This paper details the confirmed Minutes of the last meeting of the Council held on Tuesday 12 July 2016.

The Council **approved** these Minutes as a correct record of the meeting at its meeting on Tuesday 27 September 2016.

Keith Zimmerman
University Secretary

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Attachments:
C-2016-03-M  Confirmed Minutes of the meeting of the Council held on Tuesday 12 July 2016
1 WELCOME

The Pro-Chancellor and Chair of Council, Richard Gillingwater, welcomed everyone to the meeting and noted the apologies received.

2 DECLARATIONS OF INTEREST

Dr Shonaig Macpherson declared that she was a Director of FutureLearn.

3 MINUTES

The Council approved as a correct record the minutes and confidential minutes of the meeting held on 10 May 2016.

4 MATTERS ARISING

The Council noted the responses to the matters arising from the minutes of the last meeting not dealt with elsewhere on the agenda.

5 CHAIR’S BUSINESS

The Chair had no business to report that was not dealt with elsewhere on the agenda.
6 VICE-CHANCELLOR’S REGULAR REPORT

6.1 The Vice-Chancellor, Peter Horrocks, observed that it was an important day for the University as it launched the next phase of the OU’s strategy for growth – Students First: Making it Happen. The delivery of the strategy was now the priority; the most important measures and targets in determining success had been identified, and these had been underpinned by a substantial package of investments included in the budget. The plan had been built and shaped collectively, and he was confident that the University could deliver it.

6.2 The Vice-Chancellor’s Executive (VCE) was in a strong position. Professors Mary Kellett and Rebecca Taylor had been appointed as Executive Deans of the Faculty of Wellbeing, Education and Language Studies (WELS) and the Faculty of Business and Law (FBL) respectively. The appointment process for the two remaining substantive Executive Dean roles continued. In the meantime, Mr Ian Fribbance and Professor Simon Kelley had been appointed as Interim Executive Deans for the Faculty of Arts and Social Sciences (FASS) and the Faculty of Science, Technology, Engineering and Mathematics (STEM) respectively and would formally take up their new roles on 1 August 2016. The Vice-Chancellor thanked the Interim Executive Deans, Professor Richard Brown (FASS) and Professor Anne De Roeck (STEM), for their commitment and leadership during a critical transition year. Professor Hazel Rymer was also welcomed as the new Pro-Vice-Chancellor (Learning and Teaching Innovation).

6.3 There was a great deal of other positive news and achievements from across the academic community, but this information would be circulated by email.

SRSC Update

6.4 There had been some important changes in the management of and the approach to the implementation of the Student Recruitment and Support Centres (SRSC). The former Chief Operating Officer (COO), David Matthewman, had left the University in May and as a result the University Secretary had appointed two long-serving and effective senior managers, Dr Christina Lloyd as SRSC lead and Miles Hedges as Acting Chief Operating Officer. They had been working together to support the SRSC Programme.

6.5 With the changes in leadership and the stage reached in the Programme, it had been timely to initiate a review as a health check on the Programme. This review had been supported by KPMG. Audit Committee and VCE had considered the recommendations of the review, and VCE had reviewed the action plan prepared in response to those recommendations.

6.6 KPMG had reported that, although there were a number of areas requiring attention, the Programme had been well planned and was sufficiently robust to deliver within the agreed timelines. There had previously been a lack of effective engagement with affected staff, which was a matter of considerable regret. The overall Target Operating Model needed greater detail, but the teams involved had been working on this and had now responded to this concern.

6.7 The review stated that the SRSC teams, that is Student Recruitment and Fees (SRF) and Student Support, needed to be brought together. The University Secretary had already announced to SRF and Academic Services colleagues that SRF would be moving from the COO portfolio into Academic Services. This would mean that, as well as physically co-locating SRF and SST colleagues to form the SRSCs, the formal reporting structures would be aligned to support the shared vision and future direction.
6.8 As recommended, the Seamless Student Journey would now be the overarching Programme, with the SRSC Programme being integrated within it.

6.9 The recent management changes and, in particular, the visits that Dr Lloyd and Mr Hedges had made and continued to make to the centres in Nottingham and Manchester, along with wider SRSC leadership, had been warmly welcomed and had made a significant improvement in the perception of the SRSC programme. KPMG had made a recommendation concerning the visibility of the Vice-Chancellor and VCE in relation to SRSC delivery, and VCE had recently committed to a more intense engagement plan with the relevant teams.

6.10 Recommendations on how to improve the programme delivery would continue to be acted on by VCE and the units responsible for delivering and supporting these changes.

6.11 The Council were assured that the University would learn from the recommendations to improve, not only the implementation of the SRSC programme, but also how it engaged and communicated with staff on other major changes. This intention was reflected in the design principles for strategy implementation that would be discussed later on the agenda.

6.12 The Chair of Audit Committee, Bob Spedding, said that the Audit Committee had received the KPMG report and had engaged in an open and rigorous debate (C-2016-03-10B). The key issues had been summarised by the Vice-Chancellor. Dr Lloyd and Mr Hedges had done an excellent job in stabilising the situation. The Committee had identified some key issues and made a number of recommendations to VCE. In hindsight, signs that the project was in difficulty could have been identified; however, there had been an issue with people not speaking out. There had been significant animosity around the way the project had been handled and responded to. The timeframe could have been reviewed, but it was not necessary to do so. There had been reservations expressed by some stakeholders about the University’s ability to implement change, and also about the executive’s ability to lead. There had been a recognition of the scale necessary to deliver the project and implement the strategy.

6.13 Members commended the role of Dr Lloyd and Mr Hedges, but noted that they had been able to develop the trust of colleagues over a long period and that both would be leaving the University by the end of the year. There was concern at the potential lack of continuity and the fact that new staff would not understand the consequences of their decisions. The University Secretary, Keith Zimmerman, explained that an experienced member of staff, Dr Jenny Stewart, was underpinning the work of Dr Lloyd and Mr Hedges, and would ensure continuity. Jonathan Wylie had been appointed as the new Director, Academic Services and would be the Senior Accountable Executive in this area. The University was currently in the process of recruiting a new Finance Director, and the work of Human Resources would also be reinforced.

6.14 A member asked how the situation could be avoided in the future. The reports up to VCE had tended to focus on the positive, not the negative aspects of the project; and there was a perception that this was not the only project that was experiencing difficulties of which the Executive were unaware. The Vice-Chancellor acknowledged that this was a fair observation and said the issue had been discussed by Audit Committee. In future, many projects would be undertaken as business as usual, rather than discrete projects, and the lessons learned would be noted and shared.

6.15 A member observed that significant projects and programmes, and their effective delivery, needed to be included in the University/s risk analysis considered later on the agenda.
UK Referendum on EU Membership

6.16 The Vice-Chancellor referred members to the EU Referendum Initial Impact Assessment (C-2013-03-20), which provided an initial assessment of the issues and actions across the University in response to the EU Referendum result. It was obvious that the implications of the UK’s decision to leave the European Union would be unclear for some time.

6.17 What was clear was the extent of the divisions in UK society, and the relevance of that to education, and the crucial role of continuing education in addressing social inequalities. Media coverage of the outcome of the Referendum had naturally focussed on the immediate political and economic consequences, and the higher and further education sectors were no exception.

6.18 The University was deeply concerned for its many staff from the other countries of the EU who had been feeling hurt and rejected by the vote. The University was providing them with all the support possible and hoped that their long-term status in the UK would be maintained. The University was also focussed on other direct consequences such as EU students and research income.

6.19 There were questions about political stability, especially as to whether the UK would remain united, and what the effects on the economy might be, due to continuing uncertainties. All these factors might have adverse consequences for higher education.

6.20 However, the Referendum vote meant that the need for the OU was greater than ever. The vote revealed a UK that was socially and educationally divided. Poor educational outcomes fed directly into low skills and low income consequences for communities, leading to resentments that unfortunately might be directed at outsiders and immigrants. Educational disparity was both a consequence and a cause of national political division.

6.21 The Vice-Chancellor urged everyone to commit to use the Referendum outcome as a spur to action when working to address social and economic division.

6.22 Concluding his report, the Vice-Chancellor drew the Council’s attention to the posters and banners displayed around the room. The University had built the new Strategy together and with renewed confidence the OU, as much as its students, could Dream, Believe and Succeed.

7 STUDENTS FIRST STRATEGY: MEASURES OF SUCCESS C-2016-03-02

7.1 The Director of Strategy, Guy Mallison, presented the paper, which outlined the way in which the University would assess its success in delivering the Students First Strategy, approved by the Council in May 2016. There were five key measures that were the most critical to the achievement of the Strategy, supported by a basket of other measures.

7.2 ‘More Students Qualifying’, which required the University to improve its ability to support students in achieving their aim, was an essential measure and was driving activity across the University. The retention targets were key, but complex, not least because of the number of qualifications currently on offer. For example, the current percentage of students qualifying with an undergraduate degree, based on the cohort that started in 2008/09, was 19%. The target was to increase this to 30% for the next cohort of students studying over the next 7 years. An equivalent target had been set for other qualifications. The improvements in retention would result in an 8% improvement in student numbers overall.

7.3 Members observed that not all students were the same: some would not achieve a degree and should be counselled to complete a Certificate or a Diploma in order to...
maximise their success with the OU; qualification intentions would change over time. Mr Mallison responded that the measures reflected this and were not intended to drive student behaviours. The measures would be applied to all qualification types, and changes would be accepted and the figures adjusted accordingly.

7.4 A member requested clarification on how the University would manage success in terms of a single cohort, particularly when the University should be aiming to improve the completion rates for all students. Mr Mallison replied that the University would report on every cohort in every year, but expected better results from later cohorts.

7.5 Members welcomed the detail behind the measures, but requested clarification in some areas. In response to a query about the ‘other success measures’ concerned with sustainability, Mr Mallison said that efforts had been made to clarify the University’s priorities, although this was always open for debate. Generating a financial surplus was considered to be fundamental and consequently had not been highlighted as one of the top five measures.

7.6 A member observed that Leadership in Digital Innovation was at the heart of much of the OU’s activity, but had not been well developed. More information about how this was being integrated across the board would be welcomed.

7.7 Another member commented that, given the significance of the Adaptive Organisation and Culture, the success measures were not sufficiently challenging, particularly in terms of leadership. The measures should be owned by the Vice-Chancellor and his Executive as a whole and should be developed separately, with milestones, alongside a leadership programme. The Chair commented that there was a plan to put a leadership programme in place, but agreed that there was an omission in respect of measuring leadership. The Chair of Staff Strategy Committee (SSC), Ruth Spellman, supported these remarks and said that SSC had discussed this issue on several occasions. The Committee had suggested that empowerment should be used as a measure instead of motivation, as this could make a significant difference to creating an adaptive organisation. More discussion around what was meant by confidence in management was required, as ‘management’ could be interpreted in different ways.

7.8 The Council approved the proposed measures and targets, with amendments.

8 OU STRATEGY – IMPLEMENTATION PRESENTATION

8.1 The Director of Strategy, Guy Mallison, gave a presentation on delivering the Students First Strategy. It would require a major change for the OU and the key to success would be organisational commitment and ensuring that change was institutionally shaped and driven. Different approaches by other institutions were being reviewed and lessons learned from previous change implementations, including the SRSC implementation and the approach taken to develop the Strategy. As a consequence, a set of design principles had been proposed, with examples of what those principles meant in practice, in order to help deliver that Strategy. This approach would have a different effect on the institutional culture and make different demands on the leadership. By ensuring that change was not all ‘top-down’ and enabling the organisation as a whole to effect change, there should be a positive impact on the key measures in the staff survey. Mr Mallison concluded by highlighting the areas of focus for 2016/17.

8.2 A member observed that the agile concept was being widely used, but the introduction of such an approach in a difficult environment would be challenging. Mr Mallison said that the approach would focus on the biggest priorities where the greatest results could be achieved in a short time, and where people could be brought in from across the University. These priorities would be decided in liaison with students. The University
Secretary added that the Adaptive Organisation and Culture priority would seek to support other projects, for example by offering specific training and development.

8.3 A member observed that there was a perception that change was finite and was defined by discrete projects, but it was not. It was essential that existing resources and structures were not only used, but empowered. The new norm was to continually adapt: the responsibility for finding solutions within the strategic priorities should be given to the existing units.

8.4 In response to a question from a member, Mr Mallison confirmed that confidence in OU management dealing with change was low. Empowerment was being encouraged, but people felt constrained: a cultural shift was required. The agile philosophy was dependent on empowerment.

8.5 A member commented that the measures in the staff survey were disappointing; for example, the interpretation of ‘management’ could vary from immediate line manager to senior executive. The Acting Chief Operating Officer (COO) said that the University would be reviewing the measures and seeking greater clarity in areas such as this.

8.6 Another member observed that development to improve the teaching skills of OU academics should also be made available and measured.

8.7 The Chair encouraged members of the Council to share their wisdom and experience with the University outside of the meeting. He welcomed the focus, methodology and approach to delivering the Strategy.

BELIEVING IN THE OU – MARKETING UPDATE PRESENTATION

9.1 The Director of Marketing, Debbie Britton, gave a presentation on the latest approach to marketing the OU. As part of her role, she aimed to make the University proud of what it was and what it delivered to students. The campaign tried to appeal directly to students and their goals, particularly with regard to employability. The core target market segments had been maintained, but the approach had been made more relevant with a vibrant and contemporary feel that had much greater impact.

9.2 The campaign was amplified by the use of integrated media, including cinema advertising before major feature films and digital posters in key sites across the UK. New online banners and the use of creative messaging where appropriate was resulting in a significant increase in click-through rates.

9.3 The University was tracking the response to the campaign at every step of the journey through to registration. Each stage was reviewed and improved, and communications retargeted according to the feedback. The team was innovating a test and learn approach, monitoring the effect of different approaches. The target was to grow student numbers and the impact since February had been very encouraging. The campaign was motivating existing staff, as well as potential students.

9.4 The Vice-Chancellor observed that the campaign was also intended to give the University greater self-confidence. In response to a member’s question, the Executive Dean, FBL, confirmed that it had inspired a sense of pride across the organisation, not only because the marketing campaign was an excellent piece of work, but also because Ms Britton and her team were working with different parts of the University and empowering people to contribute. Such working practices would help to change the culture across the University.

9.5 The Chair thanked Ms Britton for an excellent presentation.
10.1 The Chair of the Staff Strategy Committee (SSC), Ruth Spellman, introduced the paper, which was a comprehensive report on a busy year. The Committee and the Human Resources (HR) team had worked together closely with beneficial outcomes, and HR were to be congratulated for the way they had dealt with some difficult matters during the past year.

10.2 Performance management had been a key issue for consideration: how to deal with poor performance and reward good performance through more positive incentives. More work was required on engagement and empowerment; the extent to which an organisation was able to stay in touch with people’s values made a significant difference to its level of success.

10.3 Looking ahead, managing change would become a daily activity for everyone and should be led from the top. The change model needed to be tangible, as delivery was crucial. Recruitment was one area for improvement: essential personal attributes should include adaptability; and more encouragement should be given to potential leaders already within the organisation. The size of the challenge was revealing, with a 40% gap between the current level of confidence in management in dealing with change and the proposed target. However, there would be leaders and followers: people needed time to absorb change at their own pace. The Strategy was fit for purpose, but prioritisation and clear indicators of what success would look like were required.

10.4 The Director of Human Resources, Nigel Holt, commented that the organisation was still able to recruit staff (although there were some difficulties around specific skills) and staff turnover was amongst the lowest in the sector. However, there had been a set back with regard to staff motivation and the lack of confidence in the ability of the organisation to deliver change. The recent agreement with the University and College Union (UCU) to resolve industrial action, which was key to re-establishing constructive employee relations and delivering the SRSCs, would put the University in a better position to move forward. Constructive Associate Lecturer (AL) contract negotiations were also an important building block. The multi-stranded leadership programme was a major input to building leadership and change capability across the University.

10.5 In the face of external change, such as the UK’s decision to leave the EU, as well as internal change, the University was working hard to provide a supportive environment. It had set itself some ambitious targets to enhance equality and diversity across the organisation. The next staff perception survey was due to be launched in the autumn 2016 and the results would be an important indication of the progress being made. The support of SSC had been appreciated in what had been a particularly challenging year.

10.6 A member welcomed the acknowledgement of the challenges. People were not necessarily change averse, but were grappling with the level of change.

10.7 Referring to the UCU strike taking place that day over HE sector pay negotiations, a member observed that it was not just about the fall in the value of members’ pay, but also the gender pay gap and job security. The paper addressed the issue of promotion for women (para 26), but not inequality of pay. Mr Holt said that not having enough women in senior roles was the main issue. In response to a member’s question about what was being done to rectify the situation, Mr Holt said that aspects of the promotion criteria were being reviewed and there was an ongoing debate as to whether the University should take more proactive steps. Programmes such as ASPIRE were having a positive impact and would continue to be supported in order that further progress might be made.

10.8 A member commented that the new AL contract would significantly improve ALs job security, but other insecure contracts also needed to be addressed. In addition, the
Career Development and Staff Appraisal (CDSA) process worked well for most staff, but was limited for ALs. The new contract would have to take greater account of ALs development needs. Mr Holt said that discussions about fixed-term contracts were ongoing with UCU.

10.9 A member observed that the inclusion of ALs in the calculation of sickness levels would considerably change the outcomes. The comparison with other HE institutions was not appropriate, as the staff profiles were very different. Mr Holt acknowledged this, but observed that the age profile for OU staff was older, which tended to result in higher levels of chronic long-term sickness. Significant progress was being made in bringing down the levels of short-term absence. Another member observed that in future it would be necessary to distinguish between two other categories of staff, office workers and home workers.

10.10 The inclusion of targets for female and Black and Minority Ethnic staff was welcomed, but a member asked why there were no targets for disabled staff. If the issue was about the number of people prepared to declare a disability, then the target should be to increase that number by making it more comfortable for staff to declare. Mr Holt responded that the University’s Equality Scheme included disability targets; the paper presented just a few of the measures.

11 RISK MANAGEMENT POLICY REVIEW

11.1 The Director of Strategy, Guy Mallison, introduced both papers, explaining that risk management was a key part of delivering the strategy. The University was generally perceived as risk averse, but in fact the stated risk appetite ranged from cautious to open.

11.2 The register was an initial attempt to set out the key risks that might affect the achievement of the strategic objectives. The biggest risks were concerned with the recruitment and retention of students. The Adaptive Organisation and Culture priority had been captured as an enabler to support the achievement of all the objectives. A member commented that it was helpful to reflect that this would build in the theme of empowerment to support the delivery of change programmes.

11.3 The Chair commented that one of the messages arising from the Council Governance Review (CGR) was the need for the Council to focus on risk. The topic was an example of one that had to be discussed by the Council and not elsewhere in the Committee structure. A more integrated approach would emerge from the CGR recommendations. The Chair invited comments on the formulation of the policy and on the high-level, strategic risks.

11.4 The Chair of the Audit Committee, Bob Spedding, emphasised that good risk management enabled an organisation to achieve its objectives. This approach provided the Council with a real opportunity to engage with risk management. The role of Audit Committee was to review the process, ensure that the key risks had been identified and comment if anything had been omitted.

11.5 A member observed that income from the Student Opportunity Allocation (SOA) and FutureLearn were critical to the OU. However, whilst the importance of moving FutureLearn to profitability was covered in the register, it was not clear whether the risks regarding SOA had been considered. The Finance Director, Miles Hedges, responded that the reference to securing favourable HE policy and funding outcomes was intended to capture SOA in a broader context.
Referring to the objective to increase income from alternative sources, a member suggested that it would be useful to distinguish between income from commercial and philanthropic activity.

Referring to the inherent risk score against ‘Enable more students to achieve a qualification’, a member asked whether this would be ‘catastrophic’. Mr Mallison responded that there were both inherent and residual risk scores. If the University failed to support students in achieving their objectives, there would be both financial and reputational impact. The Government was looking at the return from HE, for example with regard to employability, so the inherent risk could be catastrophic. The student headcount had been reduced by 90,000, but the University had been able to manage this by taking costs out of the operation and refocussing its efforts. The annual cost of students not completing was £60 million, the biggest cost after staff costs, so the risk had to be treated seriously in order that it could be managed and reduced.

Another member said that the paper including nothing about risk monitoring, which required both executive and non-executive involvement. Risk appetite should be debated and discussed, rather than being resolved by scoring.

The Chair commented that the register was work in progress. The Council Governance Review indicated that the Council needed to spend more time together to discuss such issues. A freer discussion on risk and risk appetite would be more valuable than individual contributions. The register would need more work and the Council should have the opportunity to review and revalidate it.

The Council approved:

a) the revised Risk Management Policy, effective from 1 August 2016; and

b) the Strategic Risk Register.

The University Secretary, Keith Zimmerman, introduced the presentation by providing a definition of student engagement as ‘the range of ways in which students are active participants in shaping their educational experience’. This definition covered three main areas of decision making, governance and strategy, quality assurance and quality enhancement, and teaching and research. The Council had specific responsibilities regarding the OU Students Association (OUSA), and student representatives were appointed by OUSA to sit on a number of University Committees and groups. The Student Charter and the OU/OUSA Relationship Agreement underpinned all student engagement, and the student consultative process, set up jointly by the University and OUSA, sat alongside the governance structure.

The President of OUSA, Ruth Tudor, outlined the benefits of consulting with students and the type of issues on which the University consulted. Students were regularly invited to propose topics for consultation. The student consultative structure included a number of components, which were a mix of face-to-face and online meetings. Examples where student consultation had made an impact included the Students First Strategy, Library Services, and technology to enhance online learning. The pilots for student peer mentoring was an illustration of a different type of engagement, which provided inexperienced students with confidence, motivation and a sense of community. The Student Engagement Project (SEP), led by John D’Arcy as the Senior Accountable Executive, jointly owned by the University and OUSA, would model new ways of working, capture the ambitions within the three distinct areas outlined by the University Secretary, and develop and deliver policies and practices. An example of the type of proposal that
SEP was developing included StudentIdeas, a platform to crowd source ideas to improve the student experience.

12.3 The Chair thanked Ms Tudor for the presentation and suggested that members discussed student engagement further outside the meeting.

13 FORECAST OUTTURN 2015/16 C-2016-03-06
REVENUE BUDGET 2016/17 C-2016-03-07
FINANCIAL FORECASTS TO 2018/19 C-2016-03-08

13.1 The Finance Director, Miles Hedges, introduced the latest forecast of the University’s consolidated financial performance in 2015/16, which was dominated by the exceptional credit of £53.3 million following the Court of Appeal judgement in favour of the University in the long-running VAT case. The forecast surplus of £41.3m represented a small adverse movement of £4.8m from the January forecast, largely as a result of movements in fee income. However, if the exceptional gain and the one-off cost of the location rationalisation were excluded, the underlying surplus of £0.5m represented a continuation of improving results over the past two years.

13.2 Mr Hedges explained that the delivery of the budget would mean that the target of £75m for cost reductions and new net income would have been exceeded by £21m, which enabled the refocussing of expenditure towards academic and student-facing activities whilst still delivering cost-effective higher education to students. There had been a conscious decision to increase expenditure on academic faculties and student and learning related costs, whilst holding support costs at the same level.

13.3 The budget proposed £41.1m of time-limited expenditure to support the delivery of the University’s Students First Strategy for growth, whilst continuing the improvement in the underlying trading position. However, the strategic change was not just driven by the availability of the additional budget, but by a review of what was already being done. Cost reductions arising from the changes to locations would provide more money to directly support students.

13.4 The proposed deficit was £2.8m, which represented 0.6% of total revenues. In the light of the University’s strong reserves and the exceptional gain, this did not create a challenge to the University’s financial strength.

13.5 Mr Hedges said that the financial forecasts were one of the key accountability returns that University had to make the Higher Education Funding Council for England (HEFCE). The forecasts and commentary had been prepared before the results of the UK Referendum on EU membership were known and, whist the commentary had been extended to reflect the result, it was far too early to incorporate the impact in the forecasts themselves (see paragraphs 45-51 of Appendix 1).

13.6 The forecasts demonstrated that the University should be able to deliver strong surpluses before strategic expenditure and to deliver the financial strategy target (see Table 1 of the covering paper). Whilst the forecasts included a significant, and growing, level of higher-risk income there should be sufficient flexibility to manage the impact of any changes (Table 2 and Graph 1).

13.7 The projected profits from FutureLearn should reduce the pressure on the University’s own budget (Table 3). There would be a new funding allocation methodology for the HEFCE’s teaching grants from 2017/18: although the overall budget would be reduced, there would be a focus on institutions with a strong focus on widening access, which should benefit the OU.
13.8 The strategy to put students first and increase income was high risk, but could and would be managed. Time limited expenditure could be adjusted at relatively short notice and the financial forecasts included a significant amount of flexibility, so the University was well placed to manage any challenge. As FutureLearn moved towards profit, it would reduce the stress on the University by not only providing strategic benefits but also a source of income.

13.9 The discretionary reserves exceeded one year’s income and net liquidity exceeded 300 days’ expenditure, so the University was entering a period of uncertainty in a strong position. Delivering the Strategy was the right thing to do for the University’s students and this in turn would support its income streams.

13.10 The Treasurer, Howard Brown, commented that the improving trend in the underlying position had supported the Finance Committee’s decision to recommend a budget with a small deficit for the next financial year. The risks were clear in terms of delivering the strategic changes, recruiting and retaining students, and achieving the new net income targets. However, the budget was sufficiently flexible to accommodate any downside: there was significant flexibility in the three forward years, together with large amounts of strategic expenditure that, whilst needed, could be adjusted at relatively short notice.

13.11 The Council:

a) **noted** the 2015/16 forecast consolidated outturn surplus of £41.3 million;

b) **approved** the proposed consolidated revenue budget for 2016/17 of a deficit of £2.8 million after allowing for additional time-limited expenditure of £41.1m for strategic activities outside Units own budgets and further cost reduction of £8.3m; and

c) **approved**, on the recommendation of Finance Committee, the 2018/19 financial forecasts and commentary for submission to HEFCE by 29 July 2016.

14 **FINANCE COMMITTEE**  

14.1 The Treasurer drew the Council’s attention to Minute 8, which dealt with changes to the borrowing and funding arrangement for two of the universities subsidiaries, Open University Worldwide Limited and Open University Student Budget Accounts Limited. Finance Committee had agreed the changes.

14.2 The Council **noted** the unconfirmed minutes of the meeting of Finance Committee held on 28 June 2016 (F-2016-03-M).

15 **AUDIT COMMITTEE**  

The Council **noted**:

a) that the Committee’s recommendation that the Council approved the revised Risk Management Policy (AUC-2016-02-M, minute 6.6) had been dealt with elsewhere on the Council agenda (C-2016-03-04);

b) that the Committee’s recommendation that the Council approved the Strategic Risk Register (AUC-2016-02-M, minute 7.10) had been dealt with elsewhere on the Council agenda (C-2016-03-05); and

c) the unconfirmed minutes of the meeting of Audit Committee held on 17 June 2016.
16 DEVELOPMENT COMMITTEE  
C-2016-03-11

The Council noted the unconfirmed minutes from the meeting of Development Committee held by correspondence dated 28 June 2016 (DC-2016-02-M).

17 STAFF STRATEGY COMMITTEE  
C-2016-03-12

The Council noted:

a) that the recommendation of the proposed targets for Adaptive Organisation and Culture for approval by the Council was dealt with elsewhere on the agenda (C-2016-03-02); and

b) the unconfirmed Minutes of the meeting of Staff Strategy Committee held on 14 June 2016 (CSSC-2016-02-M).

18 STRATEGIC PLANNING AND RESOURCES COMMITTEE  
C-2016-03-13

The Council noted:

a) that the Committee’s recommendation that the Council approved the Students First Strategy Measures subject to the recommendations made by Strategic Planning and Resources Committee (SPRC) (minute 5.14), was dealt with elsewhere on the Council agenda (C-2016-03-02); and

b) the unconfirmed Minutes of the meeting of the SPRC held on 22 June 2016 (SPRC-2016-03-M).

19 THE SENATE  
C-2016-03-14

The Council noted the following matters discussed at the meeting of the Senate held on 8 June 2016:

a) OU Strategy;

b) Teaching Excellence Framework;

c) Academic Performance Report;

d) Locations update: delivering student support through student recruitment and support centres;

e) Entry Policy;

f) Academic organisation; and

g) The Council.

20 ESTATES COMMITTEE & ANNUAL REPORT ON CARBON MANAGEMENT  
C-2016-03-15

The Council noted:

a) that due to the number of apologies received in advance, the Chair had cancelled the meeting scheduled for 10 June 2016. A meeting was instead held via correspondence and comments requested from members. A summary of these comments will be submitted to the Council meeting in November 2016, together with the minutes from the Estates Committee meeting scheduled for 26 October 2016; and

b) the Carbon Management Plan Annual Progress Report (Paper E-2016-02-03).
21.1 The Chair introduced the report, which had concluded that OU governance was sound and its business was effectively discharged. However, there were significant opportunities to strengthen governance arrangements in order to support the University’s strategic ambitions.

21.2 The recommendations were framed by the work of the Good Governance Institute (GGI) and the input made by Council members. Some key issues had emerged through the consultation. Significantly, members wanted to ensure that the whole of Council was engaged with the University’s key business; those who were not also members of certain committees often felt that important debates were taking place elsewhere. It was essential that all members felt confident to contribute and that the Council had the right skills to deal with the forthcoming challenges. The Council should have sufficient time for discussion and to provide effective support and challenge to the executive. The report also reflected the desire to create a better working relationship with the Senate and to ensure that the governing body was more visible to the wider University community.

21.3 The University Secretary commented that the recommendations should be considered in the round; the changes aimed to strengthen the inclusiveness and transparency of governance. The rebalancing of Council membership and a reduction in the size of the governing body would allow the Council to focus on key issues. Fewer Council committees would ensure that all members were engaged with decision making. Creative solutions had been proposed to ensure that the University did not lose the good work that was conducted in these committees. For example, it was intended to trial a Strategic Advisory Group focussed on the Adaptive Organisation and Culture priority, which would be able to draw on the expertise of an extended group of advisors. A Stakeholder Group would also be trialled for Students.

21.4 The introduction of an annual joint meeting of the Council and the Senate, and the establishment of a Joint Business Committee, would enable better communication and improve transparency around how governance business was organised. Following on from item 11, there would be an annual opportunity to consider the institution’s strategic risk appetite. The report also proposed a greater focus on the development of Council members, which would acknowledge the many reasons that people volunteered to serve on the governing body and would help them to achieve their objectives.

21.5 A member of the Council Governance Review Group said that he was supportive of the recommendations and of the process overall, but cautioned against possible unintended consequences. For example, SPRC was currently the only joint committee of the Council and the Senate, and SSC was effective in advising on how staff morale should be managed; neither should be disestablished until alternative structures were in place. The member also said that the Council membership should continue to include specific AL representation.

21.6 Members welcomed many of the recommendations, commenting that they were innovative and reflected best practice. The introduction of an integrated assurance model, which would allow the University to adapt to the new HEFCE requirements, the Joint Business Committee and the joint meeting of the Council and the Senate were highlighted as features that would put OU governance at the leading edge.

21.7 Several members expressed concern that significant change was being recommended without sufficient consultation. The Council should state general support for the recommendations, but request broader feedback before the next meeting. Whilst this might not be an agile response, some sensitive stakeholder management was required. It was also unclear whether the Senate would be asked to comment on the whole of the report or just some aspects of it.
21.8 Some members noted that the role and purpose of the Council and the Senate, and clarity on their powers and responsibilities as set out in the Charter and Statutes, should be the starting point for any broader consultation.

21.9 The Chair of SSC added that there had not been sufficient consultation within the Council, particularly with the chairs of the Council committees. The consultants from GGI should have attended meetings of the subcommittees to review their effectiveness. The paper recommended substantial changes, but Council members had only had a few days to digest it. It was essential that the Council as a whole was able to own the report and its recommendations.

21.10 Members observed that, in general, more notice should be given for major items of business, and for events such as the launch of the Strategy taking place later that day.

21.11 The Chair apologised that the report had not been available in good time and acknowledged that the paper had been over-ambitious in seeking agreement to the recommendations at this meeting. There had been no intention to avoid wider consultation; it was essential that the Council was part of the process. He proposed that the recommendations be taken as a direction of travel, but that the paper be brought back to the Council for approval. With regard to the Strategy launch, it was not intended as a major event for Council members, but the University had wanted to give members the opportunity to attend.

21.12 A member said that it was important to take account of members’ comments, but concerns about the process should not detract from the positive aspects of the report. Some members suggested that, before the report was circulated more widely, it would be helpful to provide more detail in anticipation of inevitable questions; for example, how the good work of former committees, such as SSC, would be undertaken in future.

21.13 In response to a member’s comment that it would be helpful to make progress before the next scheduled meeting of the Council in November, the Chair suggested that a special meeting on the recommendations be held earlier in the autumn. It had always been the intention to provide the Senate with the opportunity to review the report, but some thought would have to be given to the sequencing of meetings.

21.14 The Chair said that there were many recommendations on which the Council could readily agree, for example, with regard to the induction and development of members. There were some committees that were essential, but others that did not have to be formal committees of the Council. The Stakeholder Groups and Strategic Advisory Groups provided a sensible approach of addressing any concerns, whilst ensuring that core issues were escalated to the Council. Council members were invited to send their comments to the Chair and the University Secretary. The comments would be collated as a paper for consideration at the special meeting.

Action: All

21.15 The Chair noted that, ultimately, the Council was responsible for its own structure and composition, but the views of the Senate would be considered. The University Secretary confirmed that it was the intention that the Senate should consider the report and said that it would be circulated with a copy of the Charter and Statutes.

Action: Governance Team
22 ANNUAL EFFECTIVENESS REVIEW  C-2016-03-17

The Council:

a) noted the annual attendance figures;

b) agreed that no changes should be made pending the outcome of the recommendations of the Council Governance Review; and

c) agreed the entry about the Council for the Corporate Governance disclosure in the Financial Statements 2015/16.

23 MEMBERSHIP COMMITTEE  C-2016-03-18

The Council:

a) approved:

i) the reappointment of Professor Bill Stevely to the Council as an external co-opted member and as the Vice-Chair for a further year from 1 August 2016 to 31 July 2017;

ii) the reappointment of Professor Bill Stevely to the Membership and Strategic Planning and Resources Committees as an external co-opted member of the Council for a further year from 1 August 2016 to 31 July 2017; and

b) noted the unconfirmed Minutes from the meeting of Membership Committee held on 22 June 2016 (MC-2016-03-M).

Office Note: The Council did not consider the revised Council Diversity Policy for approval, so this item will be carried over to the next meeting.

24 CHAIR’S ACTION  C-2016-03-19

The Council noted the action taken by the Chair on behalf of the Council since the last meeting held on 10 May 2016.

25 DECLASSIFICATION OF COUNCIL PAPERS

The Council agreed that the following papers should remain confidential:

C-2016-03-07 Revenue Budget 2016-17
C-2016-03-08 Financial Forecasts to 2018-19
C-2016-03-09B Finance Committee – Confidential Minutes
C-2016-03-10B Audit Committee – Confidential Minutes
C-2016-03-13B SPRC – Confidential Minutes

but the following papers could be declassified:

C-2016-03-03 Staff Strategy Committee Annual Report
C-2016-03-16 Council Governance Review Report
C-2016-03-18 Membership Committee – Minutes
26 DATE OF NEXT MEETING

The Chair said that the next scheduled business meeting of the Council is Wednesday 23 November 2016 in Milton Keynes. However, another date would be confirmed for a special meeting in the autumn.

Office Note: The Council Induction and Development Day has been scheduled for Tuesday 27 September 2016. The additional meeting of the Council will be convened on that date.

27 REVIEW OF MEETING

The Chair observed that it was the end of a significant year for the University and thanked everyone on the Council for their contribution.

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University Secretary

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