Code is concerned with reputation:

The governing body safeguards and promotes institutional reputation and autonomy by operating in accordance with the values that underpin this Code, its various elements and the principles of public life.

Two of the additional points under this element of the Code are relevant here:

Members of governing bodies must always act ethically in line with the principles of public life (the Nolan principles), the institution's own ethical framework, and in the interests of the institution, its students and other stakeholders.

Promoting trust in institutional governing bodies requires assurances that there is effective communication with relevant stakeholders, including the reporting of significant changes in circumstances. Governing bodies will need to consider how they engage stakeholders in decision making and how they publish information and report performance to stakeholders.

And the primary responsibilities of the governing body as set out in CUC Code include the following:

7. *To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.*
8. *To safeguard the good name and values of the institution.*

As with other issues, the Scottish Code is more detailed than the CUC Code on this point (the CUC Code was stripped back some years ago). It notes that nine principles – the seven Nolan principles supplemented by Duty and Respect – together form the foundation for the governing body's behaviour and its decision-making processes.

Of the recommendations made by Gillies for general consideration are two strong exhortations relating to culture and values:

10. *Both the UEG and all members of Court should live the nine principles of public life;*
18. *A values-led University culture, which privileges transparency and accountability, is likely to actively support evidence-based collaborative decision making, integrity and openness to challenge and debate.*

Curiosity and challenge

In addition to these very clear expectations regarding both governing body and executive culture there are several important points made by Gillies about the need for proper questioning and challenge. There are a number of references in the report to the reluctance of senior staff in particular to raise concerns and 'speak truth to power.' Curiosity and challenge are vital cultural practices for ensuring governing body and management effectiveness.

Element five of the CUC Code includes the following specific point on this topic:

An effective governing body has a culture where all members can question intelligently, debate constructively, challenge rigorously, decide dispassionately and be sensitive to the views of others both inside and outside governing body meetings.

Three of the recommendations made by Gillies for general consideration focus on questioning and curiosity:

5. *There needs to be a culture (in practice) of the validity and value of questioning at all levels in a way that is without fear;*
6. *The Chair of UEG (ordinarily the Principal) should be receptive to challenge;*
7. *Curiosity should be encouraged (and whether at UEG, ARC [Audit and Risk Committee], Finance Committee or Court) – one person's 'innocent question' ("I don't really understand but...") is often a catalyst for another person and the engagement leads to a far richer understanding and potentially uncovering of risks and issues that are worthy of debate;*

This openness to challenge and a welcoming of curiosity are strong indicators of a healthy culture within the governing structures of an institution. Another facet though is the need for openness, transparency and broader engagement with the institutional community.

Engagement

The sixth element of the CUC Code covers the issue of engagement:

Governing bodies understand the various stakeholders of the institution (globally, nationally and locally) and are assured that appropriate and meaningful engagement takes place to allow stakeholder views to be considered and reflected in relevant decision-making processes.

This section of the Code also includes the following specific point:

The governing body needs assurance of regular, effective two-way communication with students, staff and other stakeholders, and must be advised of any major issues arising.

A related recommendation is made by Gillies in the list of issues for general consideration:

8. *There should be clear and unambiguous early communication to Court and its committees regarding matters of importance to the whole university;*

Dialogue with staff and students on difficult issues around savings, restructuring and reductions in investment that may be required are likely to be challenging. But they are going to be much more productive in the early stages of a strategic reassessment than after a disastrous fall out. In any discussions held with university staff the governing body needs to recognise that senior managers tend to be more optimistic, other staff less so.

Both can be right, but the basis for their assessments needs to be properly questioned. Senior staff are more likely to have a rounded picture and a longer-term view of the strategic opportunities. However, it is possible they may also be in denial about the evidence which contradicts their position. Other staff may be better sighted on operational realities but also could be generally disposed to scepticism about the veracity of senior management commentary.

Everyone needs to be challenged, but the important point from all of this is that two-way communication needs to be planned and executed regularly, and the governing body properly assured it is happening and that it is alerted rapidly to any issues emerging.

Discussion points for governing bodies and executive boards

- Is the governing body operating in line with the principles of public life? How does it know? Do governing body members and executives live these principles and behave ethically and in line with the stated institutional values?
- Is there a culture of challenge, curiosity and effective scrutiny within the governing body and its committees (and at the executive level)?
- Are there examples of individuals feeling able to question senior leaders in formal university meetings and other contexts?
- Do stakeholder views genuinely inform decision-making at the governing body?
- Are there means for effective two-way communication with staff and students and for alerting the governing body of issues arising?

How can we help?

If you would like any further information or support in relation to higher education governance issues, then please do get in touch with our [expert education team](#).