

THE COUNCIL

Minutes

This paper presents the confirmed Minutes of the last meeting of the Council held on 14 May 2019 at the Open University, CMR 15, Walton Hall, Milton Keynes, MK7 6AA.

The Council **approved** the Minutes as a correct record at its meeting on 16 July 2019.

Dr Jonathan Nicholls
University Secretary

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Attachments:

C-2019-04-M Minutes of the meeting of the Council held on 14 May 2019

THE COUNCIL

Minutes of the meeting of the Council held on Tuesday 14 May 2019
at the Open University, CMR 15, Walton Hall, Milton Keynes, MK7 6AA.

Present: Mr Malcolm Sweeting (Chair), Professor Mary Kellett (Vice-Chancellor), Ms Cath Brown (President, OU Students Association), Professor John Brooks (Vice-Chair), Dr Jovan Byford, Mrs Frances Chetwynd, Mrs Mary Curnock Cook, Mr John D'Arcy, Ms Maggie Galliers, Ms Ruth Girardet, Mr Paul Greenwood (to Minute 12), Dr Richard Heffernan, Ms Anna Henderson, Mrs Rachel Lock, Mr Robert McCracken, Mr Tim Parry, Mr Bob Spedding (to Minute 12), Dr Barbara Tarling, Professor John Wolffe,

Attending via Skype: Mr Sandy Begbie (from Minute 10).2

In Attendance: University Secretary, Head of Governance, Senior Manager, Governance (Working Secretary), Group Finance Director, Director, University Secretary's Office

Also: Director of Strategy (for Minutes 1 – 11 only); Chief Information Officer (for Minute 10.1 – 10.14 only), Director, University Secretary's Office

Chris Saunders, PA Consulting (for Minute 10.15 – 10.28 only)

Apologies: Dr Greg Walker

Proxy voting instructions were received Dr Greg Walker and from Mr Sandy Begbie

1 WELCOME

1.1 The Chair welcomed everyone to the meeting, particularly Jake Yeo, Director of the University Secretary's Office, who was observing the meeting.

1.2 The Chair thanked Chris Youles, Chief Information Officer (CIO) and Peter Clay, Information Security Consultant, for the development session on Cyber Security. Audit Committee would discuss the priorities and timescale, particularly with regard to staff training, and an update report should be provided to the July 2019 meeting of the Council.

Action: Chris Youles

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

C-2019-02-M, C-2018-03-CM

3.1 A member requested an update on the recruitment of a new Group Finance Director. The University Secretary reported that a preferred candidate had been identified, who was scheduled to meet the Vice-Chancellor (VC) -designate later that week. The communications plan for the appointment was expected to be initiated during the following week.

- 3.2 In response to a member's query, the VC confirmed that there had been no further developments regarding the introduction of a practice tutor equivalent to Level 1 provision (C-2019-02-M minute 5.3), although there was still a willingness to explore the option.
- 3.3 The Council **approved** the minutes of the ordinary business meeting of the Council held on 5 March 2019 and the extraordinary meeting held on 3 May 2019 as correct records of the meetings.

4 CHAIR'S BUSINESS

- 4.1 The Chair reported that some members of the Council had met the Chair of the Middle States Commission for Higher Education (MSCHE) Evaluation Team, Mr David Hollowell, during his preliminary visit to the OU on 7-8 May 2019. This had been the next stage in the University's MSCHE re-accreditation process, and preceded the visit of the full Evaluation Team on 10-13 November 2019.
- 4.2 The VC explained that reaccreditation supported the OU's position as a global institution and provided additional credibility to OU students who wished to work overseas.
- 4.3 The Chair commented that, as part of the re-accreditation process, the University had conducted a useful extensive self-evaluation exercise, which had been summarised in a draft Self Study report. Feedback from the Evaluation Team Chair had indicated that the draft report covered the required Standards well. The report provided an excellent overview of OU activity and should be circulated to all Council members once it had been finalised.

Action: PVC Students/Governance Team

- 4.4 The Chair thanked those Council members who had attended the meeting with the MSCHE Chair. The VC also acknowledged the work of the Pro-Vice-Chancellor (PVC) (Students) and her team, who had co-ordinated the preparation of the report.

5 VICE-CHANCELLOR'S REGULAR REPORT

C-2019-04-01

- 5.1 The VC updated the Council on the following matters:

50th Anniversary

- a) The Gala Dinner in London, hosted by the Chancellor, Martha Lane-Fox, would take place on Wednesday 15 May 2019, with a similar event in Belfast, hosted by the Lord Mayor, Councillor Deirdre Hargey.
- b) Media coverage associated with Charter Day, including the BBC4 documentary *Happy Birthday OU: 50 Years of the Open University*, would continue with a BBC Radio 4 OU50 documentary, narrated by Gordon Brown, which was due to air on Saturday 18 May 2019.
- c) OU/BBC co-produced series had resulted in 52.7 million viewing and listening events to date, leading to 361,511 unique visitors to the OU's broadcast pages; and OU/BBC programmes currently supported over 100 qualifications. This illustrated the importance of the ongoing partnership between the broadcaster and the University.

External News

- d) At the beginning of May, Universities UK (UUK) and the National Union of Students (NUS) had co-published a report (#closingthegap) on black, Asian and minority ethnic (BAME) attainment at university, highlighting that a student's race and ethnicity could significantly affect their degree outcomes. The VC had signed a pledge, on behalf of the OU, to work with students and to use the newly developed framework to help bring about positive change in this important area.
- e) The recent Social Mobility Commission's "State of the Nation" report had highlighted how the decline in part-time students since 2010/11 has acted as barrier to social mobility. An OU case study had been used to illustrate the importance of the University's work in this area.
- f) In what had been described as a landmark moment, all healthcare support workers who lived or worked in Wales would now have the opportunity to study nursing with the OU, funded by Health Education and Improvement Wales, a new organisation dedicated to educating, training and shaping the healthcare workforce in Wales.
- g) The OU in Ireland was extending its working relationship with Libraries Northern Ireland (NI). Students would be able to visit any of the 96 NI public libraries and take advantage of the super-fast broadband, and there were plans for 'outside of normal hours' access.
- h) In England, the Office for Students (OfS) had confirmed the OU's recurrent Teaching Grant allocation for 2019/20 which, at £37,753,891, was £1.1m less than anticipated, mainly due to a reduction in the funded rate per full-time equivalent (FTE) for the premium to support successful student outcomes (widening participation grant). The decrease in funding per FTE had been largely due to the increase in the number of providers eligible to receive the premium.

Internal News

- i) Student numbers for 2018/19 remained ahead of target for both new and continuing undergraduates and apprenticeships, and just slightly under for postgraduates. Undergraduate numbers, both new and continuing, for the 19J presentation were broadly in line with target.
- j) The announcement of the appointment of Professor Tim Blackman as the next Vice-Chancellor of the Open University from 1 October 2019 had been exceptionally well received by the OU community, as well as the wider higher education (HE) sector. Handover arrangements were already in place, and the VC-designate would be involved in key decisions and appointments during the interim.
- k) Temporary changes to the delivery of the role of University Secretary were planned: from June 2019 to the end of the year, Dr Jonathan Nicholls would work three days per week, continuing to assume lead responsibility for FutureLearn, institutional governance and some key senior appointments, and chairing the Core Systems Replacement (CSR) Delivery Board. The Director, University Secretary's Office would deputise for Dr Nicholls across a range of University Secretary responsibilities, particularly as Planning and Resource Officer (PRO) for Professional Services, and would act for Dr Nicholls at meetings of the Vice-Chancellor's Executive (VCE) for these matters.

5.2 A member welcomed the fact that, in the OU's 50th year, an Honorary Degree had been proposed for an Associate Lecturer's (AL's) exceptional contribution to education over many years. However, more could be done to engage the wider OU community,

particularly homeworkers, with the 50th anniversary. The University should consider undertaking a critical review of what had been achieved through the celebrations, and the lessons learned. The President, OU Students Association asked how the wider student body could also be more involved. The VC said that the University had endeavoured to involve all members of the OU family, but would continue to review its activities to improve engagement.

- 5.3 Referring to the OfS perspective on the governing body's responsibility for academic governance, a member said that the Council should see the outputs of the Academic Governance Review (AGR). The University Secretary reported that the original timetable had been extended to allow the VC-designate the opportunity to review the AGR report. The extension would also allow time for further work to be undertaken, particularly around research governance, and for the unions to be consulted. The AGR Review Group would consider the revised scope at its meeting on 5 June and the Senate would receive a progress report on 26 June. Any recommendations would now be presented to the Senate in October 2019, and would come to the Council in November 2019. The OfS expected the University's governing body to provide assurance on the quality and standards of the OU's provision, and the Council received a regular report from the Senate. A short paper would be prepared for the Council to provide an overview of the AGR and the progress to date.

Action: Governance Team

- 5.4 A member suggested that the Council, via the Chair, should extend its congratulations to the team that had won the widening access and outreach category in the [Guardian University Awards](#) for the OU Secure Virtual Learning Environment, specifically for students in secure environments who had restricted internet access.

Action: Chair

6 STRATEGIC PERFORMANCE UPDATE

C-2019-04-02

- 6.1 The Director of Strategy introduced the update on strategic performance, commenting that there had been little change since the previous Council meeting in March 2019. Most of the current measures were showing positive outcomes; however, Student Success continued to be the biggest area of challenge. Further work was underway to identify appropriate performance indicators in the areas of information security and BAME attainment.
- 6.2 A member remarked that the level of complex data underpinning the paper was significant, but the Council were now beginning to receive and understand the evidence required to support its decision making. Whilst it was disappointing that postgraduate student numbers were under target by 0.5%, many other indicators were improving. It was now essential that the University got to grips with the performance at module level.
- 6.3 The VC observed that outstanding transitional students continued to impact the data, but those students who had registered post-2012 represented a different demographic and their outcomes should improve performance. However, it was important to remember what student success meant in the OU context; the current external metrics were not appropriate for a flexible open learning approach and the University would continue to lobby for change.
- 6.4 A member commented that there were now many more students studying at full-time intensity and from a younger age range, and asked how the University was responding to this changing demographic. The Director of Strategy responded that work was underway to tackle obstacles arising from studying modules concurrently, such as clashes between

assessment deadlines, and to find new approaches to ensure that the University presented itself as an institution with which students could study full-time. A member welcomed the intention, but observed that, as module presentations ran consecutively from October to March and then April to September, tutors had very little opportunity to think creatively about different approaches.

- 6.5 Another member commented that a more streamlined approach to assessment, particularly for those studying at full-time intensity, might reduce the number of students who dropped out of OU study. For example, the significant drop out between Levels 2 and 3 might be reduced by ensuring that Level 3 assessment was less taxing. The President, OU Students Association remarked that, as most contact between students and tutors took place during periods of assessment, the Students Association would oppose any reduction in assessment.
- 6.6 Responding to a member's query, the VC said that work was in progress to reduce the number of students able to embark on an OU module without advice. Students would be required to complete some online diagnostics and would then be referred to an advisor as appropriate. The Director of Strategy added that supported Open Entry was one of the focus areas within the Student Success strategic priority, with the others being Continuing Student Communications and Flexible Study Intensity. Serious consideration was being given as to how to ensure students were adequately prepared for Level 1 study. A member suggested that prospective students might be given taster materials, adapted from a Level 1 module, that provided individuals with a real experience of OU study intensity.
- 6.7 The President, OU Students Association, observed that the number of students not adequately prepared for OU study might be influenced by the University's marketing approach, which did not fully convey the demanding nature of higher education (HE). The Vice-Chancellor agreed that the approach should be more balanced, and should emphasise how the flexibility of the OU approach supported the challenge of HE studies.
- 6.8 Noting that student numbers for 2018/19 were ahead of target, a member asked whether data was available to enable the University to understand and sustain the trend. The Director of Strategy said that the increase could be attributed to various factors across curriculum areas, and had also been influenced by the increase in the number of younger students. However, the upturn was due primarily to a growth in the number of students studying at full time intensity, rather than an increase in headcount. The VC added that students also had an increased focus on enhancing employability and opportunities for career progression. The new generation of students were more comfortable with digital delivery and, combined with the higher costs of studying away from home, were increasingly attracted to the OU offer. The change in the demographic for 18-year olds would continue to have an impact on the HE market; and the University's marketing would have to refocus on this new target market.
- 6.9 In response to a member's comment, the VC said there were an increasing number of strategic documents being presented to the Senate to allow it to contribute to the debate.

7 STRATEGIC RISK MANAGEMENT

C-2019-04-03

- 7.1 The Director of Strategy highlighted the key updates to the Strategic Risk Register, which included the addition of a new risk regarding cyber-security and the reduction in the risk score regarding the failure to recruit effectively to senior posts. Members were invited to comment on the risks as drafted and the proposed mitigating actions.
- 7.2 The Chair observed that the description of the risks on the Strategic Risk Register Summary was often too general; for example, Risk 3 referred to 'a challenging context for the University's model of teaching and research', but did not clarify the specific challenges

and how the risk might be measured. The Director of Strategy explained that the detail behind each risk was outlined on subsequent pages of the document; in the case of the teaching and research model, the causes included potential changes to government policy and the failure to effectively implement the new AL contract.

- 7.3 With reference to Risk 2, regarding the potential for operational failure or disruption, a member observed that the way in which the risks were expressed did not help the Council to understand the key issues, despite the supporting detail. Other members suggested that the focus should now move from the identification of risks and mitigating actions to the assumption that there might be an incident and a plan as to how the University would respond; for example, the response to an IT event should be rehearsed and an emergency plan available. A staff member reported that the Emergency Management Team had recently run such an exercise using a scenario based on phishing and a data breach.
- 7.4 The Chair suggested that the document should be further developed to be more specific about the University's ability to respond to events, particularly in the areas covered by Risks 1 and 2, and what the nature of the response might be.
- 7.5 Members also commented on the following:
- a) Risk 1 should include the specific risks around homeworkers and information security;
 - b) staff morale and motivation would be critical to the successful introduction of new technologies, so the work required to ensure digital capability and literacy should be made more explicit;
 - c) Risk 5, concerning regulation and compliance, should consider the wider issues of reputation, particularly in respect of the OU's presence across the nations and English regions. In response to a query, the Director of Strategy confirmed that compliance with safeguarding regulations was included, but should be specifically highlighted;
 - d) Risk 7, regarding staff engagement, should specifically acknowledge the risks around a lack of engagement of home workers with the strategic objectives.
- 7.6 Responding to a member's observation about the number of entrants to the distance learning arena, the Director of Strategy said that this was being actively monitored as the much more competitive market could have a significant impact on the University's positioning.
- 7.7 In response to a query from the Chair, the Director of Strategy confirmed that the OU's approach to risk was benchmarked against other institutions in the HE sector. The University was also part of a regional group, including Network Rail and Santander, which shared best practice across different sectors. However, the University would be happy to work with others to further develop the approach. The Chair observed that the Risk Register was a living document, that could be adapted over time.
- 7.8 The Council **approved** the revised Strategic Risk Register.

8 IMPROVING STUDENT OUTCOMES: SUBMISSION TO OFS **C-2019-04-04**

- 8.1 The VC introduced the paper on behalf of the PVC (Students), who had been unable to attend the meeting. The paper described the OU context to ensure that OfS clearly understood how OU students measured and valued their achievements, and why the metrics as currently constructed did not reflect their concept of a positive outcome.

- 8.2 The Chair observed that all OfS correspondence addressed to the Chair on behalf of the Council should be communicated to the whole governing body. The Head of Governance agreed that this would be the case.
- 8.3 Members commented that the response was well written, although there were other arguments that might be used to strengthen some of the points being made. It was agreed that any drafting suggestions should be sent to the PVC (Students) for consideration, but that it was not necessary for the document to be returned to the Council for further approval.
- 8.4 A member observed that the impact of the key risks was more than reputational, as they could affect the University's registration with OfS.
- 8.5 Another member commented that the table on student widening participation characteristics was useful, but it gave no sense of quantum. Whilst claiming to be diverse, the University still appeared to be predominately white. Members agreed that more work was required on diversity in all areas and at all levels of the institution.
- 8.6 The Council **approved**:
- a) the response paper for submission to the OfS by the deadline given of 31 May 2019; and
 - b) final sign-off by the Pro-Vice-Chancellor (Students), on behalf of VCE, including any late amendments that would strengthen the paper.

9 OFFICE FOR STUDENTS – FINANCIAL SUSTAINABILITY REPORT C-2019-04-05

- 9.1 The Vice-Chancellor introduced the letter and annex from OfS, which provided a context for the governing body to consider the institution's forecast assumptions and ambitions, assess the risk that planned student recruitment and fee income targets might not be met and assist with the development of any mitigating action plans. The OfS expected these issues to be discussed at a meeting of the Council and the paper set out the University's process for compiling, testing and approving its student recruitment and fee income targets, as well as the assumptions underpinning the current five-year forecast.
- 9.2 A member said that the paper provided a reasonable response to the OfS concerns. However, it should not stop the Council addressing how the University dealt with such issues as investment in marketing and its potential impact on student numbers.
- 9.3 In response to a member's request for further information on how the University was able to control costs in response to unforeseen adverse changes in student numbers, the Vice-Chancellor said that, unlike traditional universities, the OU had multiple presentations, which provided additional opportunities to improve student numbers or adjust the number of tutors employed. The Group Finance Director (GFD) added that the distance learning, modular nature of OU courses also allowed the University to adapt its provision in response to such changes. These were short to medium term responses, but provided some options for manoeuvre. Responding to another member's comment, the GFD said the new AL contract would not allow the University to adjust the number of tutors in future, but it would provide opportunities to use ALs for other tasks.
- 9.4 With reference to earlier discussion, a member observed that the nature of the OU student population was changing: of 170,000 registered learners, 29,000 were now studying at full time intensity. It was essential to manage the political message around the perception and the reality, and to be clear on the type of university the OU was becoming rather than what it had been.

- 9.5 Referring to the section in the Annex on financial indicators, the Group Finance Director reminded the Council that this was core to the business considered by Finance Committee. For these purposes, the OU had been defined as a 'specialist' provider and left out of the standard figures because it was seen to be different. The Head of Governance said that OfS had been invited to visit to discuss how the OU was categorised.
- 9.6 In response to a member's observation that the OU's net operating cashflow as a percentage of total income was poor in comparison with the rest of the sector, the GFD explained that this aligned to the University's current operating position. As the situation represented no material difference from the previous financial statements and forecast, there were no issues to report to the OfS.
- 9.7 The Chair commented that the OU's net liquidity days illustrated that the OU was in good health. The GFD agreed, but observed that the outcomes of the Augar review and the Brexit negotiations might have a significant impact.
- 9.8 The Council:
- a) **noted** the letter from the office for students to all Higher Education Institutions on financial viability and sustainability (Appendix); and
 - b) **agreed that, as the governing body, it was assured that the current forecast assumptions were based on robust student number and financial forecast processes.**

10 CORE SYSTEMS REPLACEMENT

C-2019-04-06

- 10.1 The Chief Information Officer (CIO) introduced the paper, clarifying the governance and management responsibilities and accountabilities within the CSR programme, as well as providing a reminder of the imperative for new core technology systems and of the operational benefits anticipated.
- 10.2 The Enterprise Design phase had been concluded successfully and the University now needed to agree the principles of the implementation approach before entering the Explore phase. The intention was to avoid a lengthy transition state by implementing the core operating requirements of HR, Finance, Payroll and Procurement (the Enterprise Resource Planning (ERP) minimal viable product (MVP)), simultaneously by March 2020. To achieve this, it would be essential to continue the good institutional engagement that had been achieved to date.
- 10.3 There were two options for the approach to the Student Life Cycle: a phased roll-out with existing platform integration; or the deployment of a 'model office with additional SAP Customer Relationship Management (CRM) functionality to replace VOICE¹. Matching new technology to old ways of working would be challenging, so there were benefits to the second option. In the 'model office', an initial group or groups of students, selected from the March 2020 cohort, would be dealt with entirely within the new SAP system. The OU's systems integrator, *itelligence*, had indicated that the increased level of SAP CRM would place the University in a better position to move forward into the next digital space. However, there were risks: including the need to move from the OU's private Cloud

¹ Valuing Our Integrated Customer Experience (VOICE) is the OU's current CRM system. It is used to record and manage the University's relationship with its students, enquirers, ALS and partner organisations.

account, to a public Cloud managed by SAP; and the resulting extension to the implementation period.

- 10.4 A further procurement exercise would be required to source a replacement assessment solution and exams logistics function, which would not be provided through SAP but was within the scope of the CSR project. The OU had an opportunity to leverage state of the art digital technology in this arena, including an option to develop Moodle alongside the virtual learning environment.
- 10.5 The timeline illustrated the main areas of work to be delivered by March 2020, once the principles of the approach had been tested to ensure that the business could continue to operate around them. Actions to mitigate risks were being considered: for example, the use of a manual system to manage students in the 'model office' up to the point of study in autumn 2020, restricting the type of student to be managed during the pilot, and the option to move the implementation end date by a year.
- 10.6 Significant time was being spent with external specialists, consultants and internal experts to test understanding and to agree the principles of approach before moving forward. PA Consulting provided challenge and additional scrutiny.
- 10.7 In response to a member's query about whether the additional requirements had been scoped at the outset and included in the approved budget, the University Secretary said that the non-SAP solutions, such as the replacement assessment system, were within the scope of CSR but outside the original budget, and had a potential cost of up to another £3m. VCE would be considering the budget for these solutions shortly. It would also consider whether a further budget needed to be made available to ensure the stability of current legacy systems, principally for student lifecycle events, before the implementation of the new student lifecycle software. The University's approach to risk in this regard would be a key consideration moving forward: the number of serious IT incidents were below target but increasing. In response to a further comment that it was important to avoid scope-creep and to stay focussed on the MVP, the CIO confirmed that SAP was a stand-alone workstream, and the procurement and implementation of a new assessment system and other required non-SAP solutions would run as a separate but parallel procurement.
- 10.8 Another member supported the focus on MVP, so long as there was continued commitment to the rest of CSR, but observed that the plan to implement by Q1 2020 was very ambitious. In response to a query about the management of data, the CIO said that the University would probably migrate data from the old system to the new, rather than attempt any integration of the two systems, and it would be possible to run both systems simultaneously. The GFD added that there was no tolerance regarding the delivery of the payroll, so the old and new systems would run in parallel initially; the timing was intended to maximise opportunities in the tax year. There were critical dependencies across some areas of work; for example, core HR data was essential to the payroll.
- 10.9 With reference to the Student Life-Cycle, a member said that it was essential to test the customer journey from every touch-point, as the student experience was key. The CIO responded that consideration was being given to a demonstration suite, which would allow students to view the new system before it was tested formally.
- 10.10 Members observed that the risks set out in the paper were focussed on systems, rather than students. Changes to the current electronic tutor marked assessment (eTMA) system might result in a significant reduction in National Students Survey (NSS) scores on assessment, which was a critical aspect of the student experience. The CIO replied that the risks outlined in the paper were intended to be high-level: no decision had been taken regarding replacement to the assessment system and the detail should not be explored before the principles had been agreed. If it were not possible to adapt Moodle or to

procure a new system in time, the University may have to consider the continuation of the current eTMA system. A member observed that ALs should be involved in any discussions on proposed changes to the assessment system.

- 10.11 The member highlighted a risk that there would not be enough ALs to deliver teaching across the number of projects. A similar risk had been identified in the AL contract update paper (C-2019-04-08), and the risk response action was to recruit more ALs; however, this would not be easy. The VC agreed that there was a risk, and that it may prove necessary to cap student numbers for some modules.
- 10.12 Another member observed that there was a link between the CSR risk register and the overall strategic risk register in respect of digital literacy and overall staff capability. It was essential to be forward thinking in this space to ensure that new technologies were used most effectively.
- 10.13 Several members remarked that communications would be critical to successful business change. In response to a query, the University Secretary said that a separate group, integrated through Communications and Marketing, would be taking forward the CSR communications and engagement plan and would take account of the lessons learned from previous change programmes.
- 10.14 In response to a member's query regarding the University's partners in the project, the CIO said that the primary relationship with *itelligence* was good and it had welcomed the rigorous and specific nature of the OU's questioning. Other independent experts were being used to assess *itelligence's* approach to mobilisation and support the robustness of the partnership.

Chris Saunders of PA Consulting joined the meeting. The CIO left the meeting.

- 10.15 Chris Saunders explained that PA Consulting had been recruited to provide independent assurance on the CSR programme. To date, it had conducted two assurance reviews: the first post-procurement; and the second to explore the University's business readiness and the revised principles and plan.
- 10.16 The Enterprise Design phase, which was primarily concerned with scoping the programme, had been completed on schedule. The Explore phase would be critical and it was essential that the University recognised its own responsibilities. It would be essential that the institution understood how the full plan would be adopted, not just the SAP element. The ability to make decisions quickly would also be crucial, to ensure rapid implementation of SAP and the associated business transformation.
- 10.17 Following revisions to the deployment principles, the initial plan had been strengthened and there was an improved chance of meeting the March 2020 deadline. The focus of activity within this timescale had reduced the emphasis on wider business transformation, but a longer timescale had the potential to increase costs and delay benefit delivery. The revised plan also provided opportunities to learn and adapt, and to allow the rest of the University community an opportunity to see and understand how the system could be used.
- 10.18 In response to a member's query, Mr Saunders clarified that whilst PA Consulting's primary contact was the CIO, there was an option to escalate any concerns to the University Secretary.
- 10.19 The University Secretary observed that, whilst the software might be expected to work, there appeared to be little emphasis on organisational redesign, which presented the most significant risk and opportunity. People Services should be focussed on ensuring that colleagues across the University were confident and able to take advantage of the new

technology. Mr Saunders agreed that at present the CSR programme was IT, rather than business, focussed. This was primarily due to the number of systems that were to be decommissioned. However, the programme would provide the University with the ability to scale, grow and flex in the future. A member observed that the vision of success had yet to be sufficiently defined.

- 10.20 A member remarked that several other universities had implemented SAP and had integrated Moodle. The system was clearly comprehensive, but also quite rigid. Assurance was needed that enough attention was being given to the student perspective, as an unsuccessful implementation had the potential for a significant negative impact on the work to improve student retention, as well as to scalability. Mr Saunders replied that a key component in scoping the Student Life Cycle implementation was to agree clear evaluation criteria, so that the system could be assessed and adapted as necessary. The plan as to how this would be extrapolated to inform subsequent phases was still to be confirmed.
- 10.21 With reference to the need for rapid decision making, a member requested clarification on the types of decision to be made, particularly as the University moved into the summer period. Mr Saunders responded that the implementation of the Finance and HR elements should be straightforward, but decisions may be required regarding the execution of the Student Life Cycle; for example, the nature of the 'early adopter' student cohort. It was necessary to encourage an environment that enabled decisions to be made rapidly, and revisited later if necessary. A member observed that past IT deployments in the OU had illustrated the need to ensure that decisions were not constantly changed. Mr Saunders replied that the team had already taken account of the lessons learned from previous implementations and *itelligence* had also provided a significant injection of capability and experience.
- 10.22 In response to a member's query about the University's service delivery capability, Mr Saunders acknowledged that this had been identified as a potential issue: it was not clear whether the University had the capability as yet or whether it was necessary to take further action. This would be resolved during the Explore phase.
- 10.23 Responding to a query regarding the design of three separate target operating models (TOM), Mr Saunders said that each was at a different stage of development. HR had already built its own TOM and Finance had a good idea of its requirements, whilst Student Life Cycle had yet to be defined. The University Secretary commented that the capability within Finance was good, but HR was likely to need more support. The thinking around the Student Life Cycle TOM had been taking place across the University, particularly within Student Recruitment and Support Centres.
- 10.24 A member observed that the risk around business change would be greater if there were more than one TOM, and it was essential to avoid silos. A diagrammatic illustrating how the TOM's would work together would help provide some reassurance. The Director, University Secretary's Office observed that Students First Transformation (SFT) had included a design for a single OU TOM, but there had been indications that some areas would be unworkable and the model had been put aside. The University Secretary said that the business process mapping undertaken as part of SFT still had value, but people needed support to implement the changes. A member of the CSR team was leading on business change. Communications were essential to ensure people were engaged in the enterprise design as well as the technological model.
- 10.25 A member observed that this would be challenging, as the current focus was on technology rather than cultural change. It was essential that the thinking evolved, particularly around the opportunities in the non-SAP space.

- 10.26 Members commented that all communication channels should be used and should facilitate a two-way dialogue. The messaging should emphasise the cultural challenges of the change and ensure that expectations were not too high. Multi-level champions would be needed so that people wanted to be involved. Genuine engagement would never be 100%, but the risk could be reduced by using every opportunity to communicate.
- 10.27 A member remarked that, even with careful data transfer and good staff engagement, it was still possible for implementations to fail and one should not assume that the technology would work. The Chair observed that Council members had a significant contribution to make with lessons learned from their own experience. Another member agreed that it was important to consider lessons learned, but also to look at models of good practice and to move forward with confidence.
- 10.28 In response to a question from the Chair, Mr Saunders agreed that the CSR programme was progressing well to date, but that it was approaching a critical point. The Chair suggested that Audit Committee should decide how oversight should be maintained during this period and to ensure an information loop was in place to provide feedback to the Council. Mr Saunders said that he was already discussing the options with the University Secretary and CIO.

Chris Saunders left the meeting

- 10.29 The Chair observed that the CIO's presentation had illustrated the progression made to date with the CSR programme and PA Consulting had provided the Council with some assurance. The programme presented some serious risks, but also some great opportunities to support the University's strategic direction.
- 10.30 Responding to a member's observation, the University Secretary agreed that the implementation of the professional services TOM appeared to be on track. However, the Student Life Cycle, which had the potential to bring the most benefits, was at an early stage of development. The next period would be challenging, but it was important to trust the decision-making process.
- 1031 A member suggested that future presentations should not just be from the IT side, but should also include an overarching view from PVC (Students).
- 10.32 The Council **noted** the implementation approach for the next phase of the Core Systems Replacement (CSR) programme in line with the University Strategic Priorities and that the Delivery Board, chaired by the University Secretary, would continue to monitor overall progress and take necessary decisions under the oversight of VCE.

11 FUTURELEARN – UPDATE

C-2019-04-07

- 11.1 The University Secretary introduced the paper, which updated the Council on the completion of SEEK's investment in FutureLearn and the establishment of the new FutureLearn board. It was now essential that the OU rapidly positioned itself as an equal partner with SEEK in the co-ownership of FutureLearn, particularly in respect of the significant and demanding targets set out in the strategic plan; as well as developing a University strategy to take advantage of the opportunities offered by the refreshed partnership with FutureLearn. The paper proposed some structures for supporting these objectives, including an advisory group to help secure the best commercial and strategic outcomes from the OU's investment in FutureLearn, and a separate group to work with faculties to maximise the academic and market potential of the new partnership with FutureLearn.

- 11.2 One member welcomed the concept of a partnership group, which should not only consider the strategy for producing materials for FutureLearn, but also the implications for the University's way of working.
- 11.3 Another member expressed concern about whether the University had done enough to adequately differentiate between its status as a co-owner and investor in FutureLearn and its status as an academic partner and content provider. With this in mind, they sought further clarity about how faculties and the University would benefit by creating content for FutureLearn and how this would be monitored and assessed to ensure that the partnership with FutureLearn did not adversely affect, or divert investment from, the University's core business. The University Secretary confirmed that there was no contractual obligation for faculties to provide content for the FutureLearn platform. However, it was in the OU's interests, as a co-owner of the company, to contribute to FutureLearn's success, which would in turn provide significant benefits and opportunities for the University. The VC added that the relationship with FutureLearn would support the University's ambitions to be more innovative by providing additional resource to develop new ideas.
- 11.4 The member said that whilst OU modules for fee-paying students were created within strict parameters and their success measured in terms of contribution rates, it was not clear how the cost of developing FutureLearn material would be accounted for. The VC said that all FutureLearn activity would be transparent within faculty business planning. There would be an opportunity cost to creating content that did not benefit the OU, so faculties would retain complete freedom to decide what material would best be presented on FutureLearn or another platform such as Moodle. An Executive Dean had been appointed to the FutureLearn board and would protect the University's right to determine the way in which the OU used the FutureLearn platform.
- 11.5 The University Secretary added that, through the partnership with SEEK, FutureLearn would now have access to market information that had not been previously available. It would be able to provide funds to co-produce materials that were in demand and the proceeds would flow back to the University. If the OU did not contribute, then an opportunity would have been missed.
- 11.6 A member suggested that the University should use FutureLearn to innovate, but retain good undergraduate material as it stood. The University Secretary said that the University's focus as a partner on FutureLearn would be on post-experience learners who were likely to be more experienced with digital learning tools.
- 11.7 A member observed that the unease within the University regarding FutureLearn was in respect of the OU's different relationships with the company: the commercial one as co-owner with SEEK; and the academic one in presenting courses on the FutureLearn platform. Whilst the two roles were distinct, the key to success would be to ensure they were synchronised. Another member suggested that a strategic document was required that addressed the type of relationship required.
- 11.8 The Chair said that the initial high-level proposals for the structures to support a shared ownership and partnership strategies respectively seemed acceptable, but more detail on the two groups should be presented to the Council in July 2019.
- 11.9 The Chair observed that consideration should also be given to the appointment of a third director. In response to a query regarding the timeline for the appointment of an independent chair, the University Secretary reported that the intention was to have someone in place by autumn 2019. A professional search agency would be employed for the purpose, which would consider diversity and cultural fit as well as digital awareness. There would be an option to remunerate the role.

11.10 The Council:

- a) **noted** progress with FutureLearn and the investment in the company by SEEK.
- b) **approved** retrospectively the appointment of Jonathan Nicholls and Devendra Kodwani as directors of FutureLearn Ltd.

12 PROCEDURES FOR THE APPOINTMENT OF HEADS OF SCHOOLS C-2019-04-09

- 12.1 The Vice-Chancellor introduced the paper, observing that further review of the procedures would be necessary, but that a pragmatic solution had been required immediately as several contracts were due for review and the current procedures were no longer fit for purpose.
- 12.2 A member remarked that the initial proposals had not been well received by the Senate, but more extensive consultation had resulted in some revisions to the procedures which had then been supported for recommendation to the Council.
- 12.3 Acknowledging that the procedures being presented for approval reflected a stage in their development, a member expressed concern at the assumption that candidates would be selected from an internal pool in the first instance. It was essential to keep this requirement under review to ensure there were opportunities to recruit new talent as appropriate. The Chair observed that whilst the OU was open to external recruitment, it was also important to consider succession planning. The Vice-Chancellor added that appointments to senior appointments would continue to be monitored; currently there were 2 internal applicants for every 1 external.
- 12.4 The Council **approved** the procedures for the appointment of Heads of Schools, which are contained in the Appendix.

Bob Spedding and Paul Greenwood left the meeting

13 ASSOCIATE LECTURER CONTRACT – UPDATE C-2019-04-08

- 13.1 The University Secretary introduced the paper, which provided an update on the implementation of the new associate lecturer (AL) contract. At present, the key area for consideration was the identification of key dependencies on areas such as CSR. The paper set out the approach to the project, which was not just concerned with the introduction of a new contract but with a completely new way of working. The acting Deputy Vice-Chancellor and the Senior Accountable Executive for the project would attend the July meeting of Council to provide more detail of the finalised implementation plan. Members observed that accurate and timely communications would be essential.
- 13.2 Referring to the section on risk assessment, the President, OU Students Association noted that there may be other risks, not included in the high-level risk assessment, that were not anticipated which could occur during implementation. There were some very substantial risks for students, which should be considered at an early stage. The University Secretary acknowledged that more work was required in this area.
- 13.3 The Council **noted** the appointed staff resource since the last update in March 2019.

14 FORECAST OUTTURN C-2019-04-10

- 14.1 The GFD introduced the paper, which provided the forecast outturn at the end of January 2019. The 2018/19 budget, agreed in July 2018, had been constructed on the assumptions made before the major review of the University's strategic plan. The first forecast outturn in October 2018 had included a reassessment of the costs of the strategic

change programme based on the headline findings of the Critical Review. The January forecast reflected the outcomes of the review and the strategic priorities agreed by VCE. The favourable variance from the budgeted deficit of £79.6m reflected a relative degree of financial stability.

- 14.2 The University's share of the 2017 USS Pension deficit recovery plan had not been included in the forecast, as it was possible that the 2018 valuation would result in a lower charge. However, due to the timing of the revaluation, it now appeared that the OU's hypothecated share would have to be included in the forecasts, which would increase the accounting deficit. This was not a cash sum, but an accounting provision which would have to be made by all higher education institutions. As a large University, the OU's share of the increased deficit on the scheme £100m was significant, but in accounting terms was covered by the reserves position on the balance sheet. Once the 2018 revaluation exercise had been completed this amount might be reduced.
- 14.3 Three options had been offered by USS. One was close to the UUK recommendations but differed significantly on several points, with a slightly higher settlement figure. A controversial option was to tie funding into the pension scheme. USS was also seeking to tighten the rules for those institutions wanting to leave the scheme, as an exodus would downgrade the security of the sector. It was not clear how the unions would react, although they had been temperate to date.
- 14.4 The Council **noted** the 2018/19 forecast consolidated outturn deficit of £17.0 million.

15 FINANCE COMMITTEE C-2019-04-11A&B

The Council **noted** the minutes and confidential minutes of the meetings of Finance Committee held on 11 February 2019, 25 February 2019, 25 March 2019 & 9 April 2019.

16 AUDIT COMMITTEE C-2019-04-12

The Council **noted** the unconfirmed Minutes of the meeting of the Audit Committee held on Tuesday 19 March 2019.

17 REMUNERATION COMMITTEE C-2019-04-13

The Council **noted** the unconfirmed Confidential Minutes of the meeting held on 15 January.

18 THE SENATE C-2019-04-14

The Council **noted** the unconfirmed Minutes of the last meeting of the Senate held on 3 April 2019 at The Open University, Walton Hall, Milton Keynes.

19 GOVERNANCE AND NOMINATIONS COMMITTEE C-2019-04-15A&B

The Council **noted**:

- a) unconfirmed Minutes of the last meeting of the Governance and Nominations Committee held on 10 April 2019 at the OU, Walton Hall, Milton Keynes; and
- b) the Lessons Learned Implementation Update

20 DECLASSIFICATION OF COUNCIL PAPERS

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

C-2019-02-CM Council – Confidential Minutes
C-2019-02-11B Finance Committee – Confidential Minutes
C-2019-02-13 Remuneration Committee – Confidential Minutes

20.2 The following papers could be declassified immediately:

C-2019-03-CM Council – Confidential Minutes (VC Appointment)

21 NEXT MEETING

The next ordinary business meeting of the Council will be held on Tuesday 16 July 2019 in Milton Keynes.

22 REVIEW OF MEETING

22.1 The Chair reported that this had been the last meeting for the Working Secretary to the Council, Julie Tayler, who was leaving the University. Mrs Tayler was thanked for her support for the Council and its members since 2008.

22.2 The Chair suggested that to improve communications with the broader University community, an open forum should be held at lunch-time on the day of the next Council with a representative number of external Council members and members of VCE.

22.3 The next meeting would also include a development session on the role of marketing and communications in supporting the University's strategic objectives, with particular reference to student demographics.

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