



THE COUNCIL

Minutes of the meeting of the Council held on Tuesday 2 March 2010
at BMA House, Tavistock Square, London, WC1H 9JP

Present: Lord Haskins (Chair), the Vice-Chancellor, Mr S Barnett, Mr E Briffa, Mr H Brown, Prof C Earl, Mrs R Evans, Dr J Fortune, Dr A Freeling, Dr R Hamilton, Dr M Hopkins, Mrs C Ighodaro, Dr C Lloyd, Ms S Macpherson, Mr P Mantle, Ms C McEwen, Ms L Murphy, Mr A Peck, Mrs K Signorini, Dr P Skelton, Mr M Steen, Prof W Stevely

In Attendance: Pro-Vice-Chancellor (Curriculum and Awards), Pro-Vice-Chancellor (Learning, Teaching and Quality), Pro-Vice-Chancellor (Research and Enterprise), Pro-Vice-Chancellor (Strategy and External Affairs), Director, Students, Finance Director, Director, Human Resources, Director, Communications, University Secretary, Senior Assistant Secretary (Central Secretariat), Assistant Secretary (Central Secretariat), Office Manager (Central Secretariat), Head of Vice-Chancellors Office, Chief Auditor. For items 1 – 5 only: Deputy Director of Strategy and Mr J Brunn Jensen.

Apologies: Ms E Rankin

1 MINUTES

C/09/4/M

The Council approved the minutes of the business meeting held on 17 November 2009.

2 MATTERS ARISING

US Foundations visit

Referring to paragraph 2.8 of the minutes of the last meeting, a member enquired whether there had been any developments with the US Foundations. The Vice-Chancellor reported that good progress was being made, with a number of key individuals having requested follow up meetings. Joint funding approaches were being sought for projects, where the University would generate a net income. Some delays had been experienced due to the financial crisis, which had made it necessary for the Foundations to review the strategies for their portfolio.

3 VICE-CHANCELLORS REGULAR REPORT

3.1 OpenLearn

The Vice-Chancellor, Mr Martin Bean, reported that the OpenLearn site had been selected as one of four winners of a 2010 Innovation Award from the University Design Consortium (UDC) at Arizona State University, USA. It had been selected because of *“its promotion of*

equal education opportunity and development of web-based communities in the field of education content”.

Since its launch in October 2006, OpenLearn had attracted 8 million unique visitors, 80 per cent of them new to the OU and, to date, at least 6,000 students had been influenced to register for OU courses. OpenLearn was facilitating the move from informal to formal learning and starting to fuel a number of activities across the world.

3.2 Queen’s Anniversary Prize

One example of OpenLearn being used to address problems in a global arena was the University’s ground-breaking Teacher Education in Sub-Saharan Africa (TESSA) programme. This had been one of 20 winners of the prestigious Queen’s Anniversary Prize in 2010. The Vice-Chancellor had accompanied some of the OU team and some of the African teachers involved in the programme to Buckingham Palace to collect the Prize. TESSA was now Africa’s largest teacher education research and development community, extending across thirteen institutions and nine African countries. It was an exciting and innovative programme and demonstrated that the University was able to lead and develop imaginative solutions - at scale - to challenges on the international stage. This, in turn, attracted funding.

3.3 UNICEF award

The Health Education and Training programme (HEAT) and its partners had been awarded \$4 million by UNICEF to help train Ethiopia’s 31,000 rural community health workers. They would be trained in supporting women in childbirth and in treating common childhood illnesses including pneumonia; and would help Ethiopia meet the Millennium Development Goals, to reduce child mortality by two-thirds and maternal mortality by three-quarters by 2015.

3.4 2009 Japan Prize

The OU had won the 2009 Japan Prize in international educational broadcasting in the youth category for the BBC co-production ‘Jimmy Doherty in Darwin’s Garden’. Janet Sumner, Broadcast Executive in the Open Broadcasting Unit, had flown to Japan to collect this prestigious prize on behalf of the OU and meet his Imperial Highness the Crown Prince of Japan.

3.5 Natural Environment Research Council (NERC) PhD Studentships

The Science Faculty had been awarded three Natural Environment Research Council (NERC) PhD studentships. Two had been awarded to Earth and Environmental Sciences and one to Life Sciences to start in the autumn 2010.

3.6 Eurobachelor qualification

Three 2009 Molecular Science Honours graduates had been awarded the Eurobachelor qualification, a first cycle qualification in chemistry developed as part of the Bologna Process to cultivate easily comparable degrees across Europe. They were the first graduates in the UK to have gained the qualification.

3.7 Arts & Humanities Research Council (AHRC) grant

Professor Robert Owens in the Arts Faculty had been awarded over £100,000 from the Arts and Humanities Research Council (AHRC) to develop an international digital network in the history of reading in collaboration with 14 international partners.

3.8 Leadership Foundation

The OU had recently partnered with the Leadership Foundation to hold a Summit entitled “Leading the Agile University: Innovation, Creativity, Technology”. This was the first in a planned series of partnership activities. It had been a very successful event that had engaged senior university staff across the higher education (HE) sector.

3.9 Government taskforce - overseas market for UK educational technology

Lord Puttnam, the University’s Chancellor, had been appointed by the Prime Minister to head a Government taskforce to consider how to build on the UK’s standing in the educational technology market in order to support the development of further opportunities for UK businesses overseas. Colleagues across the University had been considering how the OU might engage with this important work. The taskforce would report jointly to the Department for Children, Schools and Families (DSCF) and the Department for Business, Innovation and Skills (BIS).

3.10 Higher Ambitions

The Government framework document, *Higher Ambitions*, had been published in November 2009. It recognised the critical role that part-time undergraduate study has in helping to create the range of choice and responsiveness required by a modern HE system. The report said:

“In order to attract a greater diversity of students, more part-time study, more vocationally-based foundation degrees, more work-based study and more study whilst living at home must be made available The next phase of expansion in HE will hinge on providing opportunities for different types of people to study in a wider range of ways than in the past. The focus will, therefore, be on a greater diversity of models of learning: part-time, work-based, foundation degrees, and studying whilst at home.”

It was transparent in the University’s continuing and active dialogue with members of the Conservative, Liberal Democrat and Labour parties that the OU had been clearly identified by all parties as playing a unique role in HE and more specifically as having a significant contribution to make in the UK’s economic recovery.

3.11 Independent Review of Higher Education and Student Finance

The composition and remit of the Independent Review of Higher Education Funding and Student Finance had been described at the last meeting of the Council. It had been charged with analysing “the challenges and opportunities facing higher education, and their implications for student financing and support.”

Since then the Pro-Vice-Chancellor (Strategy and External Affairs), Professor David Vincent, together with staff in the Strategy Unit and Birkbeck, had drafted an excellent joint submission to the Review (C/10/1/3 Appendix 1). As part of this Review, the Vice-Chancellor and the Pro-Vice-Chancellor (Strategy and External Affairs) had given oral evidence at a hearing in January, and had taken the opportunity to put the strong case for increased support for part-time students and to ensure that the part-time agenda is at the centre of the Panel’s thinking.

The OU had now been asked to meet privately with the Review Secretariat to discuss the University’s thoughts on future HE funding policy, in particular on future funding models. This would feed into the second round of the Review Panel’s analysis.

3.12 European Fees

The Finance Director, Mr Miles Hedges, reported that BIS had received a notice of infringement issued under European Union (EU) law relating to higher fees being charged by the OU to students resident in continental Europe and the Republic of Ireland. It claimed that this practice was discriminatory on the grounds of nationality. BIS had responded strongly to justify the position and awaited a response from the European Commission (EC).

Mr Hedges and the University Secretary, Mr Fraser Woodburn, would be meeting with leading Counsel to supplement the advice provided by the University's solicitors. The University was advised that the higher fees could be justified on the grounds of increased costs.

3.13 Reduced funding for HE

In July 2009, the University made the assumption that Government funding of HE would decline in real terms by 10% between 2010 and 2015. In December 2009, the 2010-11 grant letter from BIS to HEFCE had announced an overall cash reduction compared to 2009/10 of 5.9%, which would be achieved primarily by slashing capital spending. The announcement of further cuts was anticipated after the General Election. However, the University was in a very strong position to meet these challenges with student numbers at record levels and solid finances. The OU currently had the time necessary to make smart, strategic decisions and execute against them in a thoughtful and strategic fashion, but it would be dangerous to squander that time.

The Chair remarked that most universities believed that they were facing a serious situation. The OU's position appeared to be relatively strong. It was difficult to predict, however, whether there would be more or less competition for the part-time market.

A member suggested that the currently shifting environment of the HE sector would offer strategic opportunities for mergers and takeovers. The Vice-Chancellor said that there was currently more discussion about potential mergers or pooling activities in the sector and greater stimulus for higher education institutions to be open to private investment. The OU should keep an open mind, particularly with regard to its international ambitions. Another member said that all public delivery systems were looking at economies of scale and integrated services. There was some support for this across the political parties. If this were to be taken forward, the University should establish a role for itself as quickly as possible.

3.14 Student recruitment

After the February intake of students, it was forecast that the University would have 8.7% more students in 2009/10 than it did in 2008/09. This represented an increase of 6,289 full-time equivalents, larger than the entire student population of some universities.

The University had exceeded its targets in every UK nation, the Republic of Ireland, and the rest of Europe. It had also grown well above target for undergraduate and postgraduate numbers, and above target for every faculty.

3.15 Course completion

The overall completion rate for 2008/09 had gone up by 1.3%. This increase in a single year was unprecedented. The overall rate went up by only 0.7% over the previous four years. This increase was the equivalent of 3,200 student registrations. Scotland did particularly well, with an increase of 2.0%.

The University was narrowing the long-standing gap in completion rates between:

- students from disadvantaged backgrounds and other students
- students under and over 25
- male and female students.

The Chair congratulated the University on the significant improvement in course completions. A student member asked whether student retention was also improving. The Director, Students, Mr Will Swann, said that this was a focus area for the OU and it was a challenge to get those students successfully completing a course to progress further. Currently 40% of students did not.

3.16 OU revised strategy

The Vice-Chancellor's Executive (VCE) had been working with the broader leadership of the University on the OU strategy for the coming years, with particular emphasis on how to protect the quality and sustainability of the OU's core delivery, and with an eye to growing new income streams for the University in the future (C/10/1/1).

4 OU FUTURES, 2010-13

C/10/1/1

- 4.1 The Pro-Vice-Chancellor (Strategy and External Affairs), Professor David Vincent, introduced the paper. It was the outcome of a substantial review that had taken account of an increasingly difficult external environment and had focused on key objectives against a specific timeframe. The existing strategic framework had been developed into a more sharply focussed, better articulated and more clearly sequenced programme of activity. The paper provided details for each focus area, including the main tasks and timetable, roles and responsibilities, and measures. Performance indicators and a risk register would be added in due course.
- 4.2 The mission statement, "The Open University is open to people, places, methods and ideas" would continue to provide the key objectives for the University, whilst its core values, inclusive, innovative and responsive, would provide a moral and intellectual compass. The strategic intent was summarised in the sentence "adapt and strengthen the University in order to sustain the OU mission".
- 4.3 The Vice-Chancellor, Mr Martin Bean, informed the Council that some structural changes were being implemented in order to create the optimal organisational structure to lead the University and to ensure the successful execution of the strategy. An Extended Leadership Team, comprising members of VCE and the Deans, would meet on a monthly basis to monitor progress against the strategy, identify opportunities and roadblocks, and take necessary action.
- 4.4 In response to the new priorities for the University, VCE would be reorganised. Professor Vincent's term of office as the Pro-Vice-Chancellor (Strategy and External Affairs) would finish at the end of July 2010 and his portfolio would be redistributed. The Vice-Chancellor thanked Professor Vincent for everything he had done for the University over the past six years. Professor Vincent's insight, deep commitment to social justice, strategic vision, and representation of the University in public, private and academic circles had contributed greatly to the current success and performance of the OU.
- 4.5 There would be a new post on VCE. The Director of Business Development would take responsibility for parts of Phases Two and Three of the strategy. This involved the focus areas of employer engagement, teaching in Europe and leading OU growth internationally.

- 4.6 After the retirement of Mr Alan Yates, Director of Academic and Administrative Computing Services (AACS), at the end of March, a new Chief Information Officer would be appointed to develop the University's systems, processes and technology to fully align with and support the strategy, so that the University could exploit new opportunities effectively. The Vice-Chancellor thanked Mr Yates for his thirty five years of dedicated service to the University.
- 4.7 Following discussions with VCE in late November 2009, a decision had been taken to change the membership of the Senior Team and the purpose of Senior Team Days to allow a more focussed discussion of the OU strategy and the opportunities and challenges faced by the University. These days would now be known as 'Senior Team Strategy Days' and from September 2010 onwards there would be one meeting per quarter.
- 4.8 Other changes in the senior management team would create shorter reporting lines so that accountabilities for delivering these plans would be clearer and resources could be more tightly focused on key priorities. The new structures and posts would be in place by the beginning of August 2010, and staff in areas where changes would take place had already been briefed by their managers. The University was currently remapping its planning structures to fit the strategy.
- 4.9 Several members commended the paper, in particular the clear and helpful structure that focussed on what needed to be done.
- 4.10 Referring to Focus Area 2, a member commented that "more efficient assessment" might be taken to mean "less", which would be in line with the views of some who thought that the OU over assessed students. However, there were two aspects to assessment: one pedagogical and the other relating to formal accreditation. Formal assessment could often be unnecessarily elaborate, but innovative approaches to student feedback such as i-Spot, which used peer review on student work, could add value pedagogically without requiring exam boards and the other paraphernalia that often came with formal accreditation. The Pro-Vice-Chancellor (Learning, Teaching and Quality), Professor Denise Kirkpatrick, said that there was still much work to be done, but that more efficient did not necessarily mean less. Assessment should be more efficient from the perspectives of the University, the staff and the students.
- 4.11 A student member agreed that it was useful to differentiate between the need for formal accreditation and the pedagogical value of assessment. Students valued independent feedback on their work, but would be happy to forego the formal input that Walton Hall had in the assessment process. Another member agreed that it was important to find innovative ways of providing formative assessment in order to minimise the load on academic staff.
- 4.12 A member thought that the strategy was both prudent and pragmatic, but said that the risks associated with achieving the strategy should be clearly understood. Everyone should know what might prevent this and how the risks could be mitigated.
- 4.13 The member also suggested that it would be useful for external members of the Council to be provided with briefing notes, which were regularly updated, so that considered statements on the OU might be made in speeches or at other opportunities to comment.
- 4.14 A member remarked that a clear strategy was required for maximising the income from iTunesU and other free material. The Vice-Chancellor responded that the 11 focus areas did not stand alone, but were connected by a range of activities, including OpenLearn and iTunesU. The Freemium project was exploring possible models to monetise these activities and a report would come to the Council in the autumn.

- 4.15 A member said that Phase 1 of the strategy was critical both to the OU mission and to Phases 2 and 3, and asked for clarification as to whether the phases were linear or concurrent. The Vice-Chancellor said that the phases had deliberately not been time sequenced, but that there would be a shift in the amount of effort given to particular phases over time. Work had already commenced on aspects of Phase 2, and the Council would decide when and how Phase 3, the international strategy, would be implemented. The main effort in the immediate future, however, would be on Phase 1.
- 4.16 The member also said that it was essential to have a strong human resources (HR) strategy to sit alongside *OU Futures*. The Vice-Chancellor agreed that people and culture were fundamental to the success of the strategy. The Council's input on effective communication mechanisms and the type of institutional capacity building required would be most welcome. Another member observed that reducing costs would result in personnel having to leave the organisation, so the Council must ensure that the executive was accountable for its actions.
- 4.17 Referring to Focus Area 4, another member commented on the importance of improving progression and completion rates. A recent article on part time study in the Times Higher Education (THE) supplement reported that, leaving aside students of The Open University, of those who declared that their aim was a bachelor's degree, 59 per cent left university without a qualification. This drop out rate suggested that there was a long way to go before part time education could be considered as a substitute for full-time study. With reference to influencing public policy, the member also reminded the Council that there would be an election in Scotland in 2010, as well as in England.
- 4.18 A member remarked that a mission driven strategy had implications for the following papers on international strategy (C/10/1/2) and HE funding (C/10/1/3). If a higher percentage of the population received some type of education, but the OU reduced in size, then it would not be a bad thing. The University should be prepared to take the high ground.
- 4.19 The Chair observed that a new government might have taken power at the time of the next meeting of the Council. By the autumn, the impact of the various factors affecting HE might have become clearer.
- 4.20 The Council **approved** *OU Futures* 2010-13.

5 INTERNATIONAL STRATEGY

C/10/1/2

- 5.1 The Pro-Vice-Chancellor (Strategy and External Affairs), Professor David Vincent, presented the paper, which reported on work in progress. The forum held during the Council Residential Weekend in September 2009 had concluded that further investigation into The Global University was necessary, and this had been undertaken by a working group comprising internal personnel and external consultants.
- 5.2 The International Strategy Working Group had focussed on cataloguing those of the University's assets that could be leveraged internationally, and on identifying possible business models for developing these into international activities. The intention was to continue with the University's philanthropic efforts on a not-for-loss basis, but to focus on increasing income from all other international activities in order to generate a surplus.
- 5.3 A number of changes to learning and teaching and to business models would be necessary in order to ensure that international activity was financially viable. These models would be developed, tested and validated in order to generate student feedback and resolve any issues. The University would adopt a variety of marketing and delivery models, including the development of key strategic partnerships, which would be significant in the implementation of the international strategy.

- 5.4 Since the Council paper had been produced, further input had been received from the Extended VCE (VCE and Deans). The group had commented that it would be necessary to make hard choices about the focus on markets, products and services, and business models. "One-size fits all" would not work internationally and subjects would require different levels of local adaptation. It had also been suggested that student journey mapping and activity costing should be included in the next phase of business model development work.
- 5.5 The position of the international strategy in relation to the University's other priorities would have to be determined. It would eventually be necessary for the international strategy to integrate the OU's philanthropic efforts, research and commercial activities. The business models developed for international activity might also be deployed in the UK.
- 5.6 There should be a clear view of the money flow through to faculties, in order to enable them to make more informed decisions about international activities and the potential return on investment. An activity based costing analysis of international activities would also provide a clear understanding of the added costs. As a large part of international costs in business to consumer direct teaching were linked to the UK cost structure, it was essential to find a more cost effective way of operating the model in the UK and reducing the marginal costs.
- 5.7 In reassessing the OU's "sacred cows" (section 3), it would be necessary to consider whether sacrificing them would undermine the distinctiveness of the University's offer. A set of criteria was needed to make such assessments and to map the business models to markets. A business case was then required for a prioritised, focussed approach to market testing.
- 5.8 Some members questioned whether, as a public body, The Open University had the authority to be philanthropic, and asked why the focus was on Africa. Professor Vincent responded that the OU did not have the authority to transfer its public funding, but that it could work on a "not-for-loss" basis. Africa was where the University was doing most of its work and had the most experience, although it might be more appropriate to refer to "developing countries". This approach aligned with government policies. Other members commented that activity that was not-for-loss did not necessarily mean that it was not philanthropic, but rather that it was a means of bringing ideas together that might lead to other opportunities.
- 5.9 A member said that the appointment of a Business Director was essential. The University would not be able to progress without people on the ground who could find the opportunities and fill the gaps. India and China had the potential to be more productive than Europe, where France and Germany were particularly difficult markets to penetrate. Partnerships were possible with organisations where there was no conflict of interest, such as pharmaceutical companies.
- 5.10 A member commented that the strategy brought the OU mission to life, being open to all regardless of geography. Phase 1 of *OU Futures* was important as it focussed on the University's strengths. Not-for-loss activities were analogous to social enterprise: without a surplus it was impossible to do anything. Partnerships with other organisations were key. The BBC, for example, had its own challenges, but would be useful as a technology partner. The University would have to make significant investment, both in cash and intellectual terms, which would make partners from the private sector helpful.
- 5.11 Another member was glad to see international activity as part of the University's strategy, but cautioned that huge effort could go into international partnerships, which were then difficult to make profitable. It might be preferable to sell the OU's expertise to good local organisations. The University needed to be clear on its rationale for being an international organisation, whether it was to make money, to enhance its image or to take British culture abroad.

- 5.12 A member queried why the quality control risk for the business to business educational consulting model had been identified as low, as he was not convinced that this was the case.
- 5.13 A member remarked that the University had access to world-class experts in the OU Business School (OUBS), whose experience should be used to prove and contribute to the strategy.
- 5.14 Another member asked whether the University had a product that could be marketed overseas and whether progression could be offered to the 88% of people accessing iTunesU who were from outside of the UK. Professor Vincent acknowledged that there were issues with the Freemium model. The Open University was global in this regard, but not in respect of income generating business.
- 5.15 With reference to the proposal to offer tuition through certified local tutors, a member asked where such tutors would come from and how they would be managed. There were many issues to be addressed. Referring to the first bullet in paragraph 4.7, which indicated that it might not be necessary to have regulatory approval for degree awarding powers, the member said that local recognition of qualifications could be hard to achieve and that these difficulties should not be underestimated.
- 5.16 The Vice-Chancellor thanked Mr Anthony Freeling for his time, input to and support for the work on the International Strategy to date. Further input from members of the Council would be welcomed. It was important that the Council understood the opportunities and challenges presented by an international strategy. Another paper would be brought back to the Council in July 2010, when the Council would be asked how much the University should invest in its International Strategy and when.
- 5.17 The Chair said that there was much to be done before the recognition that The Open University in the UK as a consumer brand was replicated across the world. The key factor in this international strategy was its focus on profit. If the University could not generate a profit in non-philanthropic areas, then it should not get involved. Profit and social justice did not always sit comfortably together.

6 HE FUNDING AND STUDENT FINANCE REVIEW

C/10/1/3

- 6.1 The Pro-Vice-Chancellor (Strategy and External Affairs), Professor David Vincent, presented the paper and explained that the future of HE funding was currently being impacted by three separate events. First, the Independent Review of HE Funding and Student Finance (chaired by Lord Browne) had been established in November 2009 to review the introduction of variable tuition fees in England in 2006. Second, HEFCE's review of its funding methodology for teaching had also been initiated. Third, the recession had resulted in a crisis of public expenditure that was likely to have a disproportionate effect on the funding of HE. The funding model for the next decade would be very different from the current one.
- 6.2 The Open University's position was quite strong. The OU had protested at the exclusion of part-time students from the funding model created by the Higher Education Act of 2004, but the view of part-time undergraduate study had now changed and it was seen to have a significant contribution to make to the future of the UK economy. The Open University had been the only HEI invited to give oral evidence at the first round of public hearings and there was a powerful coalition of bodies, such as the Confederation of British Industry (CBI), Policy Exchange and the National Union of Students (NUS), arguing the case for part-time HE. It was not certain that the University would achieve its objectives, but it was at the centre of the debate and it was important that what it asked for should be given the full consideration of the Council.

- 6.3 There were two parts to the evidence that the University was presenting to the Browne Review. The first had been a retrospective analysis of the impact of the introduction of variable tuition fees, where the University had made a joint submission with Birbeck College. The second provided an opportunity to make recommendations for change and was due for submission in the autumn. Mr Martin Watkinson, Director of Strategy, was currently undertaking some business analysis and scenario modelling. It was important that the University's thinking was clear and the Council was asked to comment on the proposals being developed for the second submission.
- 6.4 Professor Vincent also informed the Council that the University would be meeting with HEFCE in June to discuss the possibility of a separate funding model for the OU. The University had previously declined to entertain the suggestion, but it was entering a time when radical outcomes, such as an enhancement of the OU's position, were possible and the University should consider all options. However, there were risks to being funded separately from other HE providers, including the level of intervention that HEFCE might demand, so it might be more advantageous to remain within the common T-funding formula. The Council was asked to comment on the informal suggestion from HEFCE that the University be funded separately from other universities in England.
- 6.5 Several members congratulated the University on providing some outstanding evidence. The President, OUSA commented that she had recently attended a meeting of the National Student Forum with representatives from the Independent Review secretariat and BIS. The Forum had been asked to consider quotes from various sources, of which two had been from Martin Bean. These had been considered extremely interesting, and the view was that the OU had someone impressive speaking on its behalf.
- 6.6 A member remarked that once the University had made its recommendations, it would be set on a course that must then be consistent. Part-time study was one part of the whole spectrum of higher education. The OU was a distinctive part of the game; it was not playing a different one. It was important to distinguish between the University's economics and its mission.
- 6.7 Another member commented that the arguments seemed to be moving in favour of the OU and that the University should take advantage of this, whilst still being prepared for difficult times ahead.
- 6.8 Referring to Appendix 3, paragraph 15 a), a member agreed that one risk of a common funding structure was that higher fees would depress demand from those studying primarily for personal interest. Vocationally motivated students would invest with a view to enhancing their income at a later stage. It was important to keep both types of student on board, because of the strength of diversity and support that this created.
- 6.9 The Chair thought that every effort should be made to stay part of the current system and that the University should take a robust position. However, the OU would come under attack from other groups. It was essential to understand how the fees system would work. Either students would take loans on a credit card basis, or with preferential treatment on a defrayed basis. Young students would be able to pay back debts over time. A graduate tax would be the most honest approach, but it was difficult to implement.
- 6.10 The Council **noted** the University's first submission to the "Independent Review of Higher Education Funding and Student Finance".

7 FORECAST OUTTURN

C/10/1/4

- 7.1 The Finance Director, Mr Miles Hedges, introduced the paper and highlighted the favourable movement from budget of £6.2 million. This movement had arisen mainly from

three sources: a net contribution from course fee income arising from higher than budgeted student numbers; a net contribution from externally, grant funded projects that were not known at the time of budgeting; and early cost savings made by units. Members commended the excellent result, at a time when the University was having to deal with future cuts in income.

- 7.2 Referring to Appendix 1A, a member asked about the variances in expenditure, where the academic faculties were forecast to move from a positive to a negative variance by the end of the full year, whilst the University support services showed a move from negative to positive. Mr Hedges responded that this could be explained by the different phasing of expenditure in different units.
- 7.3 In response to a member's enquiry about the nature of the University's reserves, Mr Hedges confirmed that the unrestricted reserves stood at £140 million, but approximately £90 million had been spent on buildings that had not been funded by capital grants.
- 7.4 A member asked about the possible impact of the case regarding European fees (3.2). Mr Hedges said that the value of the supplement in 2008/09 was £7 million, of which £5.8 million could be accounted for by direct costs, leaving a difference of £1.2 million. This was much less than the teaching grant for UK students. The additional costs of European provision, together with the lack of grant for European students, provided the OU with a strong defence. However, the University was taking legal advice in order to frame the case.
- 7.5 Another member asked whether there were any updates on the situation regarding the possible VAT refund. Mr Hedges reported that HM Revenue and Customs (HMRC) had requested further information in November 2009, and the University and the BBC had responded during the previous week.
- 7.6 Mr Hedges also provided an update on the situation regarding the two deposits with UK subsidiaries of Icelandic banks. A provision of 20% had been made against the larger deposit; the University had already received back nearly 30%. A provision of 50% had been made against the smaller deposit; here 20% had been received back. It was anticipated that the whole provision might not be required. The Icelandic government's decision not to repay the amounts owed to the UK Treasury would not affect the situation regarding the OU's deposits.
- 7.7 The Treasurer, Mr Michael Steen, said that the positive result was a testament to all those involved, but cautioned against euphoria. The University was facing a very difficult and uncertain future, and it was vital to deliver the targeted savings and to continue the efforts to make more. However, the OU was in a good position to face whatever the future brought.
- 7.8 The Council **noted** that the 2009/10 forecast consolidated outturn was a surplus of £15.2 million for the University and all its subsidiary undertakings. This represented a favourable movement of £6.2 million compared to the budgeted surplus of £9.0 million and was subject to the risks identified.

8 FINANCE COMMITTEE

C/10/1/5

- 8.1 The Treasurer, Mr Michael Steen, presented the paper and drew attention to the items regarding OU pensions and fundraising. The University was a member of the Universities Superannuation Scheme (USS) and its contribution rate had recently increased by 2%. In the short to medium term the University would encounter no problem in meeting that commitment and its situation was in line with that of many large public limited companies.

The long term commitments of the scheme were being reviewed by the USS trustees. The Chair remarked that whilst the USS balance sheet appeared strong, their ability to meet these long term commitments was uncertain. Mr Hedges commented that the scheme was relatively young, so that it was likely to remain cash positive for the foreseeable future. When USS had been valued at the end of March 2009, it had been shown to have a £6 billion deficit. However, this valuation had taken place at the worst possible time, and the situation was likely to improve.

- 8.2 The Chair of the Development Committee, Mr Anthony Freeling, said that The Open University Foundation had been wound up. Some internal restructuring had taken place in the Development Office and from May 2010 there would be a new Director of Development in post to help drive forward fundraising efforts. A Development Committee had been added to the governance structure, but it had not advanced without the Director of Development in place. The University would now seek to activate the Committee.
- 8.3 Mr Steen commented that the overall Treasury Strategy remained the same. During the peak of the banking crisis, steps had been taken to tighten some policies. However, these had recently been proving too restrictive and, now there was more stability in the sector, the policies had been loosened in order that the University might take advantage of opportunities to enhance returns with minimum risks.
- 8.4 With reference to University's response to the HEFCE consultation on the regulation of higher education institutions as charities, Mr Steen highlighted that the existing implied obligation of the University's Council members to act as charity trustees would now be made explicit.
- 8.5 Finance Committee recommended to the Council that there was a change in wording to the main activities listed in its constitution in order to clarify any ambiguity concerning responsibility for internal control; this belonged to Audit Committee and not to Finance Committee.
- 8.6 Referring to paragraph 8 and the cancellation of the first presentation of the pilot Global MBA, a member asked what was being done to ensure that greater student numbers registered for the next presentation. The Pro-Vice-Chancellor (Strategy and External Affairs), Professor David Vincent, said that Pearson was working to create a market, with limited success. If there was no improvement, the situation with respect to the pilot would be reviewed.
- 8.7 The Council:
- a) **noted** the minutes of the meeting of the Finance Committee held on 26 January 2010
 - b) **agreed** to the change in wording for main activity 2 under the Finance Committee's terms of reference (Appendix 1 to these minutes).

9 STAFF STRATEGY COMMITTEE

C/10/1/6

- 9.1 The Chair of Staff Strategy Committee, Mr Andrew Peck, presented the paper and, with reference to earlier discussions, highlighted that the HR department was closely engaged with the communication of difficult, but clear and consistent messages to staff. A voluntary severance policy had been agreed and the Committee had endorsed and encouraged the use of the Valued Ways of Working scheme, which was making a significant difference to management and performance.

- 9.2 The Council **noted** the minutes of the meeting of the Staff Strategy Committee held on 17 November 2009.

10 ESTATES COMMITTEE

C/10/1/9

- 10.1 The Chair of Estates Committee, Mr Peter Mantle, introduced the paper. The renewal and refurbishment of the University's original buildings was almost at an end, and the Committee was working on the assumption that there would be no capital funding after March 2011. Approximately 90% of the University buildings were now in the A or B categories, which was very satisfactory. The Venables and Geoffrey Crowther buildings gave some cause for concern, but would be safely maintained. The new catering Hub would be opening in the following week.
- 10.2 Where possible, flexible leases had been negotiated for the offsite buildings around the UK in the light of the Student Support Review. The Chair commented that the London office had insufficient space. Mr Mantle responded that the Estates programme had been focussed on updating buildings, but there might still be some pressure points.
- 10.3 A review of contractors cover pricing confirmed that none of the University's contractors had been guilty of collusion in fixing tender bids for construction work. The review had also revealed that procurement in this area had been well handled by Estates.
- 10.4 The Council **noted** the unconfirmed minutes and confidential minutes of the meeting of the Estates Committee held on 27 November 2009.

11 THE SENATE

C/10/1/8

- 11.1 The Vice-Chancellor, Mr Martin Bean, reported that there had been a vibrant discussion at the Senate and that it was doing a good job as the custodian of academic quality.
- 11.2 The Senate had given its support to *OU Futures*, and had approved the recommendations in papers on Curriculum Strategy, Changing OU Terminology and Level 1 Coherence Project Outcomes. The Senate had also approved the Award of Fellowship of the University to Professor Brenda Gourley.
- 11.3 The Council **noted** the report of the items discussed at the meeting of the Senate held on 27 January 2010.

12 STRATEGIC PLANNING AND RESOURCES COMMITTEE

C/10/1/9

- 12.1 The Vice-Chancellor, Mr Martin Bean, commented that the quality of the discussion at the Strategic Planning and Resources Committee (SPRC) had been excellent and had provided useful input into the papers that had subsequently come before the Council.
- 12.2 The Council **noted** the unconfirmed minutes from the meeting of the Strategic Planning and Resources Committee held on 10 February 2010.

13 COUNCIL GOVERNANCE REVIEW

C/10/1/10

- 13.1 The Chair of the Council Governance Review Group, Mr Steve Barnett, said that the review was well underway and expressed his gratitude to all that had been supporting it. The

Group was likely to be making recommendations to the Council that aimed to improve governance, utilise the skills of the Council members and make best use of the Council Committees. A programme of structured interviews with members of the Council was currently taking place. There was an expectation that members should respond, as their views were important to the review. Mr Barnett would be following up some of these interviews with individual members.

- 13.2 The Chair emphasised that the governance review was an important exercise, particularly in the light of two recent failings in the HE sector. There was now greater public questioning about corporate governance. The University Secretary, Mr Fraser Woodburn, said that as a chartered body, the University was independent. However, as a publicly funded body it was accountable to the government and to its regulator (HEFCE).
- 13.3 The Council **noted** the report on progress with the Council Governance Review.

14 DECLASSIFICATION OF COUNCIL PAPERS

The Council **agreed** to retain the confidential status of the following papers:

- a) Fees and Financial Support Strategy (C/09/4/M – confidential minute)
- b) HE Funding and Student Finance Review (C/10/1/3)

15 PROGRAMME OF COUNCIL MEETINGS IN 2011

C/10/1/11

The Council **agreed** the programme of meetings for the 2011 calendar year.

16 NEXT MEETING

The next ordinary business meeting of the Council will be held on Tuesday 11 May 2010 at 9.45 for 10.00 am at BMA House, Tavistock Square, London, WC1H 9JP.

Julie Tayler
Assistant Secretary
Central Secretariat
j.d.tayler@open.ac.uk
March 2010

Attachment:
Appendix 1: Finance Committee constitution

FINANCE COMMITTEE

CONSTITUTION – UPDATED ~~28.07.2008~~02.03.2010

Terms of Reference

1. To recommend to Council the University's annual revenue and capital budgets and longer-term financial forecasts, within the strategies and plans approved by Council, and to monitor performance in relation to approved budgets.
2. To recommend to Council for approval financial regulations and approve on behalf of Council policies and financial transactions within the powers delegated by Council.

Main Activities

1. To review and recommend to Council for approval the University's annual revenue and capital budgets and thereafter to monitor performance against these budgets.
2. To review and approve the University's ~~systems and procedures for~~ accounting policies and exercising financial control and to recommend to Council for approval financial regulations for use throughout the University and its subsidiary undertakings.
3. To advise the Vice-Chancellor as the University's Designated Officer and Council on the financial status of the University.
4. To review and recommend to Council for approval the University's financial strategy and longer-term financial forecasts.
5. To review and recommend to Council for approval the annual consolidated financial statements of the University and its subsidiary undertakings.
6. To review and approve the University's investment policy.
7. To review and approve the University's purchasing policies and to monitor the value for money being obtained through the University's purchasing activities.
8. To review the investment appraisals for all capital and restructuring projects and to approve those having an initial cost of more than £0.5 million and to approve those having an initial cost of less than £5 million and recommend to Council those having an initial cost of more than £5 million.
9. To recommend to Council the formation, financing and disposal of all subsidiary undertakings and to monitor their overall financial performance in the context of the group as a whole.
10. To approve such transactions as are remitted to the Committee for approval under the University's Financial Regulations.

Membership

1. The Treasurer, Chair, *ex officio*.
2. The Pro-Chancellor, *ex officio*.
3. The Vice-Chancellor, *ex officio*.
4. Two members of the Council, appointed by the Council.
5. Two members appointed by the Council from outside its membership at least one of whom shall not be an employee of the University; one may be a member of the Senate with appropriate financial expertise.

Secretary

In attendance

1. The University Secretary.
2. The Finance Director.
3. The Pro-Vice-Chancellor (Strategy and External Affairs).
4. Secretary: A member of staff working to the University Secretary for that task.

Mode of Operation

1. The Committee shall meet as and when required, but generally at least four times a year and shall report to the Council.
 2. The Committee shall be quorate if three members are present, of whom two should be from categories 1, 2 and 4.
 3. The Committee shall normally meet with its Secretary in attendance but may, if it so wishes, meet without any Officer in attendance.
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FINANCE COMMITTEE

MEMBERSHIP LIST – UPDATED 01.10.2009

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1. The Treasurer, Chair, *ex officio*.
Mr D C M Steen to 31.07.2013
 2. The Pro-Chancellor, *ex officio*.
The Lord Haskins
 3. The Vice-Chancellor, *ex officio*.
Mr M G Bean
 4. Two members of the Council, appointed by the Council.
Mr H Brown to 31.07.2013
Vacancy
 5. Up to two members appointed by the Council from outside its membership at least one of whom shall not be an employee of the University; one may be a member of the Senate with appropriate financial expertise.
Mr B Larkman to 31.07.2013
Mr F Neale to 31.07.2010

In attendance

1. The University Secretary.
Mr A F Woodburn
2. The Finance Director.
Mr M S Hedges
3. The Pro-Vice-Chancellor (Strategy and External Affairs).
Professor D M Vincent

Secretary: Mr A Bolton to 31.12.2010
