

THE COUNCIL

Minutes

This paper presents the Minutes of the Council held on Tuesday 12 May 2015 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 of the meeting at its meeting on Tuesday 14 July 2015.

Fraser Woodburn
Secretary to the Committee

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THE COUNCIL

Minutes of the meeting of the Council held on Tuesday 12 May 2015 at 10.00am in the Hub Theatre, The Open University, Walton Hall, Milton Keynes, MK7 6AA.

Present: Richard Gillingwater (Chair), Mr Peter Horrocks (Vice-Chancellor), Mr H Brown (Treasurer), Mrs R Tudor (OUSA President), Mrs S Dutton, Ms R Girardet, Mr P Greenwood, Mr B Heil, Mr B Larkman, Mrs S Macpherson, Dr J Miller, Mr W Monk, Mr J Newman, Dr T O'Neil, Prof H Rymer, Mr C Shaw, Mr R Spedding, Dr C Spencer, Prof W Stevely, Dr G Walker, Prof J Wolffe, Mr J Yeo

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

Mr Guy Mallison (Director of Strategy).

Observing: Mr L Hudson, (Director of Communications)

Apologies: Mrs R Spellman, Ms S Unerman, Director Students

1 WELCOME

The Chair welcomed Peter Horrocks, the new Vice-Chancellor, to his first meeting of the Council.

2 DECLARATION OF INTERESTS

There were no declarations of interest.

3 MINUTES

C-2015-01-M

The Council **approved** as a correct record the minutes of the meeting held on 10 March 2015.

4 MATTERS ARISING

C-2015-02-01

The Council **noted** the responses to the matters arising from the last meeting, which were not dealt with elsewhere on the agenda.

5 CHAIR'S BUSINESS

5.1 The Chair thanked Professor Tim Blackman for stepping in as Acting Vice-Chancellor from the date of Martin Bean's departure until Peter Horrocks had officially taken up the role.

- 5.2 Mr Gillingwater commented that he had a valuable meeting with Mark Lowcock, the Permanent Secretary for the Department for International Development (DFID). DFID already did a significant amount of work with the OU's Development Office and appreciated that there was scope to do much more. Mr Lowcock would meet with the Vice-Chancellor in due course to discuss further collaboration.

6 VICE-CHANCELLOR'S REGULAR REPORT

- 6.1 Peter Horrocks thanked the Council for giving him the life-changing opportunity to become the OU's Vice-Chancellor. He had been officially in post for just one week, following a month long induction, and had started to get to know the University by questioning and listening to colleagues, students and graduates in both formal and informal situations. In exploring what made the OU distinctive and where the University's focus should be, the theme 'students first' was emerging strongly. The message of his Charter Day speech regarding the crucial importance of part-time higher education for society and for the economy had been positively received, with coverage in the Times Higher and from the BBC. It was important to find new and engaging ways of working with the newly formed government, taking a total economic benefit approach and seeking to work in partnership with them to tackle the challenges ahead. Meetings were being arranged with external stakeholders, such as funding councils, regulators, mission groups and university groups. It was also crucial to draw on the vast, and sometimes untapped, wealth of expertise of both academic and non-academic staff inside the OU. Meetings with the Vice-Chancellor's Executive (VCE), Extended Leadership Team (ELT) and the Senior Team had focussed key areas where it might be possible to make positive change, fast; the key themes would be explored in the Council Strategy Workshop. However, less formal and more inclusive approaches, such as discussion forums, 'curry evening' think tanks and social media were also being used to engage with staff on diverse topics, to harness ideas from across the University, and to discover the barriers to change. Mr Horrocks said that he looked forward to working with the Council and to drawing on its experience and advice.

7 2015 INSTITUTIONAL PERFORMANCE REPORT

C-2015-02-02

- 7.1 The Director of Strategy, Guy Mallison, explained that the paper reported on the OU's performance against the measures of success approved by the Council at its last meeting (C-2015-01-03). The headline results had been discussed at the Strategic Planning and Resources Committee (SPRC) on 23 April 2015, which had resulted in further information being added regarding the University's performance in individual nations, the market context, and the actions being taken to address areas where the University's performance had failed to meet target. A summary of the University's performance, illustrating whether the baseline or stretch targets for each area had been achieved and the level of confidence in achieving the forward targets, was provided in page 2 of the Appendix.
- 7.2 In response to a member's comment, Mr Mallison agreed that student number metrics could be complicated as different currencies were used for different purposes, including headcount, full-time equivalents (FTEs), England and the other UK nations, and new starters. The OU's student numbers in England had declined roughly as planned, but less than the part-time undergraduate market in England overall. The OU now had the largest share of new starters in this market. The University Secretary, Fraser Woodburn, added that the University had known since October 2012 that the part-time market in England would change, so the figures were not surprising. The OU had performed relatively well, but the rest of the sector had not shown a great deal of interest in the part-time market. The proportion of the UK part-time market that would consider the OU as their first or only choice was the best source of early information on likely student numbers. The target figure of 35% had not yet been met, because earlier promotional campaigns had not been strong enough. The new Life-Changing Learning campaign was improving this figure.

- 7.3 Responding to a query from another member, Mr Mallison said that the decline in the student numbers was greater in terms of headcount than in terms of FTE because students had increased their study intensity.
- 7.4 A member said that, whilst the numbers were less crucial than for undergraduate students, it was worth noting the continuing low level of confidence in postgraduate taught student numbers for 2014/15 and that international student numbers were relatively weak. Another member observed that there was a potential risk of seeing the measures in isolation, for example the number of postgraduate students inside and outside the UK. It was important to have a joined-up strategy.
- 7.5 A member requested information on the number of students graduating over time. The University should not just be concerned with recruitment, retention and progression, but also output.

Action: Director of Strategy to consider for future IPRs

- 7.6 In response to a question from a member, Mr Mallison said that the qualification completion measure A (Appendix p12) applied to England.
- Post meeting correction: The qualification completion measure A applies to all students (ie UK and non UK).
- 7.7 A member commented that the students' view of their study in terms of its contribution to their employability was a key metric. Mr Mallison agreed that student satisfaction would be higher if employability measures were met. The University was currently using interim measures, but more robust measures and associated targets were being developed. The Pro-Vice-Chancellor (Learning and Teaching) [PVC (LT)], Professor Belinda Tynan, observed that 70% of OU students were already employed, so the University needed to agree what employability metrics were appropriate. These might include a set of indicators that measured the extent to which students' aspirations were met. Another member agreed that the importance of employability should not be underestimated given the outcome of the recent election. The Pro-Vice-Chancellor (Academic) [PVC (A)] said that employability was integral to curriculum development; it was important to embed employability in the design of modules and then to develop the measures.
- 7.8 With reference to the University's falling performance in the National Student Survey (NSS), a member asked whether a different methodology was being used, or whether the bar had been raised. Mr Mallison replied that the OU had always done well in the NSS, but the drop of a single percentage point had resulted in the loss of several places in the table. Professor Tynan commented that it was important to monitor the situation, as another 1% drop would have taken the OU to joint 19th position. The University was not doing anything to cause this change, but other universities were getting better and some focussed considerable resources on doing well in the NSS. However, the NSS was just one set of measures; the Student Experience on a Module (SEaM) surveys indicated high levels of student satisfaction. The Chair asked whether the OU was at a disadvantage in the NSS because of its distance learning approach. Professor Tynan replied that some of the NSS measures did not apply and OU students found the questions difficult to answer, for example with regard to the library facilities. The University also tended to have the largest number of student respondents in the survey.
- 7.9 Another member observed that the commentaries against each measure were helpful, but that the choice of language could be improved. The statement that 'The results demonstrate that research excellence can sit alongside open access to higher education' (Appendix p20) should not be a surprise; however, it was worth emphasising that in order to provide excellent teaching in higher education, it was necessary to have access to excellent research. The Acting Pro-Vice-Chancellor (Research, Scholarship and Quality)

[PVC (RSQ)], Professor Alan Bassindale, explained that the statement was an affirmation rather than a revelation. The low level of confidence in research income was not an indication of a trend, as funding tended to come in waves. The funding councils had changed their rules and funding from Europe was becoming more difficult. However, whilst the OU would not achieve target this year, there were some large grants in the pipeline that provided confidence that the University would reach its baseline targets next year. Another member commented that the link between research and teaching was more relevant to curriculum development; all other things being equal, good researchers should be better teachers, but care should be taken about how this was judged.

8 HEFCE ANNUAL ASSESSMENT OF INSTITUTIONAL RISK 2013-14 C-2015-02-03

- 8.1 The University Secretary, Fraser Woodburn, commented that the opinion provided by the Higher Education Funding Council (HEFCE) that the University was 'not at higher risk' was the most positive assessment that could be given. The OU had been subject to a HEFCE assurance visit in autumn 2014, as part of a five-yearly review cycle. The informal feedback had indicated that there were no recommendations. The formal report was still outstanding, but would be presented to Audit Committee when received and then to the Council. The Chair commented that this was an important assurance for the University.
- 8.2 Referring to Annex A, which benchmarked key financial metrics, a member noted that the University's staff costs as a proportion of total income had risen from 61.4% in 2012-13 to just below 70% in 2013-14. Whilst it was acknowledged that the OU's model was different to that of other institutions in the sector, where the overall mean was 52.6%, this increase was a matter for concern. The Finance Director, Miles Hedges, replied that the increase in the proportional cost was, in part, as a result of the cost-reduction exercise, which had focussed on taking out non-staff costs first. The current voluntary severance scheme was likely to redress the balance, but staff costs would always remain proportionately high because the University's cost structure was different to that of other higher education institutions (HEIs). Mr Hedges added that the cost of non-staff items, such as computers, was also reducing. The situation would be reviewed as part of the budget process.
- 8.3 The Chair asked whether there were issues of scale: the OU's revenue was in relative decline, whereas other institutions were in relative growth. Mr Hedges agreed that this was possible: following the introduction of annual tuition fees of up to £9000 for full time students, there had been a significant increase in new facilities in other HEIs, which were borrowing money to finance new buildings and this cost showed in their financial statements as depreciation.
- 8.4 Mr Hedges commented that, although it would not affect the relative costs, there were also other factors that would put considerable pressure on the pay bill: the employers' pension contribution would be increasing by 2%, as would national insurance at the end of the contracting out scheme; and there would be a national wage award. In response to a question from a member, Mr Hedges said that the increases in staff costs applied equally to academic and non-academic staff.
- 8.5 The Council noted:
- a) that the University is assessed as 'not at higher risk';
 - b) the Higher Education Funding Council for England's assessment of institutional risk for 2013-2014 report.

9 FORECAST OUTTURN**C-2015-02-04**

- 9.1 The Finance Director, Miles Hedges, highlighted the key variances in forecast income and expenditure for the whole financial year based on the second quarter's results, as well as further adjustments since the formal quarterly forecast had been undertaken that were due to changes in the estimation of tuition fee losses. However, as a full view of the number of completions by students who started in October 2014 would not be available until August 2015, and for all modules starting in the current year until April 2016, there was still considerable scope for positive and negative movements depending on student behaviour
- 9.2 The Treasurer, Howard Brown, commented on the positive impact of the management actions to reduce expenditure in order to bring the overall forecast deficit below the figure originally budgeted. The University would have to cope with the greater inherent variability of teaching income, but as the University gained more experience of operating in the new environment, future years' forecasts were likely to become more accurate.
- 9.3 The Council **noted** the 2014/15 forecast consolidated outturn of £8.9 million deficit.

10 FINANCE COMMITTEE**C-2015-02-05**

- 10.1 The Treasurer, Howard Brown, highlighted the key issues discussed at the last meeting of the Finance Committee, including the funding body grant announcements for 2015/16 and the adjustments to the current and previous year. The HEFCE grant was above expectations, although the bulk of the increase was in the Student Opportunity Allocation (SOA), which was under considerable political pressure, and the teaching grant for transitional students, which was being phased out.
- 10.2 Consideration of the Income and Expenditure Model (IEM) had highlighted those risks that could have a big impact on the University's forecast income. It was also noted that the FutureLearn targets presented significant risks for significant increases in income. The continued uncertainties about future funding body grants and tuition fee income confirmed the importance of delivering the planned cost reductions and aiming for the target surplus.
- 10.3 In response to a member's question, the Finance Director, Miles Hedges, said that Future Learn was currently in the investment phase, but was forecast to make substantial profits in the future when it would contribute a significant proportion of the University's income. However, there was always a risk in relying on profits from a new business. The member asked whether, in the short term, FutureLearn was a greater risk than had originally been predicted. Mr Hedges replied that whilst it was currently operating at a loss, FutureLearn was considered to be a reasonable investment on the basis of the business plan presented to Finance Committee and, in fact, it had beaten its revenue targets for every year to date. Another member agreed that FutureLearn was performing extremely well according to its business plan; however, it might be an issue if the University became reliant on this income stream.
- 10.4 Referring to paragraph 6.2, a member asked for a view on funding body grants in Scotland and Northern Ireland. Mr Hedges said that the funding body announcements in both Scotland and Northern Ireland had been in line with expectations. The situation in Northern Ireland had been challenging in the context of cuts to the HE budget, but it had been confirmed that the OU in Northern Ireland would not receive any cuts above those already imposed.
- 10.5 The Council **noted** the unconfirmed minutes from the meeting held on 14 April 2015 (F-2015-02-M).

11 STRATEGIC PLANNING AND RESOURCES COMMITTEE C-2015-02-06

The Council noted:

- a) the unconfirmed Minutes from the meeting (SPRC-2015-02-M);
- b) the updated paper presented to SPRC on the UK Political Landscape and Funding Environment (SPRC-2015-02-05 updated).
- c) that the 2015 Institutional Performance Report (SPRC-2015-02-M-Minute 4) had been covered elsewhere on the Council agenda (C-2015-02-03).

12 DEVELOPMENT COMMITTEE C-2015-02-07 A+B

12.1 The Chair of Development Committee, Ruth Girardet, commented that a more detailed analysis of the OU's 50th Anniversary campaign would be presented to the next meeting of the Council.

12.2 A member commented that one dimension of the campaign that appeared to be missing was the OU's objective in raising the funds. The Chair agreed that 'purpose' was an important aspect of the campaign and it would be considered.

12.2 The Council **noted**

- a) the unconfirmed minutes of the meeting of the Development Committee held on 14 April 2015 (DC-2015-01-M);
- b) the unconfirmed Confidential Minutes of the Development Committee held on 14 April 2015 (DC-2015-01-CM);

13 THE SENATE C-2015-02-08

13.1 In response to a member's query, the Acting PVC (RSQ), Professor Alan Bassindale, explained that the Quality Assurance Agency for Higher Education (QAA) Higher Education (HE) Review was due to take place at the end of the year. The Review was part of a five-yearly cycle that considered the University's academic quality standards and processes, and the learning opportunities and support provided to students. The University had put together a strong Steering Group, including the three Pro-Vice-Chancellors and the Director Students, to provide high level direction and guidance on the overall preparation for the Review. Students and associate lecturers were also involved in the process. The second draft of the self-evaluation document (SED) was currently available on the intranet; comments had been invited and would be discussed and incorporated in the SED as appropriate.

13.2 There was high confidence that the University would meet the QAA's expectations, although there were some issues that required further consideration. These included the way in which the University incorporated the student voice, where work was ongoing with the OU Students' Association (OUSA); and the manner in which constitutional changes were articulated so that improvements to processes were evident.

13.3 The member commented that a good outcome to the Review was very important for the University; negative comments were always given a high profile.

13.4 In response to a question from the Chair, Professor Bassindale said that the University had been informed who the members of the review team would be and had expressed concern about one individual who was unlikely to be objective. The QAA had subsequently replaced that member and the University was now content with the composition of the review team.

13.5 The Council **noted** the report of major items discussed at the meeting of the Senate held on 22 April 2015.

14 OU/OUSA RELATIONSHIP AGREEMENT – COMPLAINTS ABOUT OUSA **C-2015-02-09**

17.1 In response to a member's query about who the Council had appointed to be the Vice-Chancellor's delegate, the University Secretary, Fraser Woodburn, clarified that the role of the Vice-Chancellor's delegate under the procedures for student complaints and appeals was now being extended to include complaints about OUSA as outlined in paragraph 8. The member commented that this seemed an unusual practice from a tribunal perspective. Mr Woodburn responded that if the Vice Chancellor's delegate requested an action with which OUSA refused to comply, then the matter might be referred to the Council; however, such disagreements were extremely rare.

17.2 The Council approved the Procedure for Complaints about OUSA set out in the Appendix to the paper and the proposal to amend *The OU-OUSA Relationship Agreement* to incorporate that procedure with effect from 1 August 2015.

15 MEMBERSHIP COMMITTEE **C-2015-02-10**

15.1 The Chair reported that since the Membership Committee's recommendation that Jim Gollan be reappointed as *a member from outside the Council with appropriate expertise* of Finance Committee to 31 July 2019, Mr Gollan had decided to step down from both Finance and Investment Committees as of 31 July 2015 because of some other commitments that had arisen. The Membership Committee would be asked to consider these vacancies at a future meeting.

15.2 The Council:

a) **approved**

- i) the appointment of Howard Brown as Treasurer to 31 December 2017;
- ii) the reappointment of Brian Larkman as an external co-opted member of the Council to 31 December 2019;
- iii) the re-appointment of Brian Larkman as a Council member of Finance Committee to 31 July 2019;
- v) the re-appointment of Brian Larkman as a Finance Committee member of Investment Committee to 31 July 2019;

b) **noted** the unconfirmed Confidential Minutes of the meeting.

16 DECLASSIFICATION OF COUNCIL PAPERS

The Council **agreed** that the following papers should remain confidential:

C-2015-02-07B Development Committee Confidential Minutes (DC-2015-01-CM)

but that the following papers could be declassified after the meeting:

C-2015-02-02 Institutional Performance Report

C-2015-02-10 Membership Committee Confidential Minutes (MC-2015-02-M)

17 NEXT MEETING

The next ordinary business meeting of the Council will be held on Tuesday 14 July 2015 at 9.45am for 10.00am in the Hub Theatre, The Open University, Walton Hall, Milton Keynes, MK7 6AA.

18 REVIEW OF MEETING

A member commented that there had been a good discussion of the Institutional Performance.

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