



THE COUNCIL

Minutes of the meeting of the Council held on Tuesday 23 November 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, Dr S Ding, Mrs R Evans, Dr I Falconer, Prof J Fortune, Dr A Freeling, Mrs C Ighodaro, Dr C Lloyd, Ms S Macpherson, Ms C McEwen, Ms L Murphy, Dr T O'Neil, Mr A Peck, Mrs R Spellman, Mr M Steen, Prof W Stevely
- In Attendance: Pro-Vice-Chancellor (Curriculum and Qualifications), Pro-Vice-Chancellor (Learning, Teaching and Quality), Pro-Vice-Chancellor (Research and Enterprise), Director, Students, Finance Director, Director, Human Resources, Director, Communications, University Secretary, Senior Assistant Secretary (Central Secretariat), Assistant Secretary (Central Secretariat)
- Apologies: Dr S Crompton Dr M Hopkins, Mr R Humphreys, Mr P Mantle

1 WELCOME

The Chair welcomed Dr Sharon Ding and Dr Isobel Falconer to their first meeting of the Council.

2 OBITUARIES

With deep regret, the Chair reported the death of a former member of the Council, Baroness Carnegy of Lour, aged 85, on 9 November 2010; and also of a former Clerk to the Council, Mr Peter Price, aged 77, on 19 November 2010.

3 DECLARATION OF INTEREST

Dr Sharon Ding, Mr Will Swann and Dr C Lloyd declared an interest in paper C/10/4/3 on Organisational Changes. The Chair said that it would not be necessary for these members to leave the room when this matter was discussed.

4 MINUTES

C/10/3/M

The Council **approved** as a correct record the minutes of the business meeting held on Tuesday 20 July 2010.

5 VICE-CHANCELLOR'S REGULAR REPORT

OU Systems Futures Programme

- 5.1 The Vice-Chancellor, Mr Martin Bean, reported that alongside the significant work being realised through *OU Futures*, the Chief Information Officer, Mr David Matthewman, was leading an initiative to deliver the systems that the University needed. The resulting systems had to provide business agility over the next 5-10 years that would enable a fast response to those opportunities, challenges and innovations that could not be predicted at present. Excellence in processes, and the systems to underpin them, was an essential enabler for a vibrant OU.

Student Numbers

- 5.2 The latest forecast for student numbers in 2010/11 was 7.3% ahead of target, with a total of 86,422 full-time equivalent (FTE) students. This represented a growth of 8% in a year, and a growth of 24% in the past three years.

The OU in Wales

- 5.3 The Open University had been the only higher education institute (HEI) referenced in *Future Ambitions*, the long-awaited report on the future of careers services in Wales. The report's authors had been "particularly impressed by The Open University's online careers support services to students".
- 5.4 The OU in Wales had been the first university to receive a 'Quality Award' from the Wales TUC for its trade union learner engagement activities. The award had specifically commended the OU's 'Openings' programme of short, introductory courses, and said that: "The Open University in Wales has an outstanding record of working with unions and union members in Wales. The partnership and collaboration between the staff at the OU and unions to ensure that courses meet the needs of union learners is exceptional".

The OU in Scotland

- 5.5 The Open University had been awarded £400,000 over three years by the Scottish Government's International Development Fund to develop the successful Teacher Education in Sub-Saharan Africa (TESSA) programme for use in Malawi. The funding would support 500 scholarships in 2011 and 2012 for women in isolated and rural areas of Malawi who aspired to become primary school teachers in their local community.
- 5.6 In partnership with Queen Margaret University and the Scottish Council for Voluntary Organisations, The OU in Scotland had been awarded £2 million to develop the Third Sector Internships scheme, a national programme to support students to find paid work experience in third sector organisations during their studies.

iTunes e-books

- 5.7 At the end of October, iTunes U had launched free eBooks. The OU had been one of the first universities worldwide to provide a range of e-books on the site, with 100 interactive titles at launch and a further 200 to come by the end of 2010. All of the content had already been available in OpenLearn. Industry analysts had predicted that by 2014 more people would access the internet via a mobile device than a computer. OU eBooks would give students everywhere more choice and underlined the OU's leadership in the technology driving flexible learning.

Awards For Syrian School

- 5.8 The Open University, BBC and Lion Television series Syrian School had won the prestigious Japan Prize 2010 for the second year in a row. The Japan Prize was an international educational programme contest, which aimed to improve the quality of educational programmes around the world and to contribute to the development and fostering of international understanding and co-operation.

Award for OpenLearn

- 5.9 OpenLearn, The Open University's open educational resources portal, had won an E-Learning Award from e.learning age in the category "Best use of social media" for its 92 Rewind project. 92 Rewind had been launched in the run up to the 2010 General Election with the aim of driving traffic to political content available on OpenLearn and on open2.net. 92 Rewind had delivered regular tweets on news headlines from the 1992 election that had occurred at the same point in time in the election cycle, reflecting on similarities and differences.

Independent Review of Higher Education (HE) Funding and Student Finance (The Browne Review)

- 5.10 The subject of The Browne Review and the Comprehensive Spending Review (CSR) would be covered in an item later in the Agenda (C/10/4/1), but the Vice-Chancellor took this opportunity say thank you for the united effort of all stakeholders in achieving parity between part-time and full-time students and said that everyone should be proud of this achievement.
- 5.11 A member said that the OU was to be congratulated on the result and thanked the Vice-Chancellor and the OU team for successfully engaging the Council in the campaign.

6 FEES AND FINANCIAL SUPPORT STRATEGY C/10/4/2

Confidential minute.

7 ORGANISATIONAL CHANGES C/10/4/3

Confidential minute.

8 REPORT OF THE AUDIT COMMITTEE TO THE COUNCIL, INCLUDING THE CHIEF AUDITOR'S REPORT C/10/4/4

- 8.1 The Chair of the Audit Committee, Mrs Claire Ighodaro, introduced the paper, which summarised the work of the Audit Committee during 2009/10 and provided an oversight of the University's arrangements for risk management, control and governance, value for money and the management and quality assurance of data. The Audit Committee had sought assurances from all stakeholders, including the internal auditors, and had been satisfied with the adequacy and effectiveness of the University's arrangements in all three areas. The reports would now be forwarded to the Higher Education Funding Council for England (HEFCE).

- 8.2 The internal auditors had expressed some concerns regarding the University's process for reimbursing staff expenses. The Audit Committee had sought assurances from the senior management, and was awaiting a response.
- 8.3 A member asked how often the Council had oversight of the risk register. Mrs Ighodaro observed that although the Audit Committee monitored the risk register, it was the responsibility of the Council. The University Secretary, Mr Fraser Woodburn, said that the risk register was currently presented to the Council on an annual basis alongside the strategic plan and key performance indicators. The Vice-Chancellor's Executive (VCE) would be agreeing some revisions to the risk register in December 2010, and these would be presented to the Council in March 2011. Another member commented that, as a board member in other organisations, he was used to seeing the high level detail of the risk register more frequently.
- 8.4 The Council and the Vice-Chancellor **noted** the Audit Committee's Annual Report for 2010.

9 FINANCIAL STATEMENTS 2009/10

C/10/4/5

- 9.1 The Finance Director, Mr Miles Hedges introduced the paper and apologised for the lateness of its distribution. The University had launched an early retirement scheme in July, for which the application deadline was early December. It had been necessary to await an indication of the response in order to provide a reasonable estimate of costs that could be included in the financial statements. The future developments section of the Operating and Financial Review (OFR) had also been changed in the light of the Browne Review and the Government's Comprehensive Spending Review (CSR) in October.
- 9.2 The OFR had been extended this year to include more graphs so as to make some of the issues more accessible to the non-expert reader. It also included a new section to meet the new public benefit reporting requirement. As an exempt charity, the University had not previously had to report on how it delivered public benefit to the Charities Commission, but as a result of the Charities Act, HEFCE had become the principal regulator of HEIs as charities, and the University had to provide information on the provision of public benefit in its financial statements for the first time.
- 9.3 The results for the year indicated a surplus of almost 6%. Income had been very buoyant as a result of one-off grants. The reported surplus had benefitted from costs being held at a lower rate than the increase in student numbers. Moreover, early steps had been taken to reduce expenditure in advance of known cuts and the anticipated reduction in public expenditure reflected in the CSR.
- 9.4 The Treasurer, Mr Michael Steen, commented that the financial statements might seem lengthy, but this reflected the regulatory requirements that the University had to meet. The Council's responsibilities were set out on pages 26-27 of the Financial Statements.
- 9.5 The Audit Committee had attended the meeting of Finance Committee at which the financial statements had been scrutinised, had met with the internal auditors and with the external auditors from PricewaterhouseCoopers. The audit had gone well and no matters of significance had been raised by the external auditors. The process had been concluded in the Finance Committee meeting of 16 November.
- 9.6 The satisfactory financial results were due to the excellent and timely work of the Vice-Chancellor and the senior staff of the University. The Treasurer thanked the Finance Director, Mr Miles Hedges and his team, particularly Ms Karen Doncaster, the retiring Head

of Accounting Services, who was leaving the University after 25 years. However, whilst the results justified some congratulation, there was no room for complacency.

- 9.7 The Chair of the Audit Committee, Mrs Claire Ighodaro, confirmed that the Audit Committee had attended the meeting of Finance Committee, with the auditors, and was satisfied with the process. She confirmed that the deferment of the publication of the financial statements had been for a good reason and added her congratulations to the senior team.
- 9.8 Referring to page 18 of the financial statements, a member commented that the reference to international activities not being on a commercial footing could provoke a response from HEFCE and asked whether the statement could be amended. Mr Hedges confirmed that this wording would be reviewed.
- 9.9 The Council:
- a) **approved** the University's consolidated financial statements for the year ended 31 July 2010;
 - b) **authorised** the Treasurer, Vice-Chancellor and Finance Director to sign on its behalf the University's consolidated financial statements for the year ended 31 July 2010; and,
 - c) **noted** the audit representation letter that would be signed on its behalf by the Vice-Chancellor and Finance Director.

10 **IMPACT OF THE BROWNE REVIEW, COMPREHENSIVE SPENDING REVIEW C/10/4/1 AND GOVERNMENT RESPONSE**

- 10.1 The Chair, Lord Haskins, remarked that the external environment was becoming increasingly uncertain. He observed that some commentators were suggesting that there had been some over-reaction to the economic situation, not least from the Government, but that others were very concerned about the ultimate outcome. The OU team had to deal with the huge issues that had been brought about as a result of the country's deficit. The Government was taking dramatic action to try to deal with the short-term crisis, such as the proposed structural reform in public services, but a long-term view was necessary. For example, the withdrawal of the widening participation allocation was being seen as a quick fix, just as the equivalent or lower qualifications (ELQ) policy had been three years previously, but it could become a big issue for political debate. The unintended consequences of some of the Government's actions were of great concern.
- 10.2 The University Secretary, Mr Fraser Woodburn, said that the levelling of the playing field for part-time education had been a landmark achievement of the Browne Review. However, there would be issues in its implementation. There were five key challenges facing the OU:
- a) the likely withdrawal of the majority of the teaching grant. The resulting increase in fees and the impact on the market were yet to be determined;
 - b) the possibility that funding for the University's widening participation programme (£60 million) would be withdrawn;
 - c) the phasing of the transitional arrangements. The thinking behind this phasing had been based on the needs of the full-time sector and would not work for the part-time sector;
 - d) the application of a tariff system that would allow the Government to constrain loan finance based on entry qualifications when this University had no entry qualifications for undergraduate study;

- e) the Government had set a level of study at 40 credit points for students to access loans, but many OU students were studying at 30 points.
- 10.3 There were also opportunities for the OU. For example, the University offered a cost effective alternative to full-time education. The OU's fees were lower and it was not necessary to incur maintenance costs whilst studying a part-time course. Moreover, 25% of the OU's students were under 25 and this was the fastest growing group.
- 10.4 In Scotland, there were no tuition fees for full-time students in higher education. This presented a challenge to the OU, as it charged fees to all students. Scotland was the only nation planning a reduction in its numbers, with a 5.8% reduction in grant and a 10% reduction in funded numbers. The Welsh Assembly had announced cuts to funding, but had said that it would not increase fees. This might present a problem if English students chose to go to Welsh Universities. The situation in Northern Ireland was unclear following the Stuart Review of variable fees and future student finance.
- 10.5 A member observed that funded numbers would drop in Scotland, but the universities would recruit fee-only students to ensure that the overall numbers did not fall. However, this would not be sustainable. There would be a green paper soon after the elections in May, but its content was as yet unknown. The political parties in Scotland did not want to discuss tuition fees, but there would be some kind of student contribution. There would not be a withdrawal of public funding, particularly for courses with perceived public benefit. Whatever the outcome, the OU would have to cope with different funding systems.
- 10.6 A member said that the paper provided a useful summary of the external situation. Lord Browne had tried to say that the UK was going about funding HE in the wrong way. The removal of the block grant was simply changing the way in which funding was provided. Except at the margin, students would still want to go to university. The funnel of doubt was less of an issue than some might think. The Vice-Chancellor agreed that the probability of the University being catastrophically affected was remote.
- 10.7 The Director, Students, Mr Will Swann, said that there were likely to be changes to the composition of the student body. At present, 30% of students received grant funding towards their fees. Most of this funding would be withdrawn. Currently, students on benefits could study with the OU and would incur no (financial) penalty for failure, but this would change. Moreover, in the past 10 years, some 18,000 students with less than 2 'A' Levels or equivalent had studied with the OU. There was a challenge for the University to repeat this achievement, but it would have to be in a different way. The President, OUSA, Mrs Roz Evans, remarked that she had been one of the 18,000 students without 'A' Levels and she had been fully funded.
- 10.8 A student member said that more information was required regarding the level of fee increases envisaged. If they were as high as had been suggested, then the OU would have difficulty in recruiting European students.
- 10.9 A member said that it was important to show that the University had sound strategies in place to counter the adverse funding situation, as well as evidence that students would continue to come to the OU, in order to reassure the external auditors.
- 10.10 In a response to an enquiry from the Chair, Lord Haskins, the Director, Students, Mr Will Swann, responded that the Widening Participation grant had increased substantially in the last 5 years.
- 10.11 A member observed that the University should consider how it could continue this programme without the grant. The OU should stay true to its aims and ensure that its

conservative management did not only impact its finances, but also positively affect its benefit to society. Another member enquired whether some of the University's reserves might be used to support widening participation.

- 10.12 A member said that taxes to support education meant that the poor ultimately paid for the rich, since most students were middle class. The Government had put the problem to the universities to resolve. The situation was one of philanthropy versus commercial activity. Another member observed that the Government was approaching the issue of widening participation with a stick rather than a carrot. If a university charged fees of £6000 - £9000, then it would have to demonstrate that it was contributing to widening participation.
- 10.13 The Chair observed that it was important to be realistic about the loss of £60 million for widening participation. The University was seeking to raise money from philanthropic sources, and was more likely to succeed in this area than from business sources.
- 10.14 The Vice-Chancellor commented that the OU would focus on cohorts for the widening participation strategy. The University had a duty of care to point out its contribution to the Government.
- 10.15 A member said that whilst it was right to focus on the funding, the University must gain the moral high ground and meet economics with economics. It should highlight the consequences of withdrawing funding for widening participation, in particular the economic and social costs. For example, it cost more to send an individual to prison, than to fund that individual to study a course. The argument for the Big Society was broader than the short-term economic case. It was important for the OU to engage more with those employers who had benefited from the increased skills brought about by the widening participation programme, even if they were unaware of it. A student member added that there might also be some leverage in emphasising the benefit of keeping mature students active, thus saving on health costs.
- 10.16 In response to an enquiry regarding the current situation with respect to HEFCE's invitation for the University to sit outside the formula funding system, the Vice-Chancellor said that the OU should have the courage to consider being treated differently. The University currently received £60 million in widening participation grants and the part-time premium. There was a real choice about the percentage of funds allocated to the OU in the future. HEFCE had challenged the OU to suggest a new model. It was for the University to highlight the consequences of eliminating these allocations and to suggest replacing them with alternatives. However, taking into account the changes to the funding system, if the allocations were lost altogether, then HEFCE would become less relevant to the OU. The Chair observed that the OU would become much more political if it were to sit outside the standard system.
- 10.17 In response to an enquiry as to whether 30-point courses could be rebadged as 40-point courses, the Pro-Vice-Chancellor (Learning, Teaching and Quality), Professor Denise Kirkpatrick, responded that the OU had already started to look at the point-level for courses. However, there was more involved than re-badging, and significant reconceptualisation and redesign would be necessary. The University would not undertake this work across the board, but would take a strategic view of those courses that recruited the highest number of students. The quality of courses, student assessment and pedagogic design would not be compromised. A member suggested that add-on courses that provided an additional 10 points might be a short-term option.
- 10.18 The Director, Students, Mr Will Swann, commented that if the loan system were to depend on studying 40-point courses, then the OU might lose students because other commitments

would take priority over additional study. A more creative solution would be for students to study 120 points over 3 years, providing an average of 40-points per year.

- 10.19 The Pro-Vice-Chancellor (Curriculum and Qualifications), Professor Alan Tait, agreed that, with regard to those students studying courses of 30 points or less, Mr Swann's solution was helpful, as modules existed within qualifications and did not just stand alone. It was necessary to take a critical look at courses of 15 points.
- 10.20 In response to an enquiry regarding the Government thinking around the 40-point level, the Vice-Chancellor said that it was a means of making the mathematics work. It was not a flaw in the OU argument, but in the economic modelling that BIS was doing with regard to affordability. Another member observed that progression and completion were claimed to be better amongst students studying at one-third full-time.
- 10.21 A member agreed that the OU should lobby for an alternative, but said that once a decision was made it would distort the market. The University would have to adapt to whatever parameters were agreed. A student member commented that the Government demonstrated a lack of understanding of part-time provision.
- 10.22 The Chair commented that the fee cap needed a statutory instrument, and the interest level to be charged would also require legislation. However, the issue of whether loans were made at the 30- or 40-point level did not require legislation.
- 10.23 In the light of the proposals regarding the payback period for student loans, a member asked how the Government would view a 40-year-old taking on a loan to undertake a degree. The Vice-Chancellor responded that the University was seeking guidance on whether it could discriminate on age. A student member said that she had been informed that a student's debt would be passed on to their estate if the student died before the end of the payback period had been reached. The Vice-Chancellor said that there was to be a review of whether the Student Loans Company, as well as the Universities and Colleges Admissions Service (UCAS), would be fit for purpose under the proposals. It should be assumed that these organisations would be able to step up to dealing with one sector, mode blind.
- 10.24 A member commented that the proposed transition arrangements over 3 years would prove very difficult in terms of establishing new student support arrangements and asked whether the OU could argue for an extension for part-time students. The University Secretary said that the Government was considering using the old funding system for the 2011/12 academic year, and the new funding system for 2012/13. For part-time, this translated into an active period of study of 6 years, but the funding might cut out after 3 years. This would have a serious effect on cash flow. Alternatively, there might be a quicker transition to the new funding regime.
- 10.25 The Council **noted** the paper.

11 FINANCIAL FORECASTS 2010

C/10/4/6

- 11.1 The Finance Director, Mr Miles Hedges, introduced the paper. Initially, HEFCE had issued a request for strategic plans and financial forecasts for the next 5 years. However, to have provided them would have given spurious accuracy at a time of huge uncertainty in the light of the Browne Report and the Comprehensive Spending Review (CSR). HEFCE had responded to pressure from the sector and on 5 November 2010 agreed that detailed figures beyond the current financial year need not be supplied until April 2011, when there would be a greater understanding of the situation.

- 11.2 As the CSR had taken place only 3 days before the Finance Committee meeting on 25 October, an additional meeting had been held on 16 November 2010 to review the forecasts and related commentary. On 11 November 2010, the day after the papers for this meeting had been circulated, the University had had a meeting with HEFCE, which had resulted in further changes.
- 11.3 The draft commentary aimed to ensure HEFCE understood the work that the University was undertaking and the OU understanding of the situation that it found itself in.
- 11.4 The first graph (para 27, page 7) did not provide a projection of any likely surplus after remedial action, but aimed to demonstrate to HEFCE that the impact of withdrawing between £115m and £155m in grant would result in a loss. The action that had already been taken meant that deficits of the scale shown would not occur, but it provided an indication of the scale of what needed to be achieved through the OU's action plans.
- 11.5 The second graph (para 30, page 8) illustrated the trade off between increasing income from student fees and volumes, and the mix of cost cutting and new net income generation, (paras 29 & 30). These were the only routes available to compensate for the gap created by the loss of funding. At the suggestion of a member, the sentence would be reworded to improve its clarity.
- 11.6 The pie charts (page 9) showed that the relativities between the University's income sources were going to change dramatically (para 31). Pre-Browne, essentially 70% of the teaching income had come from Government sources. The second chart, an initial indication of the post-Browne position, showed the situation if the entire lost grant had to be regained by additional fee income. [In order to achieve this, the fees would still be less than 40% of the top cap of £9,000 proposed by the Government and less than 60% of the lower cap of £6,000]. The OU would continue to represent extremely good value for money compared to the likely tuition fees charged to full-time students. The chart assumed that the funding council grant allocations would remain, on the basis that widening participation would move people into the economy. The core funding council grants would be likely to reduce to 10%, where Scotland and Wales would become the largest contributors. Essentially Government funding, instead of largely coming direct, would reach universities indirectly through those individual students eligible for support.
- 11.7 In a meeting with BIS to discuss part-time policy issues on 18 November, the assumption had been made that existing students would continue under existing fee and fee support arrangements (including fee grants) for as long as it took them to complete their qualification - subject to existing rules on the period of study lasting no more than 6 years of active study. However, there would be a problem if the Government expected students to complete their qualification within six years, but funding was withdrawn after three years.
- 11.8 In the new environment the University's income would be received later than it was currently and so its cash resources would decrease significantly.
- 11.9 A student asked whether OUSBA would allow a student with a poor credit rating to take a loan. Mr Hedges said that a decision would have to be made on this point. It might be that philanthropic funds would provide a better option for funding students unable to afford the fees charged.

- 11.10 The last two pages of the commentary summarised the risks and uncertainties. These would become better defined as the external environment became clearer. At present, the 'funnel of doubt' in respect of Government funding remained wide, \pm £40 million, but the modelling would become clearer in the period December to March as BIS issued its grant letter to HEFCE, HEFCE published its overall response and then HEFCE provided its grant letters to individual universities. The University's management team was currently looking at the University's initial response and the balance of student numbers and mix. It would refine its response as more information became available.
- 11.11 A member commented that the mix of income streams as illustrated in the post-Browne pie chart was very interesting, as it suggested that HEFCE would become irrelevant to the OU. The conversation with HEFCE should emphasise the cash flow implications. If the University did not get its money upfront and there was zero elasticity in demand, the picture would look very different and loans might become necessary. The Treasurer, Mr Michael Steen, said that there was still time to take the Council's comments on board.
- 11.12 The Vice-Chancellor observed that HEFCE had provided two opportunities to submit the University's plans and forecasts. The option to resubmit in April had allowed the OU to pare back the detail in this paper, on the basis that it was preferable to provide better informed scenarios. It was a time of great change and issues would evolve over the next few months, so the University might have to adapt its response even as it was developed. There would be a letter from BIS to HEFCE before Christmas and further detail from HEFCE in March. The University would then produce a more informed paper for April. In the meantime, it was not clear what any potential scenarios would be used for. A member, who was also a member of the Finance Committee, commented that an earlier draft had included scenarios that might have been interpreted as what the OU would do. It had been agreed to pare back the commentary and make it clear that the OU would address the issues, but not to suggest that everything could be resolved.
- 11.13 A member said that there was an issue of confidence. It was necessary to convince others that the University could deal with whatever happened, whilst not presenting anything that the OU could not defend or feel confident about. Another member was also in favour of keeping the commentary slim. Some of the OU's problems would be different to those of other universities, but many, such as cash flow, would be the same and did not need to be highlighted.
- 11.14 Mr Hedges said that few universities had done market research work on pricing and its acceptability in the market place, as UK fees for full-time higher education had been regulated. Many universities may charge as close to £9000 as possible and were confident that these fees would be acceptable, although the evidence was not clear. Some universities would have a problem in justifying higher fees to replace grants and could find themselves in difficulty. There would then be huge pressure for an organisation like the OU to step in to help students at those institutions.
- 11.15 The University was talking regularly to its auditors who, as they also audited other organisations in the sector, were well aware of the issues. The current version of the financial forecasts and commentary to be submitted to HEFCE would be amended in April to demonstrate how the University would move forward.
- 11.16 The Vice-Chancellor, Mr Martin Bean, gave a presentation on how the OU would be managing the situation going forward. A detailed progress report would be presented to Council in March before the final version of the financial forecasts and commentary were submitted to HEFCE in April. The final strategic response would be brought to the Council

in July, which would encompass, in *OU Futures*, a set of concrete proposals, including a new financial plan and unit plans.

- 11.17 Referring to an earlier remark by a member, the Vice-Chancellor said that he was confident that the University could navigate through these difficult times and come out stronger. However, he was cautious and his mood had changed since the initial publication of the Browne Review because of the unintended consequences of the Government's response. He had confidence in the VCE and the Extended Leadership Team (ELT), but was being careful to ensure that the OU would be on the front foot of every consultation phase, as it was apparent that part-time provision was not well understood.
- 11.18 Responding to an enquiry about the level of resource required to deal with the work necessary to reduce the University's costs, the Vice-Chancellor said that a grant from the University Modernisation Fund would allow the OU to build up significant resources. The management team would be supported appropriately and time would not be squandered.
- 11.19 Referring to a slide (attached as Appendix 1 to these minutes), Mr Bean said that a work stream on ongoing assessment, modelling and financial planning would continue to try to make sense of information as it became available, and would inform the University's strategic response as the external environment changed. The initial outputs of this work stream were set out in paper C/10/4/6 and would continue until the new funding and student environments stabilised.
- 11.20 With regard to Government Relations, the senior team was receiving top-up media training and was close to having response data backed up by hard data that could be used to take forward the arguments about the impact of the social cost-benefit and the need for excellence. The University was liaising with the BIS Select Committee and was in regular contact with appropriate individuals in all of the political parties, Lord Browne and with bodies such as Universities UK (UUK) in order to build on the successes achieved over the past year. One goal was to ensure that the £60 million grant for widening participation did not disappear. The University would be assertive in its case and would emphasise the social cost of removing this allocation.
- 11.21 There were three core streams to the University's response:
1. Markets, students and pricing – the OU was collecting sound evidence on price sensitivity, student behaviour and target markets in a world that did not yet exist. The work stream would incorporate a view on the academic modules and qualifications that might do well in the new environment. Investment was being made to model possible outcomes and set the income assumptions going forward, and so determine the amounts that would have to be delivered through the remaining two work streams. The University Secretary, Mr Fraser Woodburn, was leading this area, together with the Strategy Office (Mr Guy Mallison). Assistance would be sought from a leading consultancy to develop the overall response.
 2. Cost reduction and efficiency – the University was in good shape and thankful for the surplus that had been achieved in the last year and was on track to achieve in the current year. However, this work stream would identify those activities and costs that could no longer be afforded in the new environment and which could not reasonably be justified to students. Tough measures were necessary to improve efficiency and reduce costs and the University might have to become smaller, offer less, and reduce its ancillary services. However, it would not sacrifice the quality of the student experience. The work stream would look at areas to target and this would influence where the University made investment for success or made cut backs. This area was owned by

the VCE and ELT, who importantly were considering the benefits for the OU as whole, and not just for parts of it and was led by the Finance Director, Mr Miles Hedges.

3. New Income Streams – this work stream would look to extend the University's existing income streams and develop new ones to generate a net return that would help to sustain the University's core academic activities. It was being led by the Business Development Director, Anthoula Madden, and would include employer engagement and business to business activities. The way in which the University could engage with employers in general would be considered, and in particular how it might help public sector areas such as NHS, DWP and defence in a strategic rather than an opportunist way. The University was still developing its view on how best to deal with European pricing and which world markets the OU would next approach. Interim reports would be presented at the Council meetings in March and in July. The University was not relying on the outcomes of this work stream in the short-term. If it was successful, then the OU would proceed, but the outcomes of work streams 1 and 2 were more important in the immediate future.

- 11.22 Unified outputs in the form of a revised *OU Futures*, new financial plans and new unit plans would be provided, and there would be changes to the previous process. The senior team provided a leadership framework that would respond in real time to the constant changes in the external environment. A member said that she was relieved to see such a strongly focussed and integrated approach to the delivery of the work streams.
- 11.23 In response to an enquiry, the Vice-Chancellor said that a communications strategy ran across most stakeholders, but needed to include the Council. The strategy included a combination of frequent video messages delivered to the desktop of every member of staff, structured communications through each unit head that were delivered to and personalised for their teams, and regular email supplements. However, a set of deliverables was needed for the Council to use outside the OU.
- 11.24 A staff member commented that the Vice-Chancellor's communications were very well received, but the team briefings were less useful because of the time scale in which they were delivered. Internally, staff were extremely worried. Another member said that it was important to provide information that would enable people to see a positive way through, as well as a means of feeding back their thoughts and ideas.
- 11.25 The President, OUSA, Mrs Ros Evans, remarked that the student members of the Council were often in a difficult position, as they heard things that they could not pass on. A student member added that video clips for a wider audience, including students, would provide reassurance that the University was addressing the issues of concern. Students could be more useful if they were steered in the right direction.
- 11.26 A member commented that most communications would focus on dealings with the Government and HEFCE, but it was important not to forget about the nations and to keep reassuring people about the local picture.
- 11.27 Another member said that the situation was not as bad as was implied by the media. The OU would not collapse and it had an excellent leader in its Vice-Chancellor. The situation was unstable and unsettling, but the OU would survive. A level of balance was required, without being naïve. The Vice-Chancellor agreed that it was important to balance confidence with clarity. The University should be neither irrational nor deluded, but it should be confident that it would establish new markets and deliver value for money.

- 11.28 The Chair observed that the OU had taken the high moral ground on ELQ, but that this issue was even more important, particularly in respect of widening participation. All stakeholders, including students, must be prepared to get behind the OU. The March Council meeting would be decisive and would shape the final strategy to be presented in July.
- 11.29 The University Secretary, Mr Fraser Woodburn, said that there would be discussions in parliament about the fee cap in the next few weeks and a decision would be taken before Christmas. The real rate of interest charged to graduates and any structural changes required legislation, which could be attached to an education bill, but would most likely be included in a white paper, in the following session. The new system would start in September 2012 for new students, with current students continuing with the old regulations.
- 11.30 The Council **approved**, on the recommendation of the Finance Committee, the financial forecasts and commentary.

12 ANNUAL ASSURANCE RETURN 2010 C/10/4/18

- 12.1 The Chair of the Audit Committee, Mrs Claire Ighodaro, introduced the paper. This annual return was a new requirement from HEFCE and reflected its new role as principle regulator of those HEI's that were exempt charities.
- 12.2 Council **agreed** that the Vice-Chancellor should sign the Annual Assurance Return 2010 on its behalf.

13 FINANCE COMMITTEE C/10/4/7

The Council **noted** the minutes of the Finance Committee meetings held on 24 September 2010 and 25 October 2010.

14 AUDIT COMMITTEE C/10/4/8

The Council **noted**:

- a) the minutes of the Audit Committee meeting held on 25 October 2010;
- b) the Annual Report of the University's Nominated Officer for its related/subsidiary undertakings;
- c) that the Audit Committee's Annual Report to the Council had been submitted as a separate item with the Chief Auditor's Annual Report appended to it for information.

15 REMUNERATION COMMITTEE C/10/4/9

The Council **noted** the report following the 2010 review of senior staff salaries.

16 STRATEGIC PLANNING AND RESOURCES COMMITTEE (SPRC) C/10/4/10

The Council:

a) **noted**:

- i) the unconfirmed minutes of the SPRC meeting held on 27 October 2010;
- ii) the unconfirmed confidential and restricted minutes from the meeting. These matters were referred to elsewhere on the Council agenda.

b) **approved** the revised constitution as approved by the Senate and noted by SPRC

17 THE SENATE C/10/4/11

The Council **noted** the report on the Senate's discussions at the meeting of the Senate held on 13 October 2010.

18 NATIONAL STUDENT SURVEY C/10/4/12

The Council **noted** the report on the results of the 2010 National Student Survey.

19 VICE-CHANCELLOR'S ANNUAL REPORT C/10/4/13

19.1 The Director, Communications, Mr Derek Prior, explained that the University was experimenting with three different formats for the Annual Report. For the first time, the report would be available on-line and as a 'light' printed version, as well as being produced as the traditional booklet. The on-line version of the report had been optimised for the iPad, although innovative technology allowed it to be accessible through any platform.

19.2 The report was divided into three themes that reflected the OU's core values: Changing Lives, Innovating and Responsive Solutions. On-line, the headline stories drilled down to content that included rich media and dynamic links to further OU content, as well as links to social media. A timeline was available to report those stories that did not fit into this model, such as the receipt of awards or grants, and the opening of buildings.

19.3 The visual themes had been taken from the "world of inspiring learning" campaign, which had reduced the costs. It was intended to use this platform for the next 5+ years.

19.4 The light version of the traditional printed report took account of the length of time people actually spent reading an annual report, and contained the key messages only.

19.5 The Council **noted** the Annual Report for 2009/10.

20 MEMBERSHIP COMMITTEE C/10/4/14

The Council **agreed** that no action was needed in respect of the attendance records for the Council and its Committees, as agreed by the Membership Committee.

21 REPORT ON COUNCIL RESIDENTIAL WEEKEND 2010

C/10/4/15

The Council **noted** the report of the proceedings of the annual residential meeting of the Council, which had taken place at The Open University in Milton Keynes in September 2010.

22 CHAIR'S ACTION

C/10/4/16

The Council **noted** the appointments to membership of the Council Committees, following action taken by the Chair since the last meeting of the Council.

23 DECLASSIFICATION OF COUNCIL PAPERS

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

- a) C/10/4/1 The Browne Report and Comprehensive Spending Review
- b) C/10/4/2 2011/12 Fees and Financial Support Strategy
- c) C/10/4/3 Organisational Changes
- d) C/10/4/6 2010 Financial Forecasts
- e) C/10/4/10 SPRC/10/4/M – Confidential Minute

24 COUNCIL MEETING DATES 2011/12

C/10/4/17

The Council:

- a) **noted** the dates of the meetings in 2011;
- b) **agreed** the programme of meetings for the 2012 calendar year.

A member commented that the Council Governance Review Group had recommended that one meeting each year take place in one of the nations and enquired as to which meeting this would be. The University Secretary, Mr Fraser Woodburn, confirmed that one meeting would take place outside of Milton Keynes, but that the specific date and venue had not yet been agreed.

25 FAREWELL AND THANKS

The Vice-Chancellor reported that the Pro-Vice-Chancellor (Research and Enterprise), Professor Brigid Heywood, was attending her final meeting of the Council. Professor Heywood had accepted a position as Assistant Vice-Chancellor (Research) at Massey University, New Zealand from February 2011. On behalf of the Council, the Chair thanked Professor Heywood for her contribution to The Open University and wished her all the best in her new life.

26 REVIEW OF MEETING

The Chair said that this item had been a recommendation from the Council Governance Review Group, agreed by the Council in May 2010, which invited members of the Council to reflect on the meeting and suggest whether anything might have been done differently to make it more effective. Members who wished to comment might do so in the meeting, or by speaking to the Chair or Vice-Chair after the meeting.

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