

THE COUNCIL

Minutes

This paper presents the unconfirmed Minutes of the last meeting of the Council held on 27 November 2018 at The Open University, Walton Hall, Milton Keynes.

The Council **approved** the Minutes as a correct record at its meeting on 5 March 2019.

Dr Jonathan Nicholls
University Secretary

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Attachments:

C-2018-06-M Minutes of the meeting of the Council held on 27 November 2018

THE COUNCIL

Minutes of the meeting of the Council held on Tuesday 27 November 2018
at The Open University, Walton Hall, Milton Keynes.

- Present: Mr R Gillingwater (Chair), Professor M Kellett (Acting Vice-Chancellor up to and including Minute 5, Vice-Chancellor Minute 6 onward), Mrs C Stockmann (Treasurer), Ms C Brown (President, OU Students Association), Mr S Begbie, Professor J Brooks (Vice-Chair), Dr Jovan Byford, Mrs F Chetwynd, Mrs M Curnock Cook, Mr J D'Arcy, Ms Maggie Galliers, Ms R Girardet, Mr P Greenwood, Dr R Heffernan, Ms A Henderson, Mrs R Lock, Mr D T Parry, Mr R Spedding, Dr B Tarling, Dr G Walker, Professor J Wolffe
- In Attendance: University Secretary, Head of Governance, Senior Manager, Governance (Working Secretary), Group Finance Director
- Also: Chief Information Officer and Programme Director, Core Systems Replacement (for Minute 11 only); Group HR Director and Head of Talent & Development (for Minute 12 only)
- Apologies: None

1 WELCOME

The Chair welcomed everyone to the meeting and thanked the University Secretary and other members of the Vice-Chancellor's Executive (VCE) for the presentation on Professional Services in the development session prior to the formal meeting. This had been one of the activities aimed at improving engagement between members of the Council and VCE.

2 DECLARATIONS OF INTEREST

Dr Greg Walker said that it might be perceived that he had a conflict of interest with regard to the item on FutureLearn. There were no other declarations of interest.

3 MINUTES

C-2018-05-M

The Council **approved** the minutes of the meeting of the Council held on 25 September 2018 as a correct record of the meeting.

4 MATTERS ARISING AND ACTION TRACKER

C-2018-06-01

- 4.1 The Chair observed that all the actions arising from previous meetings had been completed.
- 4.2 The Council **noted** the Action Tracker.

5 CHAIR'S BUSINESS

- 5.1 The Vice-Chair provided a brief report on the Committee of University Chairs (CUC) Autumn Plenary meeting, which he had attended on behalf of the Chair. The key topics for discussion had included the impact of changes in legislation and pension arrangements, as well as concerns about mental health and open offers. He had suggested that the OU's experience in this latter area might make a positive contribution to the debate.
- 5.2 There had also been a debate on the new funding arrangements, which did not allow cross-funding between Teaching (T) and Research (R). This was an area where the University might be particularly vulnerable. The Acting Vice-Chancellor assured the Council that the OU already carefully recorded the use of T and R funding, but there were plans to review the workload management system. It was important to distinguish between scholarship for teaching and scholarship of teaching. A Senate member commented that the University could improve its methods of recording, as there was a tendency to over-report the R deficit. The University Secretary observed that most universities subsidised R from T, so the new arrangement would create further financial issues for some institutions. The Vice-Chair said that the OU should make provision for the future.

VICE-CHANCELLOR APPOINTMENT

C-2018-06-20

- 5.3 The Chair asked the Council to consider the paper regarding the appointment of the Vice-Chancellor (C-2018-06-20) at the beginning of the meeting, and proposed that Professor Mary Kellett be appointed to the substantive role with immediate effect. Professor Kellett confirmed that she was prepared to remain in the post until a new Vice-Chancellor (VC) was appointed.
- 5.4 The Council **approved** the recommendation from the Joint Appointment Committee of the Council and the Senate to appoint Prof Mary Kellett as Vice-Chancellor with immediate effect until 31 December 2019 or such earlier date when her successor took up office.

6 VICE-CHANCELLOR'S REGULAR REPORT

C-2018-06-02

- 6.1 The VC updated the Council on the following matters:
- a) the University Secretary, Dr Jonathan Nicholls had been appointed to the advisory panel for the person appointed to carry out the statutory independent review of the Teaching Excellent Framework (TEF), a role that would be advantageous for the OU;

Minute item 6.1 b) is presented in C-2018-06-CM (Confidential Minutes).

- c) the Group HR Director, Fiona Roberts, would be leaving the University at the end of March 2019 to return to the corporate sector. The Council would have an opportunity to thank Ms Roberts for her contribution and achievements in due course, and the process for recruiting a successor would be underway soon;

As the announcements highlighted in minute 6.1 b) and c) had not yet been communicated to the wider University, Council members were asked to keep them confidential until after they had been made public.

- d) the University had reached agreement on a new associate lecturer (AL) contract proposal. This had been possible due to the commitment and dedication of the union negotiators and the OU's People Services team. The proposed new contract would be put to a ballot of the University and College Union (UCU) AL members

from 7 – 24 January 2019. The achievement of this milestone after 11 years was significant and indicative of a shift in tone and culture across the University such that inclusivity and collegiality was more greatly valued. It also reflected a determination to resolve the position, motivated by the objective to provide the best possible learning experience for OU students;

- e) in September 2018, a Joint Expert Panel (JEP) presented a report on the Universities Superannuation Scheme (USS), and on the valuation of the pension scheme, which the OU had supported. The University's support for the JEP's recommendations had been conditional on a better understanding of the risk and the additional costs that might be associated with it in the future. Other universities had taken a similar view and USS had just announced the process for a valuation of the Scheme to take place early in 2019. The timetable for the new valuation would mean that the contribution increases would come into force for employers and employees from April 2019, but USS hoped that a settlement for the Scheme could be reached before the much higher increases, scheduled for October 2019, would be required.
- f) the Vice-Chancellor's Annual Report would be published on 30 November 2018;
- g) work on the OU's 50th Anniversary celebrations was continuing, with plans for 365 events across the four nations. Council members would be sent details of key diary dates and their participation in these events would be welcomed; and
- h) this was the last Council meeting for the Head of Governance, Dawn Turpin. Mrs Turpin was thanked warmly for her contribution in the role and particularly to the Council.

6.2 The Vice-Chancellor thanked the Pro-Chancellor, Richard Gillingwater, who was also attending his last meeting, for his enormous contribution to the Council and the University; and for the support and guidance he had provided to her in the role of Acting Vice-Chancellor. The role of Pro-Chancellor and Chair of the Council was difficult, challenging and time consuming, and Mr Gillingwater had carried it out with skill, dignity and dedication. The OU had been fortunate to have benefited from his measured wisdom over the past four years, and his contribution was widely appreciated.

7 PROGRESS UPDATE: CRITICAL REVIEW ACTIONS AND REARTICULATED STRATEGIC OBJECTIVES

C-2018-06-03

7.1 The VC introduced the paper, which started to reframe the OU's future direction as well as illustrating the progress to date. The Critical Review recommendations had now been aligned to the strategic objectives and these would be the future focus across the organisation, not the Review. Prioritisation, sequencing and capacity had been carefully considered, so the list of deliverables was pragmatic and achievable with clear ownership and timescales. Moving forward, the University would concentrate on doing fewer things well, with the focus being on student success through the three pan-university activities that it was thought would be most effective and that the entire OU community could support. The recent VCE Question Time session had focussed on the new PVC Students portfolio, where colleagues had been keen to hear more about how this role would help change the way the University would work to support students.

7.2 The progress to date demonstrated that the University was focussed on the future, not entrenched in the challenges of the past, and that the community could work quickly and efficiently to effect change. This work, underpinned by the sustainable foundations shown in the Financial Statements, would make the OU not just a viable proposition for a new Vice-Chancellor, but an exciting, attractive institution to lead and shape the future of open, distance education. The Council would receive a refreshed set of measures and targets

at its meeting in March 2019, so that members could be assured of the University's continued progress.

- 7.3 Members welcomed the paper and congratulated the team on the positive progress made to date.
- 7.4 A member remarked that Supported Open Entry was one of the three pan-University priorities for Student Success and asked how this would be different from the current provision. The VC replied that ways of ensuring that students were on the right study path from the outset, including the use of compulsory diagnostics and better induction, were being considered. This initiative should make a significant difference in enabling students to achieve their goals.
- 7.5 Another member said that it was not clear how the University would identify 'at risk' students, whether through non-completion, the time elapsed since the last log-in or some other means. The VC acknowledged that this had not been stated in the paper, as it was considered business as usual and the University's learning diagnostics were highly regarded within the sector. However, the University wanted to improve the way in which it engaged associate lecturers (ALs) with this activity and to reward them appropriately.
- 7.6 Members agreed that student progress was crucial and observed that the Council would now receive the data pack on student retention in March 2019. The VC said that the various data sources were being realigned within the Chief Information Officer (CIO) portfolio, which would have a strong link to the Director of Strategy. The University Secretary reported that the OU was aiming to recruit a Chief Data Officer to provide leadership in this area. Members welcomed the intended appointment and suggested that it would be helpful if the use of data to underpin and inform action on all strands of the strategy was made more explicit.
- 7.7 A member observed that the option for students to study at full-time intensity provided an opportunity for the OU and might be given greater emphasis in the strategy. The VC agreed, noting that, in full-time equivalent (FTE) terms, one third of OU students were now studying at this intensity.
- 7.8 The President, OU Students Association observed that the recent increase in partnership working with students was not apparent in the paper. The VC agreed that this should be made more explicit.
- 7.9 Members welcomed the strategic focus of the PVC Students, observing that a significant cultural shift would be required as the portfolio changed from oversight of a single large unit to leadership of a smaller structure operating across many different areas. The VC responded that a leaner, strategic role was more common for PVCs in other higher education institutions (HEIs), and the intention in reducing the portfolio was to allow staff to focus on delivering Student Success. The office of the PVC Learning and Teaching Innovation (LTI) had consisted of approximately 600 staff, whereas that of the PVC Students was likely to comprise many fewer.
- 7.10 Noting the intention to regularly review the prioritisation and phasing of activities to mitigate risk, a member commented that the implementation of strategy was dependent on operational capacity. For example, demands on the business and on IT meant that the implementation of the changes to single component assessment (SCA), which had been approved by VCE in February 2018, were still ongoing and would be through to June 2019. The member asked that VCE consider operational implications when prioritising the strategic objectives. The VC observed that some past decisions, such as the introduction of SCA, had not been thoroughly considered; however, in future, the University would not operate in this way.

- 7.11 A member observed that Excellent Teaching and Research was vital to the success of the OU and the motivation of its staff; each should inform the other. The VC responded that the University's investment in research to underpin its teaching was just one of the things that made the OU unique, but the University often forgot to promote it. The member suggested that the schematic should illustrate the synergy between Teaching Excellence and Research Performance, rather than show them as two distinct areas.
- 7.12 The Chair observed that there was still much to be articulated regarding the growth of international markets and the development of commercial activity. The level of international opportunity was significant and there must be activities other than apprenticeships that would provide new sources of income. The VC confirmed that this objective was a key priority alongside Student Success. Following the departure of Jonathan Wylie, David Willet was currently taking leadership in this space, but the University was planning to recruit a highly experienced individual to stimulate and oversee the generation of all types of additional income for the University. Advances were being made with regard to international student numbers and international income growth, and the progress on apprenticeships was heartening; however, there was more work to be done elsewhere.
- 7.13 In response to a member's comment regarding the role that FutureLearn might play in the developing international strategy, the University Secretary said that both were topics for discussion at the forthcoming VCE Away Day.
- 7.14 A member remarked that there appeared to be little on student recruitment in respect of Growth and Sustainability. Whilst it might be challenging to significantly increase the base number of students, due to current demographics and competition, recruitment should still be part of the OU's core strategy and it should use data to inform its marketing. The VC replied that the University invested significantly in data mining for this purpose; for example, the unexpected growth in the number of full-time students now informed the direction of the OU's strategic marketing. Student retention was critical, so there had been a strategic decision to shift some resource to further support student progression.
- 7.15 The Council welcomed the focus on the four-nation dimension. However, a member observed that ALs and their managers operated according to discipline and, even if ALs had a large cohort of students within a nation, they did not necessarily have any contact with or information from the relevant nation office. The Director, OU in Ireland commented that this was an unintended consequence of the changes in faculty management, but that the nations were working with the AL Assembly to address the issues.
- 7.16 Another member suggested that a regional strategy for England was also required to deliver activities and partnerships that might increase student numbers. The VC acknowledged that England was not a homogenous country and the University needed to be alert to the needs of different areas. The Regional Centres had not been ideally located but had provided centres around which OU activity could be galvanised.
- 7.17 In response to a member's enquiry about the impact of changes in the external environment on the strategic objectives, which was not expressed in the paper, the VC explained that the focus of the Critical Review had been internal. There was normally greater scoping of the external environment and this would return moving forward. At present, there did not appear to be any major new issues that would have a negative impact on the institution, although the OU might benefit from some aspects of the review of post-18 education. The member suggested that a small number of metrics regarding external trends might be included amongst the strategic objectives.
- 7.18 Members welcomed the intention to move away from the Critical Review, although one commented that there were some areas that required further consideration and development. The actions to address the disconnect between leadership style and

University culture had been almost entirely focussed around HR, but such an important issue should have a broader input. The review of governance should not only consider ways of streamlining processes but also of strengthening them, focussing on a coherent system of checks and balances that ensured that the difficulties faced by the University earlier in the year could never happen again, whoever occupied the key roles. For example, since faculty committees had become faculty assemblies, which were not part of the governance structure, faculties had not been able to hold Executive Deans to account.

- 7.19 The Vice-Chancellor responded that the recommendation to address this issue had emphasised the importance of the tone set by the leadership team. A key personal objective for all members of VCE would be to reinforce the importance of engagement as part of their role. HR were leading and supporting this approach which, if it created a strong and successful senior leadership team, was unlikely to be changed by any new appointment. Further consideration of faculty governance would form part of the Academic Governance Review.
- 7.20 A member commented that it would be helpful to understand which areas of the University would be responsible for taking forward particular parts of the strategy. The VC responded that the such a map would be developed; distributed leadership was important, but so was accountability.
- 7.21 The Council:
- a) **noted** the actions already in progress; and
 - b) **approved** the re-articulated Strategic Objectives, subject to comments noted above.

8 STRATEGIC PERFORMANCE REPORT C-2018-06-04

- 8.1 The VC observed that the key performance indicators (KPIs) outlined in the paper were historic and would be refreshed in line with the rearticulated strategic objectives. The University should not be complacent about its performance against these KPIs, but the work outlined in the previous paper would enable the University to improve its performance in respect of both students and staff.
- 8.2 The Chair added that the paper had been discussed by the Strategic Planning and Resources Committee (SPRC) (C-2018-06-15). The new KPIs would be presented to the Council at its meeting in March 2019.
- 8.3 In response to a member's query, the VC said that the top 5 priority measures of success had been communicated to members of VCE and the Senior Leadership Team (SLT), but not widely shared across the University. Many of the KPIs were now, in effect, obsolete and it was unnecessary to share the progress report more widely.
- 8.4 Members noted the mixed trend on retention rates; this would require on-going scrutiny.

9 RISK MANAGEMENT AND STRATEGIC RISKS UPDATE C-2018-06-05

- 9.1 The University Secretary introduced the paper, remarking that it had also been considered by Audit Committee. The Strategic Risk Register had been redeveloped as the previous version, whilst detailed, was difficult to comprehend and manage. The latest version had been simplified, so that it now highlighted the top-level risks, both threats and opportunities. The Register would be dynamic and change over time, informed by bottom-up processes. It would provide the Council with improved data with which it could hold the University accountable.

- 9.2 The Chair of Audit Committee commented that the previous process had been satisfactory, but the link between the Strategic Risk Register and VCE had been weak. The revised version went back to basics, highlighting the key areas that should be of concern to VCE and therefore to the Council. The top-level risks were appropriate, with the addition of the risk around the changing regulatory and compliance conditions across the four UK nations. The transition from a rules-based funding council to a competition and principles-based body should be recognised. The Office for Students (OfS) would expect governing bodies to monitor compliance with these principles and would only step in if it identified an issue.
- 9.3 The Chairs of the Council and of Audit Committee agreed that the Register was missing a key risk around leadership capability and succession.
- 9.4 The Chair of Audit Committee added that the Register focussed on Strategic Risks, but the University also faced some significant operational risks, such as technology, which might be presented to the Council in due course.
- 9.5 Members welcomed the revised approach to managing risk. One member commented that the external, political environment represented a huge strategic risk for any organisation. Brexit and the review of post-18 education would have a wide-ranging impact on the University, not just on student numbers. The political and economic uncertainty was mentioned under Risk 3, as well as Risks 2 and 5, but as a cause rather than a risk in itself. Members suggested that external context might be covered in an introduction to the Strategic Risk Register or by expanding Risk 5. The VC said that the University would review the way this was expressed in the Register and amendments made as appropriate.
- 9.6 It was noted that Risk 3 referred to 'people' studying with the OU, but should refer to 'students'.
- 9.7 With reference to Risk 2 and the 'inconsistency of our approach to teaching and application of best practice', the President, OU Students Association observed that some of the challenges arising from the implementation of the Group Tuition Policy were to do with consistency but the key issue was quality. Moreover, if changes such as SCA were put in place with a view to simplifying assessment, there might be reputational risks to consider. The VC said that the wording would be reviewed.
- 9.8 A member observed that the Group HR Director was responsible for several risk response actions throughout the Register, so an early and successful recruitment process for this role was essential. Responsibility for the effective engagement and training of staff to ensure optimisation of new working practices required by updated systems and digital technologies had been allocated to the CIO, but this should fall within the remit of HR as it would require cultural change and not just training.
- 9.9 A member suggested that wider communication of the Critical Review actions, re-articulated Strategic Objectives, Strategic Performance and Strategic Risk should be brought together as a single package.
- 9.10 The Council:
- a) **approved** the re-developed Strategic Risk Register subject to the comments noted above; and
 - b) **noted** the amendment to the Risk Management Policy, returning institutional ownership of risk management to the University Secretary.

10 FUTURELEARN C-2018-06-06

Minute items 10.1 to 10.7 are presented in C-2018-06-CM (Confidential Minutes).

11 CORE SYSTEMS REPLACEMENT C-2018-06-07

Minute items 11.1 to 11.11 are presented in C-2018-06-CM (Confidential Minutes).

12 OU CULTURE C-2018-06-08

- 12.1 The Group HR Director and Head of Talent and Development introduced the paper, outlining the type of culture that the University wanted to achieve, the proposed approach over the next three years and the success measures to be used.
- 12.2 Since July 2018, there had been further consultation with key stakeholders and a review of several diagnostic data sources, which had informed the design of the proposed approach. Feedback indicated that the University had already started to move towards a more open and transparent culture, where there was genuine engagement, empowerment, ownership and accountability. However, it would take time and a range of tools to bring about a culture shift, and to build the foundation of trust and safety.
- 12.3 The proposed approach had been planned over a three-year period and consisted of five key activities. The Management Practices Development Programme would be initiated by VCE and SLT to demonstrate their commitment to the new practices. It would then be rolled out to all people managers, in mixed cohorts across all four nations to reinforce the fact that the OU was one University. Appraisal against the management practices would be by both self- and 360°- assessment. The proposed People Charter would not be imposed but would be developed by engaging with staff. Improved schemes for career management, instant recognition and induction would also be introduced. The success of the approach would be measured against baseline data from staff surveys.
- 12.4 Members acknowledged that changing the culture was challenging but welcomed the direction of travel and the discrete pieces of work included in the programme.
- 12.5 A Senate (AL) member of the Council expressed concern that the programme was focussed on those working on campus when ALs, who constituted nearly half the OU workforce, and others worked from home. It was not clear how ALs would be able to engage with career development, instant recognition schemes and the People Charter and the paper did not address the opportunities presented by the new AL contract. HR could enable cultural change, but it could only be delivered if all managers embraced it.
- 12.6 The Group HR Director responded that the intention was to look at the attitude and approach of managers first, and this would include how they might better engage with a dispersed workforce. The Charter would be developed with the involvement of all staff and should take the new AL contract into consideration. The Head of Talent and Development added that the Charter would be meaningless unless the whole University community contributed to its development. The CSR programme presented a major opportunity to create and demonstrate the desired culture. The instant recognition scheme would be peer to peer, including ALs, and would provide more opportunities to recognise colleagues' contributions, whether socially or financially.
- 12.7 Referring to the indicators of success, members asked whether 55% of staff being satisfied with the Senior Management across the OU was a stretch target. The Group HR Director replied that the results of the latest staff survey had only just been published and indicated progress had already been made in this area. The target would therefore be reviewed to ensure it remained something to aspire to and be held accountable for, whilst remaining realistic.

- 12.8 In response to an observation that the programme presented an opportunity to make the culture more inclusive, the Group HR Director said that this had been incorporated into the management behaviours, but the approach could be more explicit about diversity. A significant amount of work was ongoing with the Black and Minority Ethnic community.
- 12.9 A member commented that the focus on leadership style was important, but a change in behaviour was necessary at all levels. It was essential to build capacity and capability across the organisation. The Group HR Director responded that the focus was on management rather than leadership, and the Management Practices programme would be targeted at all 1200 people managers, not just VCE. The programme would be pragmatic, focussed on expectations rather than style. The management practices co-related to the levers of change, so if managers employed them, however well, staff would be engaged.
- 12.10 A member suggested that consideration should be given to the balance between the specific and the generic. Managers operated in a diverse range of situations, so would one-size fit all. Academics, for example, had a much wider concept of management. The Head of Talent and Development confirmed that there was strong academic representation in the consideration of the management framework.
- 12.11 A staff member said that management development had been neglected for some time, but this programme had the potential to be powerful.
- 12.12 The Council **approved** the approach to the People & Culture Programme as outlined in this paper.

13 ANNUAL QUALITY REPORT 2017/18

C-2018-06-09

- 13.1 The Acting Vice-Chancellor introduced the paper, which was a key aspect of the University's quality assurance process.
- 13.2 Acknowledging that the paper would have multiple audiences, a member observed that it avoided making judgements; for example, those areas of activity that were not performing as expected were reported as needing further development. The Vice-Chancellor replied that the report was written for a particular audience; further detail about any specific area could be provided on request.
- 13.3 The Council:
- a) **noted:**
 - i) that the report would also be used as the annual report on institution-led review submitted to the Scottish Funding Council; and
 - ii) that the Senate had recommended to the Council that it endorse the statements of assurance required by the Scottish Funding Council and Office for Students; and
 - c) **endorsed:**
 - i) the statement of assurance required by Scottish Funding Council; and
 - ii) the statement of assurance required by the Office for Students.

14 FINANCIAL REPORTS

- 14.1 The Chair suggested that the items in Section C of the agenda, including the Audit Committee Annual Report (C-2018-06-10), Annual Accountability Returns 2018 (C-2018-

06-11), 2017/18 Consolidated Financial Statements (C-2018-06-12) and Financial Results 2017/18 Commentary, be taken together, commencing with the Financial Statements.

- 14.2 The Group Finance Director explained that the Financial Statements consisted of two halves: the first described the University's overall situation, which had been couched in positive but realistic terms; the second comprised the financial figures. As previously advocated by the Council, the key numbers and achievements for the year had been highlighted in a more graphic and impactful format at the front end of the document.
- 14.3 For the year ending 31 July 2018, there had been an overall deficit of £17.9 million which, in terms of the University's ongoing day to day operating activity, translated to a deficit of £5.2 million. These figures varied significantly from the projections of £30 million and £10 million respectively as presented to the previous meeting of the Council, as the rate of spend in the last quarter had declined, specifically in the areas around strategic change, and there had been some encouraging signs of income growth. The University's balance sheet remained strong, with net current assets of £319 million, which exceeded 250 days of expenditure.
- 14.4 Communications would help the OU community to understand the outturn for the year, with the important message being that the University was strongly placed but needed to improve its operating position.
- 14.5 One of the most significant changes to the financial statements was the way in which senior staff pay was disclosed. Consultation had taken place with the University's advisors, the sector and Audit and Remuneration Committees to help clarify the guidance provided by OfS.
- 14.6 The Chair of Audit Committee referred members to the summary provided at the beginning of the Committee's Annual Report regarding the financial statements. The presentation of the numbers was straightforward, and the areas identified at the last meeting as requiring careful presentation for an external audience had all been addressed. The story outlined in the statements represented a true, fair and understandable view of the University's current situation and its positive future, and the Audit Committee had no hesitation in recommending them to the Council for approval.
- 14.7 The External Auditors had been thorough, and the independent technical review of the statements had been helpful. Internal Audit continued to be effective, and the report of the Chief Auditor was attached to the paper. It concluded that internal controls were generally adequate, but the graphs illustrated a downward trend in audit grading as change activity had diverted resources and attention from day to day activities. Addressing this situation before the implementation of the strategic and system changes discussed earlier would be challenging, but it was crucial that the situation was not allowed to deteriorate further. The risks were very clear, and the discussion on risk management had been helpful.
- 14.8 Responding to a question from the Chair of Audit Committee, the Vice-Chancellor, University Secretary and Group Finance Director confirmed that they were not aware of any issues that had arisen since the balance sheets had been finalised.
- 14.9 In response to a member's enquiry, the Group Finance Director said that he would be preparing a second video to help the University community interpret the financial statements and understand them in the broader context. He would also talk directly to groups such as major units, the nations and the AL Executive to reinforce the need to assure the OU's sustainability and ensure growth.

**AUDIT COMMITTEE ANNUAL REPORT TO THE COUNCIL AND THE VICE-
CHANCELLOR, 2017/18**

C-2018-06-10

14.10 The Council **noted** the Audit Committee Annual Report

**ANNUAL ACCOUNTABILITY RETURNS 2018, INCLUDING ANNUAL ASSURANCE
RETURN (ANNEX B)**

C-2018-06-11

14.11 The Council:

- a) **approved** the contents of the Annual Assurance Return (Appendix): and
- b) **agreed** that the Vice-Chancellor should sign parts 2 and 3, and the Statement of Academic Assurance: Scotland as a governor / trustee on its behalf.

2017/18 CONSOLIDATED FINANCIAL STATEMENTS

C-2018-06-12

14.12 The Council:

- a) **approved** the University's consolidated financial statements for the year ended 31 July 2018;
- b) **authorised** the Chair of Audit Committee, Acting Vice-Chancellor and Group Finance Director to sign on its behalf the University's consolidated financial statements for the year ended 31 July 2018; and
- c) **noted** the audit representation letter that will be signed on its behalf by the Acting Vice-Chancellor and Group Finance Director.

**ANNUAL ACCOUNTABILITY RETURNS 2018 – FINANCIAL RESULTS 2017/18
COMMENTARY**

C-2018-06-13

14.13 The Council **approved** on recommendation of Finance Committee, the financial commentary for submission to the OfS by 3 December 2018.

15 REMUNERATION COMMITTEE ANNUAL REPORT

C-2018-06-14

15.1 The Chair of Remuneration Committee introduced the paper. Since the last report, the Committee had considered its terms of reference and proposed amendments, approved by Governance and Nominations Committee, to focus on the consideration of all staff earning over £100,000 including those employed by FutureLearn. The timelines for the remuneration process had been reviewed to improve information flow and clear, transparent guidelines for the approach to pay and reward had been agreed.

15.2 The Chair observed that the Committee had made great advances in terms of the governance of senior staff remuneration.

15.3 The Council **noted** the Remuneration Committee Annual Report.

16 STRATEGIC PLANNING AND RESOURCES COMMITTEE

C-2018-06-15A&B

16.1 The Vice-Chancellor drew the Council's attention to SPRC's recommendation regarding an inflationary increase in fees.

16.2 The Council:

- a) **approved** SPRC's recommendation on the Fees and Financial Support Strategy (SPRC-2018-01-CM, minute 5.7) that the University applies an inflationary increase

- 19.3 The Senate provided a good barometer for engagement across the University and the benefits were beginning to be seen. A Senate member of the Council confirmed the mood and culture of the Senate was much improved.
- 19.4 The Council **noted** the unconfirmed minutes and confidential minutes of the Senate meeting held on 10 October 2018.

20 GOVERNANCE AND NOMINATIONS COMMITTEE C-2018-06-19

- 20.1 The Chair observed that action had been taken in response to most of the recommendations of the Lessons Learned report. A proposal for implementing a 360° appraisal process for members of VCE would be considered by Remuneration Committee in time for the 2019 senior staff salary review; and excellent progress had already been made to improve engagement between members of the Council and VCE. Further work was necessary to develop a stronger relationship between the Council and the Senate, but the annual meeting was a good place to begin and the new Chair and Vice-Chancellor would work together to support the development of a better understanding between the two bodies. The meetings of lay Council members and sub-committee Chairs were also for the new Chair to take forward.
- 20.2 The issues around the accessibility and relevance of the Council papers and packs, as well as other governance matters, were to be taken forward by a group led by the Director, the OU in Ireland ahead of the Academic Governance Review in the spring 2019.
- 20.3 Members welcomed the rapid progress made in some areas. However, it would be unsatisfactory if the Council had to wait for any significant period before having reliable and easy access to an electronic pack of meeting papers. There were a number of solutions on the market, including some with a 'reading room' for additional background material. The University Secretary replied that the capital cost and the ongoing fees for licences would have to be considered, and the Head of Governance observed that IT resource would also need to be available. A member observed that the role of a Council member was unpaid, so it was important to ensure that members were appropriately supported.
- 20.4 The Council
- a) **approved:**
 - i) the proposed changes to the GNC constitution; and
 - ii) the reappointment of Rachel Lock as an external co-opted member of the Council for a further term of 4 years to 31 July 2023; and
 - iii) the proposed amendments to the Council Constitution and Standing Orders; and
 - b) **noted:**
 - i) the unconfirmed Minutes of the GNC meeting held on 24 October 2018; and
 - ii) the Lessons Learned implementation plan.

21 VICE-CHANCELLOR APPOINTMENT C-2018-06-20

- 21.1 Further to the decision taken earlier in the meeting (Minute 5.4), the University Secretary updated the Council on the process to appoint a new Vice-Chancellor. Consultation with all areas of the OU community was almost complete and there was a considerable consensus around what staff and students wanted from a new Vice-Chancellor. The Joint

Appointment Committee had now been fully formed and would be chaired by the current Pro-Chancellor until the end of his term and by his successor once appointed. A draft role description was being developed and the executive search agency Odgers Berndtson had been appointed to support the recruitment. The intention was to advertise the position in the new year with the aim of completing the process by May 2019. In order to support the appointment of the ideal candidate, the Joint Committee would need to be flexible whilst adhering to due process, balancing speed and thoroughness.

- 21.2 Members expressed uneasiness about the timeframe and what appeared to be a rigid process. There were a limited number of good candidates and there would be strong competition from other HEI's. It was important to ensure the agency responded to the search brief within 5 months. The person specification was key, but successful recruitment required a two-way dialogue, and interviews should 'sell' the organisation as well as test a candidate's suitability for the role. It was likely that potential candidates would still see the OU as an attractive proposition, whilst recognising the challenge presented.
- 21.3 In response to a member's query, the University Secretary confirmed that the process for recruiting a Vice-Chancellor would not be delayed if a Pro-Chancellor was not appointed within the intended timescales. In the interim, the Council would be led by the Vice-Chair.

22 APPOINTMENT PROCEDURES

C-2018-06-21

- 22.1 The Vice-Chancellor observed that, as the OU entered its 50th anniversary year, the VC role would require much greater external focus and engagement. In order to appropriately promote and support the OU, the ambassadorial aspects of the role would be as critical in 2019 as the focus on stabilising University had been during 2018. However, there was still much to do internally to ensure the recommendations from the Critical Review were enacted. Much of this fell within the academic space, not least the newly formed VCE Academic group which would have collective accountability for all aspects of academic endeavour in the University. Currently, the VC chaired this group alongside other duties. Appointing an Acting Deputy Vice-Chancellor (DVC) for 12 months would provide additional support to enable the VC to balance internal and external demands, as well as a substantial development opportunity for a senior colleague. As such support was needed immediately, it was pragmatic to look for a candidate internally, as an external process would take at least 6 months and was unlikely to attract an interim for such a short term. It would also allow an 'Acting' post to be created, for 12 months in the first instance, which would enable the incoming VC to make any changes that s/he felt necessary whilst providing the benefits of a stable, standard structure.
- 22.2 The University Secretary commented that it was within the VC's delegated power to create academic posts; however, according to the Charter and Statutes, the Council was must approve the appointment procedures. The procedures proposed in respect of a DVC appointment reflected those already in place for PVCs and Executive Deans. It had been custom and practice to consult the Senate on such procedures but, in order to get the process underway, it was proposed that the Senate members of the appointment panel were drawn from the Senate members of the Council. Members concurred that this was a sensible approach.
- 22.3 A member observed that, since the Acting DVC would be a senior academic post, the potential candidates were likely to include Executive Deans which would create a further vacancy at this level. The VC confirmed that an interim post would be created to fill any vacancy created. There was considerable interest amongst academics to cover interim roles at this level, and the intention to recruit from within would demonstrate that internal expertise was valued and development opportunities would be found.
- 22.4 The Council **approved** the appointment procedure for a Deputy Vice-Chancellor.

- ii) the compliance statement which detailed donations and affiliations and indicated that elections taking place during 2017-18 have been conducted fairly and in compliance with the OU Student Association Constitution and Bye-laws;
 - iii) the audited accounts for 2017-18 (Appendix 2) which had been previously presented to the Finance Committee at its meeting on 7 November 2018; and
 - iv) the plans for 2018-19; and
- b) **approved** the OU Students Association revised Constitution, which included the amendments agreed by Student Association members at its Conference 2018.

26 OU DEVELOPMENT OFFICE ANNUAL REPORT AND UPDATE 2017/18 C-2018-06-25

The Council **noted**:

- a) the OU Development Office Annual Report;
- b) the following Development Office policies regarding gift acceptance:
 - i) Ethics Statement
 - ii) Gift Income Procedure

27 CHAIR'S ACTION C-2018-06-26

The Council **noted** the action taken by the Chair on its behalf since the last meeting held on 25 September 2018.

28 COUNCIL MEETING DATES 2019 & 2020 C-2018-06-27

- 28.1 The Chair introduced the paper, noting that the Council continued to meet in a nation or region on an annual basis.
- 28.2 A member suggested that the timing of meetings might be reviewed to ensure an even cycle of business without significant gaps. If the timings could not be amended, then an update on University activity should be circulated to Council members during the interim.
- 28.3 The Council:
- a) **noted** the dates of the meetings in 2019; and
 - b) **agreed** the programme of meetings for the 2020 calendar year.

29 DECLASSIFICATION OF COUNCIL PAPERS

- 29.1 The University Secretary confirmed that the following papers should remain confidential:

C-2018-06-06	FutureLearn
C-2018-06-14	Remuneration Committee Annual Report
C-2018-06-16B	Audit Committee Confidential Minutes
C-2018-06-17B	Finance Committee Confidential Minutes
C-2018-06-18B	Senate Confidential Minutes

- 29.2 The following papers should remain confidential until the content had been communicated to the University community:

C-2018-06-02	Vice-Chancellor's Regular Report
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C-2018-06-03	Progress Update: Critical Review Actions and Re-Articulated Strategic Objectives
C-2018-06-07	Core Systems Replacement
C-2018-06-12	2017/18 Consolidated Financial Statements
C-2018-06-13	Annual Accountability Return 2018: Financial Results 2017/18 Commentary
C-2018-06-15B	SPRC Confidential Minutes & Fees and Financial Support Strategy (SPRC-2018-01-01)
C-2018-06-19	Governance & Nominations Committee, Appendix 3 (Lessons Learned)
C-2018-06-20	Vice-Chancellor Appointment
C-2018-06-21	Appointment Procedures

29.3 The following papers could be declassified immediately:

C-2018-06-10	Audit Committee Annual Report
C-2018-06-19	Governance & Nominations Committee (except Appendix 3 Lessons Learned)

30 NEXT MEETING

The next ordinary business meeting of the Council will be held on Tuesday 5 March 2019 at The Open University offices in Nottingham. There will be a Council Dinner on Monday 4 March 2019.

31 REVIEW OF MEETING

Members agreed that the meeting had been constructive. The Chair thanked members for their contributions and for making his last meeting so positive.

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