

THE COUNCIL

Minutes

This paper presents the confirmed Minutes of the last meeting of the Council held on Tuesday 12 March 2013 at 10.00am in the Hub Theatre, The Open University, Walton Hall, Milton Keynes, MK7 6AA.

The Council **approved** these Minutes as a correct record at its meeting on Friday 17 May 2013..

Fraser Woodburn
Secretary to the Committee

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THE COUNCIL

Minutes of the meeting of the Council held on Tuesday 12 March 2013 at 10.00am in the Hub Theatre, The Open University, Walton Hall, Milton Keynes, MK7 6AA.

Present: Lord Haskins (Chair), the Vice-Chancellor, Mr E Briffa, Mr H Brown, Mrs M Cantieri, Dr S Ding, Mrs S Dutton, Dr I Falconer, Mr A Freeling, Mr B Heil, Mr R Humphreys, Mr B Larkman, Mrs S Macpherson, Ms R McCool, Mr C Shaw, Mrs R Spellman, Mr M Steen, Prof W Stevely, Professor J Taylor, Dr G Walker

In Attendance: University Secretary; Pro-Vice-Chancellor (Academic); interim Pro-Vice-Chancellor (Learning and Teaching); Pro-Vice-Chancellor (Research and Scholarship); Commercial Director; interim Director Students; Finance Director; Head of Governance; Senior Manager (Governance).

Observing: Ms L Hodgkinson, (Executive Assistant to the Vice-Chancellor); Mr L Hudson, (Director Communications); Dr S King, (Head of the Vice-Chancellor's Office)

Apologies: Mrs C Ighodaro, Mr P Mantle, Dr T O'Neil, Professor T Blackman

1 WELCOME

The Chair welcomed Dr Greg Walker, an external co-opted member of the Council, to his first meeting.

2 DECLARATION OF INTERESTS

There were no declarations of interest.

3 MINUTES

C-2012-04-M

The Council **approved** as a correct record the minutes of the business meeting held on 27 November 2012.

4 MATTERS ARISING

C-2013-01-01

The Council **noted**:

- a) the responses to the matters arising from the minutes of the last meeting, which were not dealt with elsewhere on the agenda;
- b) the appointment of a new member of the Council.

5 VICE-CHANCELLOR'S REGULAR REPORT

The Vice-Chancellor reported to the Council on:

- a) the enthusiastic reception by the media, by academia and the Government for the launch of *FutureLearn* at the end of 2012;
- b) the good news regarding student numbers for 2012/13, which would be covered further elsewhere on the agenda;
- c) the launch of the leading edge *OU Anywhere* app at the end of January 2013, which allowed students to access all of their study materials via their smart phone or tablet. Concerns had been expressed that the OU might abandon other means of accessing materials, but there had been no change in strategy: the University remained committed to using the best media available to provide the best possible student experience;
- d) the BBC co-production, *Protecting Our Children*; the OU trained one in ten social workers in the UK and the programme had demonstrated how society benefited from the University's work;
- e) the implementation of *Global Direct*, which was on schedule, with the website going live at the end of February 2013 followed by the launch of digital marketing campaigns in eight EU countries, which demonstrated how the OU's vocational qualifications and short courses could be used to transform careers.
- f) the substantial NHS contract won by the BDU and the Faculty of Business and Law (FBL). The agreement would see the OU forming a partnership with the Hay Group to provide a Certificate and a Diploma in Management to several thousand health service employees;
- g) the Regius Professorship bestowed by the Queen on the Institute of Educational Technology (IET). Professor Eileen Scanlon would be the first incumbent of the OU Regius Chair in Open Education, a fitting recognition for her 37 years of service to the OU. The Council congratulated Professor Scanlon and her team;
- h) the award of the £70,000 Philip Leverhulme Prize to Dr Leon Wainwright, from the Department of Art History, for his work on the art of the modern and contemporary Caribbean and its diaspora;
- i) the Journal of Distance Education Editor's Award to Dr Aaron Alzola-Romero, of the Classical Studies Department, for his study of links between access to IT and academic performance;
- j) the award of the 'Best Documentary' at the prestigious National Television Awards to *Frozen Planet*;
- k) the position of runner up to Professor Mary Kellett and her Children's Research Centre in the Guardian Higher Education Awards;
- l) the Prime Minister's praise for *Futurelearn* during his recent trade delegation to India, and his warm words about TESSA India, the OU's ground-breaking project to train a million new teachers in the sub-continent;
- m) the focus on research in the forthcoming year. The new research website was now live and the submission to the new-style Research Excellence Framework (REF) would take place in November 2013. Unlike the old Research Assessment Exercise (RAE), the REF would focus on how the OU's research made a difference in the outside world and impacted on peoples' lives, as well as assessing its quality.

- n) the process for appointing a successor to the Chancellor, Lord Puttnam, who would be demitting office in September 2013.

6 FUTURELEARN C-2012-01-02

Minute Items 6.1 to 6.17 detailed in C-2013-01-CM (Confidential Minutes).

7 PROPOSED MEASURES WITHIN THE 2013 INSTITUTIONAL PERFORMANCE REPORT C-2013-01-03

- 7.1 The Director of Strategy introduced the paper, which outlined the proposed measures of institutional performance to be reported to the Council in May 2013.
- 7.2 The aim of the report was to provide the Council with complete transparency around institutional performance, without overloading it with detail or operational management issues. These were not the only measures under consideration, but were the critical ones that should be of concern to the Council. A sophisticated and more extensive process of performance management took place at operational and executive level, primarily managed through the Institutional Dashboard.
- 7.3 Members raised the following issues:
- a) whether the source and accuracy of information was reliable enough on the market share of perceptions measure;
 - b) the lack of a top level measure around employees, which suggested that staff were not a priority; several members agreed on this point during the discussion;
 - c) the matter of timescales regarding qualification completion, as the OU did not have neat cohorts of students; and that of students who registered for a degree, but qualified with a diploma;
 - d) how measures would be reviewed on an on-going basis. For example, the next implementation of the REF would be different and the criteria might continue to change over time.
- 7.4 The following responses were made:
- a) The University Secretary said that the information on perceptions came from market research, organised by the OU and conducted over a number of years, so the University was reasonably confident about the validity of the data. The perception of the OU was quite volatile, and was influenced by activity such as BBC programmes and marketing campaigns;
 - b) The University Secretary said that the University had a rich and informative staff survey, which was seen by Staff Strategy Committee. A range of measures could be considered, but a single measure might be unhelpful. The Director of Strategy said that he would welcome the input proposed by members regarding the measurement of employee engagement;
 - c) The Director of Strategy said that timescales and changes in qualification intentions were just some of the challenges faced by the University in establishing meaningful targets that also allowed it to benchmark against other universities;
 - d) The Vice-Chancellor agreed that measures would evolve over time. External agencies changed the way they measured performance and the research excellence measure in particular would have to be reviewed. The Institutional

Dashboard contained other information that could be used and the University would ensure that it continued to use its own lens to measure performance.

- 7.5 The Vice-Chancellor suggested that the measures should be approved without amendment, but that the Chair of Staff Strategy Committee should report back on an appropriate way of reflecting the University's focus on its staff; and that another member should make an input to further discussions about employability.

Action: RM/RS/GM

- 7.6 The Chair commented that whilst measures were important, targets should not be used as an alternative to qualitative management, as there was the potential for unintended consequences if staff focused only on targets.

- 7.7 The Council **approved** the proposed measures.

8 STUDENT NUMBERS

VERBAL REPORT

- 8.1 The University Secretary reminded members that the basis for the student number planning had been the UK Market Strategy, agreed by the Council in July 2011, and that this strategy underpinned the University's financial planning. The Strategy had been based on in-depth market research in anticipation of changes to the fees and funding regime. In England, the expectation had been that new student numbers would drop by approximately 20% in the medium term and that transition students would behave as before. In the other three nations of the UK, it had been anticipated that student numbers would be static.
- 8.2 The University's two largest intakes were in February and October. In October 2012, the UK Market Strategy figure for new regime students in England had not been achieved (94%) and the late availability of loans from the Student Loans Company (SLC) appeared to have had an impact. There had been no such impact for February 2013 and the figure achieved was significantly more than the UK Market Strategy had predicted (116%). Transition students had not behaved in the same way and numbers had been higher than those predicted in the UK Market Strategy (110%) in both October and February. As these numbers contributed to fees and also drove the Higher Education Funding Council for England (HEFCE) grant, the additional 10% represented a substantial sum of money.
- 8.3 The composition of the student body in relation to UK Market Strategy segmentation was very similar for both intakes. The number of unemployed students in their 20's (C1s) had been higher than anticipated (over 20% of intake rather than the predicted 12%), and there were fewer older students. A younger and less well qualified student population would be a challenge to teach. The twelve most popular degrees had not changed since October, with subjects spread widely across the curriculum and no flight to narrow vocational topics. The University had aimed to maintain widening participation numbers at 18%, but they had increased to 23%. It had been assumed that approximately 80% of students would study qualifications and 20% modules, but a higher number had opted for qualifications.
- 8.4 In Wales, new student recruitment had been above the planning assumptions (120% in October, 116% in February), whilst the numbers of continuing students had been above target in October (110%) and on target in February. The intake of new students in Northern Ireland had been 125% of planning assumptions in October and slightly above target in February, with continuing students on target in both months. The outcomes in Scotland had been disappointing, with new student numbers at 118% in October, but 90% in February. Continuing students had been at 90% in October and on target in February. Overall, the numbers in Scotland would be slightly less than the target and last year, but above funded numbers.

8.5 A summary of the UCAS data for full-time student entry had shown a significant decline in applications for October 2012, but a 3.5% growth for October 2013. There had been a significant drop in the number of older students. Widening participation numbers had held up in all nations, despite the higher fee in England. Accurate data on the part-time sector was not available.

8.6 Members raised the following issues:

- a) whether students had continued to have problems with the Student Loan Company after the October intake;
- b) whether students had continued to register for the equivalent of full-time study (120 credits) after the October intake;
- c) the impact of the withdrawal of funding for students with equivalent or lower qualifications (ELQ) year on year;
- d) what proportion of new regime students were new to the University compared to those who had studied with the OU before, but had opted to go into the new funding regime.

8.7 The University Secretary responded:

- a) the SLC application form was difficult to complete and students registering in October had struggled to get it right within a tight timescale. In February, there had been more time; however, some 1000 student applications had not been accepted. The Finance Director added that incorrect forms often required a 'change of circumstances', which took a minimum of six weeks for the SLC to process. This had had an impact on cash flow, as payments were received more slowly. The University would learn from the mistakes and continue to improve the guidance on its own website. Finance Directors from across the sector would be making representations to the SLC in order to make the process easier for both students and institutions;
- b) in February, the proportion of students registering for 120 credits had halved. The number of students changing direction had also been lower in February. The Acting Director, Students, said that work had been done between October and February to improve the advice available to students;
- c) the loss of ELQ students had been a major cause of the reduction in student numbers. ELQ students accounted for about 15% of the 20% reduction in the English student population forecast by the UK Market Strategy. The assumption had been that the University would underperform for the first two years under the new fees regime, but the OU had not done so in February;
- d) the great majority of students were new, but 15-20% had studied with the OU before. The University had previously considered only two categories of students: those who had or were currently studying with the OU and those that were going to study with the OU. However, it was now more significant to view students as those that were on track for their qualification aim and those who were embarking on a new qualification.

9 FORECAST OUTTURN

C-2013-01-04

9.1 The Finance Director introduced the paper forecasting an outturn surplus of £4.8 million in 2012/13 and outlining key variances in income and expenditure. The paper had been reviewed by the Finance Committee in January 2013 and had been based solely on the October 2012 intake. The next forecast would be updated to take account of the February

2013 intake. To date, the impact on cash flow from the new arrangements with the Student Loans Company (SLC) had been worse than expected. This was being followed up with SLC at both an institutional and a sector level.

9.2 The Treasurer commented that the forecast outturn was a solid result, particularly given the scale of the changes faced by the University and its students, and the late stage at which the SLC had opened for applications from part-time students. In these difficult circumstances, it was a creditable achievement that recruitment to October modules had been so close to the UK Market Strategy assumptions. It was also pleasing that the overall surplus being forecast for the year was being achieved while absorbing an increase in expenditure on strategic activity.

9.3 In response to a query from the Chair, the Finance Director said that the University expected to recover the cash flow deficit in time.

9.4 The Council **noted** the 2012/13 forecast consolidated outturn of £4.8 million surplus.

10 FINANCE COMMITTEE

C-2013-01-05

10.1 The Treasurer reported that the December meeting had considered the underlying business idea and the financial projections for *FutureLearn*, and had received both written and oral reports from KPMG, who had reviewed the financial projections and the underlying assumptions. As agreed at the last meeting of the Council, after due and careful consideration, the Finance Committee had approved the initial investment and the setting up of the new company, called *FutureLearn Limited*.

10.2 KMPG had been satisfied that most of the assumptions had been reasonably supported. The area which was most difficult to evidence was the projected income, where the University was in uncertain territory: as the first courses would not be available until August 2013, the earliest point at which revenue would actually be demonstrable would be in 2014.

10.3 *FutureLearn* would require proper capitalisation. Future funding options would be examined in the context of the latest revisions to the projections at a later meeting of the Finance Committee.

10.4 The Finance Committee had also received the Annual Procurement Report. This was an important activity in helping the University achieve, and deliver to its students, value for money.

10.5 Work continued to set up an Investment Committee, which would be chaired by the Pro-Chancellor, but run by the Treasurer. Two new external members with extensive investment trust backgrounds, and Brian Larkman, who also had experience in this area, had agreed to be members. Subject to the approval of the Finance Committee, the Investment Committee would select investment managers during the summer.

10.6 The Council **noted**:

a) the confirmed minutes from the meeting held on 12 December 2012 (F-2012-05-M)

b) the unconfirmed minutes from the meeting held on 16 January 2013 (F-2013-01-M)

11 AUDIT COMMITTEE

C-2013-01-06

The Council **noted** the unconfirmed minutes of the meeting held on 26 February 2013 (AUC-2013-01-M).

12 STRATEGIC PLANNING AND RESOURCES COMMITTEE C-2013-01-07A

Minute Items 12.1 to 12.2 and 12.3 c) detailed in C-2013-01-CM (Confidential Minutes).

12.3 The Council:

- a) **noted** the unconfirmed minutes and confidential minutes of the meeting held on Wednesday 27 February 2013 (SPRC-2013-01-M and SPRC-2013-01-CM);
- b) **noted** the updated paper presented to SPRC on the UK Political Landscape and Funding Environment (SPRC-2013-01-07 updated);

13 STAFF STRATEGY COMMITTEE VERBAL REPORT

13.1 The Chair of the Staff Strategy Committee said that the Committee had been reflecting on how the Committee could deliver its business more effectively. One of the immediate changes had been to reschedule the Committee meetings ahead of the Council meetings, rather than immediately after, so that it could report to the Council in good time. The Committee had therefore met on 4 March 2013, but the minutes had not been available in time to circulate with the papers.

13.3 The meeting had considered a paper on Workforce Planning and Talent Management, including succession planning, which had been compiled in conjunction with an expert from the Leadership Foundation in Higher Education (LFHE). The Committee had approved a number of recommendations on how to improve University practice in these areas across the whole organisation. The Committee had also considered a paper on how HR Services could be improved, which had also been based on work by external consultants. The result of approving the recommendations in these papers meant that there would be considerable additional pressure on the HR community, which would need to prioritise its activities and manage its resources effectively.

13.4 A report on the 2012 OU Internal Staff Survey had been positive overall, although some of the indicators had moved in the wrong direction. For example, there had been a 7% drop in the number of staff reporting that they had had active performance management discussions with their managers. However, there had also been a reduction in the number of people reporting harassment and bullying experiences, and a 6% increase in those reporting some kind of disability. There had been a 5% reduction in the number of people who thought that they were a good organisational fit with the OU, but also a reduction in the number of people indicating that they wanted to leave the organisation. It was a matter for concern that people who were not engaged with or committed to the OU were still staying.

13.5 The Director of HR had reported that the Continental Europe transitional project had now been closed. There had been a complex set of legal processes to be undertaken across 10 different countries. The 112 people involved had now either left the organisation or were working through their notice period. The next meeting would take place on 25 June 2013 and would report to the Council meeting on 16 July.

14 DEVELOPMENT COMMITTEE C-2013-01-08

14.1 The Chair of the Development Committee introduced the presentation by the Director of Development, which was intended to help the Council understand the principles, practice and performance of the Development Office.

14.2 The Director of Development said that fundraising was included in the Strategic Plan under enhancing the capabilities of the University, as part of the financial sustainability stream. The Development Office not only aimed to raise money for the OU, but also to build networks, through successful and influential contacts, that might be useful to the

University through commercial deals, the provision of advice or some other engagement. To enhance the University's fundraising, the Development Office also worked across the organisation to help each area to understand and communicate the reasons that its activities made a difference. Donors did not necessarily give in order to provide a boost to an institution, but to support an institution's activities and the ultimate impact of that work.

- 14.3 There were three main types of fundraising. The first, annual fundraising, aimed to secure small, regular gifts to the University, mainly through the large alumni base, to fund generic areas of the University. Income from this source had been increasing steadily, and the OU performed quite well in this area compared to its competitors. The second, legacy fundraising, aimed to persuade people to leave gifts in their will in order to build cash income for the future. Greater staff investment in this activity had produced excellent results. The University had also commissioned a film that gave voice to both beneficiaries and donors, which explained the impact of such gifts to people interested in leaving a legacy to the OU. An extract was shown to the Council.
- 14.4 The third type of fundraising was through major gifts. Work in this area aimed to build meaningful and mutually beneficial relationships that transformed the lives of donors and the life of the University. The University did not simply ask for major gifts (over £1 million) or more, but tried to foster relationships that might produce further gifts in the future. There had been significant success in this area, with as much money received last year as in the previous 5 years. The pledges received in that period were 5 times as much as the year before.
- 14.5 Taking into account the OU's offer, the size of its alumni base and the national recognition of its work, the rankings for fundraising in HE showed that the University did well in some areas, but was well behind in others. A step change was necessary in order to achieve the levels of fundraising being reached by other universities and one way of achieving this would be to conduct a campaign. Feasibility studies and internal research about the nature of such a campaign had commenced, and it was already clear that it would not focus on asking people to give because the OU was great, but to give in order to enhance the work of the University and what it could do in the world.
- 14.6 The Director of Development thanked those members of the Council who were already donors to the OU. The Chair of the Development Committee also thanked the Pro-Chancellor, Treasurer and Vice-Chancellor for their work on the Development Committee, and the University for doing work that was worth fundraising for.
- 14.7 The Chair commented that this aspect of the University's activities was crucial, not only because of the money raised but also because of it made the University think about how its work had an impact on society.
- 14.8 The Council **noted** the unconfirmed minutes of the meeting held on 27 November 2012 (DC-2012-02-M).

15 THE SENATE

C-2013-01-09

The Council **noted** the following matters, which had been discussed at the meeting of the Senate held on 6 February 2013, for information:

- a) the OU Student Charter
- b) the Annual Review of Quality
- c) the Council.

16 ANNUAL REPORT

- 16.1 Printed copies of the Annual Report had been circulated to the Council in December 2012. The Vice-Chancellor thanked the Director of Communications, Lucian Hudson, and his team for producing an excellent piece of work.
- 16.2 The Council **noted** the Annual Report for 2011/2012.

17 APPOINTMENT OF CHANCELLOR**C-2013-01-11**

The Council **approved** the recommendation that the Council delegated to the Membership Committee the appointment of five Council members to the joint committee of the Council and the Senate to appoint a Chancellor, and its Chair.

18 CHAIR'S ACTION

The Council **noted** the appointment of a member to a Council Committee, as agreed by Chair's Action on behalf of the Council.

19 DECLASSIFICATION OF COUNCIL PAPERS

The Council agreed:

- a) that the following paper could be declassified:
- C-2013-01-03 Proposed Measures within the 2013 Institutional Performance Report
- b) to retain confidential status to the following papers:
- i) C-2013-01-07-B Strategic Planning and Resources Committee (Confidential Minutes) and Appendix (SPRC-2013-01-05 Organisational Changes)
- ii) C-2013-01-08 Development Committee presentation slides

20 GOODBYES AND THANK YOUS

On behalf of the Council, the Chair thanked Dr Sharon Ding, who would be changing roles at the beginning of May and would therefore no longer be eligible to be a member of the Council, for her service to the Council.

21 REVIEW OF MEETING

- 21.1 This item was included following a recommendation from the Council Governance Review Group, agreed by the Council in July 2010.
- 21.2 A member commented that the meeting had gone well, and the update from the Chair of the Staff Strategy Committee had been appreciated. However, several of the papers had been circulated late, and there had only been a verbal report for some of the substantial items. The University Secretary responded that a repeat of this was not expected.
- 21.3 A student member asked whether a copy of the student number figures presented by the University Secretary could be published on the Council website. The Vice-Chancellor suggested that the University Secretary and the Director of Communications should work on a public statement on student numbers.

Action: LH

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Key:

LH Lucian Hudson
GM Guy Mallison
RM Ros McCool
RS Ruth Spellman