



THE COUNCIL

Minutes of the meeting of the Council held on Tuesday 19 July 2011 at The Open University, Walton Hall, Milton Keynes

- Present: Lord Haskins (Chair), the Vice-Chancellor, Mr S Barnett, Mr E Briffa, Mr H Brown, Dr S Ding, Mrs M Cantieri, Mrs S Dutton, Dr I Falconer, Prof J Fortune, Dr A Freeling, Mrs C Ighodaro, Dr M Hopkins, Dr C Lloyd, Ms S Macpherson, Mr P Mantle, Ms C McEwan, Ms L Murphy, Dr T O'Neil, Mr A Peck, Mr M Steen, Prof W Stevely,
- In Attendance: Pro-Vice-Chancellor (Curriculum and Qualifications), Pro-Vice-Chancellor (Learning, Teaching and Quality), Interim Pro-Vice-Chancellor (Research and Enterprise), Director, Students, Finance Director, University Secretary, Senior Assistant Secretary (Central Secretariat), Assistant Secretary (Central Secretariat)
- In Attendance for part of the meeting: Director of Communications, Director of Strategy, Anna Barber, Senior Strategy Manager, Mr David Maggs, Consultant, Monitor, Mr Reid Adrian, Consultant, Monitor, (Items 1 – 8), Ms Ros McCool, external co-opted member of Staff Strategy Committee (absent for Item 20).
- Apologies: Mr R Humphreys, Mrs R Spellman

1 WELCOME

The Chair welcomed Mrs Sue Dutton, the newly elected non-academic staff member of the Council, to her first meeting. Mrs Dutton was currently Head of the Curriculum Management Office in the Faculty of Arts.

2 DECLARATION OF INTERESTS

Some members declared that they had links with other institutions: Mr Anthony Freeling with the University of Cambridge and Ashridge Business School; Ms Shonaig Macpherson with Heriott Watt University; Professor Bill Stevely with the Scottish Agricultural College; and Dr Isobel Falconer with Glasgow Caledonian University and St Andrews University.

3 MINUTES

C/2011/2/M

The Council **approved** as a correct record the minutes of the business meeting held on Tuesday 10 May 2011.

4 MATTERS ARISING

There were no matters arising not dealt with elsewhere on the agenda.

5 CHAIR'S BUSINESS

The Chair observed that this was an important meeting in which the Council would take some major decisions that would have a significant impact on the development of The Open University over the next few years.

6 VICE-CHANCELLOR'S REGULAR REPORT

The Year Past

- 6.1 The Vice-Chancellor, Mr Martin Bean, reported that the year just past had been one of significant progress. Student numbers in 2010/11 had been the highest ever recorded, reaching 82,600 full-time equivalents (FTEs) at module start, 2% up on the previous year. Measured in student intake, the University was now 19% larger than it had been five years ago.
- 6.2 The OU's commitment to social inclusion was as strong as ever. The Openings programme had brought 18,000 students into higher education during 2010/11. Significant steps had been taken to create more coherent pathways for students in order to enhance student progression; and major steps had been taken to ensure that the University's delivery models had a strong focus on qualifications as a core organising principle moving forward.
- 6.3 The new five year agreement with the BBC would provide the OU with better value for money by sustaining the same quality and quantity of television and radio output for significantly less investment. The savings made would allow the OU to sustain other open media activities, including OpenLearn, iTunes U and YouTube, as well as other resources to support teaching and learning. Usage of the OU's open media channels continued to be awe-inspiring. There had been over 300 million views of OU/BBC programmes in the UK in the past year and over 2.5 million people had followed up a 'call to action' by contacting the University or going online with the OU. The OU had become the most popular university on iTunes U. More than 36 million items of free Open University learning material had now been downloaded since the OU had launched its site on iTunes U in 2008.
- 6.4 The Quality Assurance Agency for Higher Education (QAA) had just completed a review of the OU's collaborative provision in the UK and overseas. The report had not yet been received, but the outcome had been that 'confidence could be placed in the University's management of academic standards and the quality of the learning opportunities available to students in partner institutions'. The draft report, which would be received at the end of August, would highlight a number of instances of good practice and make some recommendations for further improvement. This was a welcome and positive outcome for the University and the efforts of the Pro-Vice-Chancellor (Learning, Teaching and Quality), Professor Denise Kirkpatrick, and her team were to be commended.
- 6.5 The University had sustained a strong research record. The OU was ranked in the top third of UK higher education institutions (HEIs) and 50% of OU research was rated world-leading or internationally excellent.
- 6.6 The Open University Students' Association (OUSA) had adopted a new constitution, strengthening its ability to represent students in an on-line world.
- 6.7 Financially, the University had had another excellent year. The 2010/11 consolidated forecast outturn showed a surplus of £46.9 million compared to a budgeted surplus of £31 million, which would be discussed under Item 8 on the agenda. This provided the University with the strength to manage its way through uncertain times.

- 6.8 Finally, in the area of public affairs and external relations, the University had continued to consolidate the excellent links it had built up with ministers and politicians throughout the four nations of the UK.

White Paper

- 6.9 Since the last meeting of the Council, the government had published its long awaited White Paper on the future of higher education (HE) in England. There were three aspects of these proposals that were of particular interest to the OU. The first was the plan to increase student choice and promote institutional diversity. The White Paper envisaged “more higher education in further education colleges, more variety in modes of learning and wholly new providers delivering innovative forms of higher education”. In his statement to the House of Commons, Mr David Willetts, Minister of State for Universities and Science, had said that he also envisaged “more provision from The Open University”. The White Paper had suggested that some of the expansion outside the OU could be achieved by an extension of the OU’s accreditation and validation arrangements and of London University’s external degree model to further education (FE) colleges and to other providers.
- 6.10 The second issue of interest to the University was the proposal to free up student number controls by making around 85,000 places contestable among universities in 2012/13. Elsewhere in the White Paper, Mr Willetts had written “It is noteworthy that three very different types of institution do consistently well in the [National Students Survey]: The Open University, Buckingham, and Oxford and Cambridge. What they share, in very different ways, is a commitment to close contact with students and focus on academic feedback.”
- 6.11 The third area of interest to the OU was the proposal to develop a single application portal and integrated application processes for both higher education and student finance applications that would include both full-time and part-time students. This would involve drawing together the separate processes operated by the Universities Central Admission Service (UCAS), the Student Loans Company and The Open University. The University was currently in discussions with Ministers, UCAS and the Student Loans Company about how the OU could best achieve this complex piece of work with minimum disruption to its students.

HEFCE Consultation

- 6.12 In a separate exercise, the Higher Education Funding Council for England (HEFCE) had launched the first stage of a two-part consultation about the way HE teaching was funded and student numbers were allocated in England in 2012-13. The second stage would propose long-term arrangements for 2013-14 and beyond. The consultation paper set out proposals for phasing out the mainstream funding associated with continuing (or old regime) students in 2012-13 and for allocating funding for new regime students in price groups A and B. In addition, it described proposals regarding the non-mainstream allocations. Some of these, like the transitional funding for equivalent and lower qualification (ELQ) students, had originally been intended as a temporary measure only and would be phased out over the next two years. Other allocations, such as those which recognised the additional costs associated with widening participation, improving retention, supporting disabled students and part-time students, were being ‘rolled-over’ into 2012-13 and would then be reviewed in the second stage of the HEFCE consultation. However, HEFCE had already indicated that it expected the allocations associated with widening participation and retention to be retained beyond 2012-13, albeit in a different form and possibly with reduced levels of funding. This was an important outcome for the University since it gave the OU the opportunity to continue to press for the retention of widening participation funding at current levels and to continue to argue for the part-time student allocation.

Strategic Response: UK Market Strategy

- 6.13 This information provided a background to the decisions that the Council had to make at this meeting on the undergraduate student fees in England. The government had decided, in the wake of the Browne Review, that direct public funding of universities should be reduced and that universities should seek to make up the difference by charging higher fees. The OU had spent a long time lobbying the Government to get the best possible deal for part-time students in England and it had succeeded in securing loans for all undergraduates taking 30 credits or more. As had been indicated during the recent Council workshop, the University had devoted a considerable amount of time to understanding how students would respond to the new financial arrangements and had thought very carefully about how the OU could best continue to serve its key student groups.
- 6.14 The paper on fees that was before the Council (C/2011/03/01) showed that the University had produced some bold but sound proposals: bold because the OU proposed to set its fees at a level that was below what many other universities in England would charge; sound because, with this level of fees and with the loan support that would now be available to part-time students in England, the proposals would provide financial sustainability for the OU whilst enabling it to stay true to its mission and offering good value to students.
- 6.15 The Vice-Chancellor thanked colleagues for the excellent job that had been done to prepare the Council for this decision. The research had been thorough, the analysis had been first class, and the conclusions and recommendations were carefully considered and balanced. The commitment and professionalism of all colleagues and the very high quality of their work was impressive.
- 6.16 The Vice-Chancellor also thanked members of the Council for their contributions. The way in which members had given freely of their time, expertise and experience had been of tremendous value to the Vice-Chancellor and his senior team and was much appreciated.

7 STRATEGIC RESPONSE: UK MARKET STRATEGY C/2011/03/01

Confidential minute.

8 COMMUNICATING THE UK MARKET STRATEGY C/2011/03/02

- 8.1 The Council was shown a video for prospective new students, which had been based on the one produced for use in the market research. An equivalent video had been produced for current students, which explained how they might be eligible for the transitional arrangements.
- 8.2 A member asked why the extract explaining what students might pay on a monthly basis once they started earning £21,000 had been dropped, as it had provided a useful and significant message. The University Secretary, Mr Fraser Woodburn, said that the video had to be kept short and this information was provided on the website. Another member commented that first figure apparent in the video was £5,000. US institutions charged per credit and it might be more palatable if the OU were to follow suit by highlighting the fee of £1,250 per 30 point module.
- 8.3 The President of OUSA, Mrs Marianne Cantieri, asked where the video was going to be placed, and where and when the video for transitional students would be communicated.
- 8.4 In response, the Vice-Chancellor, Mr Martin Bean, introduced the Director of Communications, Mr Lucian Hudson, to explain the communications plan. The Council's endorsement of this plan was needed in order that the University could move quickly with

announcements to the OU staff, to existing and future new students, and to approximately 60 external stakeholders.

- 8.5 Mr Hudson circulated three papers that had been prepared in advance, but that had been subject to the Council's agreement on the fees:
- a) A letter providing details of the ways in which the University could support Council members in the event of them receiving enquiries whilst the fees announcement was being made;
 - b) A draft news release, which would be issued the following day, once the University's staff had been notified;
 - c) A statement that had been agreed with OUSA, which included a quote from the OUSA President, Mrs Marianne Cantieri, and the Vice-Chancellor, Mr Martin Bean.
- 8.6 With reference to a member's comment on the importance of internal communications, the University would use the opportunity to communicate effectively, clearly and consistently across the University. The decision taken by the Council would be released to staff after 10.00am the following day through a video from the Vice-Chancellor, which would also carry a statement from the Pro-Chancellor.
- 8.7 Once the statement to staff had been circulated, the University's position would be communicated on-line, and would include the two explanatory videos as well as the news release and joint statement. A dedicated website had been set up for the purpose: Fees 2012.
- 8.8 The University would then communicate with the media. Interviews between the Vice-Chancellor and education correspondents would be triggered in the light of the Council's decision on the fees, and would take place the following day.
- 8.9 The letter to members of the Council identified six ways in which the University and the Council might receive enquiries:
- a) Staff and associate lecturers (ALs). There would be a target package for ALs, and all staff would be briefed by their managers at the beginning of the following week, through a cascade and team discussion. Not only would the University communicate what the University was doing, but engage with them at an appropriate level of interest as to how they would be involved and to capture any feedback from them to inform the University's work. There would also be a separate briefing for those, such as Student Registration staff, who might face direct enquiries from students.
 - b) Press and media
 - c) Politicians and government advisors
 - d) Students and alumni on new fees, loan eligibility, transitional arrangements and fee support
 - e) Business currently sponsoring students or considering doing so. This was critical to the dimensions of value and employability, jobs and careers.
- 8.10 Referring to the earlier comment about strategic communication, Mr Hudson said that the paper on Communicating the UK Market Strategy (C/2011/03/02) identified three waves. The first wave constituted the internal preparation leading up to this meeting of the Council and had had a very restricted circulation amongst the key staff and managers involved. Wave 2 would begin the following day with the announcement to all staff, stakeholders and media. The third wave would take the University through to 2012, when there would be a much clearer picture about all the fees for the UK. Strategically, it was important not only to communicate about the OU's fees, but also about the context for those fees and the University's value proposition. The messaging was therefore about what the OU had to

offer and how it had taken the right steps to enable it to keep its fees low, whilst also positioning itself to deliver on its social mission and remain economically sustainable.

- 8.11 For the first time, the OU would be proactively contacting approximately 60 key stakeholders through those in the University who owned and managed key relationships. Further stakeholders had been identified, who the University was ready to respond to should they make contact.
- 8.12 The materials available to support the communications plan included the website, videos and frequently asked questions (FAQs) which aimed to address the concerns of students and other stakeholders.
- 8.13 A member commended the plan, but asked whether the announcement might be delayed, even by a day, as other current affairs were likely to ensure that there was no press space for the University. Mr Hudson said that the situation presented both an opportunity and a risk: if the full story was put out on the University's terms then the outcome would be positive, but if it went out partially, then the OU's messages would be skewed. The University could deal with getting no coverage at all, as there would be future opportunities to promote the OU's messages, but would be more difficult if there was only a little. The interviews during the following day would provide a sense of how interested the media were in the story. There had been strenuous attempts by some media organisations to ensure that they reported on a range of stories, so although the University might not get much coverage, it should get some if only because it was different.
- 8.14 Another member was concerned that the press coverage might not be what the University wanted and would have a negative impact, particularly on existing students. There would be an issue if the media chose to focus on the fact that the University's fees would be increasing by over 300%, rather than on the positive messages that the OU wanted to highlight. Mr Hudson said that the joint statement with OUSA, which would be available on-line, would help communicate the message not only about the arrangements for new students, but also for existing ones. The University would also assist OUSA in communicating effectively with its own members. Mr Bean said that the University was aiming for synchronised communication, which was the reason for moving quickly. There was always a risk that the media would report items in an unhelpful way, but the University would take the lead by presenting a good story about the OU, which despite the difficult financial conditions would be staying true to its mission. The meetings with the education correspondents would aim to ensure favourable headlines, by putting the fees announcement into context. The press interviews had been synchronised with the release of information to the University's stakeholders, and the Student Registration and Enquiry Service (SRS) team would be prepared to receive a flood of enquiries. Moreover, OUSA was providing great support in assisting the University with these communications. The University had prepared as thoroughly as possible, but it would not be able to control the story. It would be available to answer questions and set the record straight if that became necessary. In response to a query from the Chair, Mr Bean said that the correspondents included those from the BBC, The Guardian, The Times, The Daily Telegraph, The Financial Times and The Economist.
- 8.15 A member commented that the current headline fee for university tuition was £9,000. This might present another risk for the University in that its lower fee of £5,000 might be interpreted as being indicative of lower quality. There was a fine line between stating that in the new regime the fees represented excellent value, whilst acknowledging that they were increasing considerably.
- 8.16 Referring to the notes to editors on the news release, a member asked for clarification with regard to the cost of an OU BA/BSc (Hons) degree, which was quoted as £4,200 and £5,860, and the fee of £1,600 that had been referred to earlier in the meeting. Mr Bean

said that the higher figures referred to the cost over three years, and noted that the University should be consistent in the way it put over its message.

- 8.17 A member observed that because the Council had been focussed on the work that had concluded that the OU's fee should be £5,000, members were now fixated on this fee. Until they knew about the transitional arrangements, students would not be concerned about the fees, so it was important that the University got this information out to them. Whilst it was necessary to have agreed the figure of £5,000, it was not the key story and the University should be encouraged to reframe the announcement so that it was less about the decision and more about the new OU. The Chair observed that it was not necessary for the University to be too defensive about the fees. An interesting element of the research was that 18-20 year olds did not appear to be concerned about the costs. Mr Bean said that the main messages for the media would be about the OU's great product, brand, innovation and value for money. However, it was important to understand that the hook for the media would be the announcement of the fee: the University would have to use this opportunity to communicate the story about the OU as a remarkable institution.
- 8.18 A student member was concerned that if the on-line video and joint statement were the only materials targeting existing students, then the strategy would fail. The co-operation between the University and OUSA was welcome, but most students were unaware of OUSA's existence and the University would be unable to reach them in this way. It was essential that the University claimed the space on Twitter and Facebook, and that the positive messages went viral before the bad ones. There were currently 250,000 students who had no idea that transitional funding would be available and who should be targeted to ensure that they understood that the increase in fees would not affect them. The circulation of an email would help. The Director, Students, Mr Will Swann, said the video did not stand alone, but would be embedded in a website that would go live at the appropriate time and would be supported by substantial FAQs. The SRS staff and support teams, who spoke directly to students in regional and national centres, were being briefed later that day, in order to prepare them to respond to queries that would arise from the news release. A member said that a bulletin would also be placed on StudentHome the following day and that a CAMEL¹ message would be sent to all students drawing them to StudentHome. In this way, the University would reach more students than might have been thought. The student responded that CAMEL messages went out in batches after hours, so whilst the University might think it was sending a message at 10.00am, it would only go out after 10.00pm and would take 36 hours to get to everybody. Another member agreed that it was important to get the videos, as a minimum, out through channels such as YouTube, iTunes and SocialLearn and not just through the website. If Council members were able to add links to their Facebook pages, then they could also contribute to the communication of the message. The viral element was critical.
- 8.19 Mrs Cantieri asked whether it would be possible to announce to current students that there would be transitional arrangements, without providing any details, before the main announcement was made the following day. Mr Swann said that this would be considered. Mr Hudson commented that the announcement about fees needed to be made to everyone at the same time, but it might be possible to target existing students regarding transitional arrangements in advance.
- 8.20 Following these remarks, Mr Bean said that the student communication plan would be reconsidered immediately after the meeting, as it was apparent that it was necessary to get a clear and compelling message out as soon as possible to existing students by whatever means were available. If Council members wished to participate in sending out the message, it would be better to embed links rather than the videos, in order to draw in

¹ Centrally Administered MMessage Launcher

interested parties. Another member asked if the links in the letter to Council members could be mailed electronically. Mr Bean confirmed that the final version of the documents would be emailed with URLs.

- 8.21 A member asked what mechanisms were in place to monitor what was happening through social networking such as Twitter and Facebook. Mr Hudson said that there was a means to 'sentiment mime' comments on the OU's fees and the HE sector. This was already done regularly, but once the announcement was made the University would carefully monitor the reaction to its messaging. There would be a tactical response to ensure that messages were landing in the way intended, as well as a strategic response to assess the feedback and consider how the OU's messages might need to be refined.
- 8.22 The member asked how the University would deal with students who had been studying up to last year, but were currently taking a break. The Director, Students, Mr Will Swann, said that in order to be eligible for the transitional fees, students must either have completed study in 2010/11 or be registered in 2011/12. An exceptions policy would be developed to deal with cases when, for valid reasons, students had been unable to complete in 2010/11 or to register for 2011/12. The member commented that it was necessary to communicate this message to such students as soon as possible, in order that they had the opportunity to register for 2011/12. There was an opportunity for the University to improve its retention of current students, as the need for them to continue to study in order to remain eligible for the transition arrangements provided a strong selling point. This would be very useful to the University during an unsettled period.
- 8.23 With reference to the communication to staff, a member said that staff were likely to be interested not only in the fee level and the student numbers, but on the possible implications for them, such as staff reductions. Mr Hudson said that the focus of the internal communication would be different to that of the external messaging. Whilst the details of the fees would be included in the communication to staff, the main intention was to use the opportunity to communicate what the OU had learned from the market research and how this would inform what the University did in the future. Mr Bean said that his message would deal with the fees and the broad based strategy and direction, but that the Extended Leadership Team and other senior managers had all been prepared to cascade information and respond to staff questions and concerns through smaller local group interactions as a matter of priority.
- 8.24 A member said that it was important for local stakeholders, particularly members of the MK Collaboration Group, to be advised of the news release in order that local champions did not feel neglected. Mr Hudson confirmed that this group was amongst the stakeholders already identified.
- 8.25 The Chair thanked everyone for their contributions to what had been a very constructive discussion, which should give the executives of the OU the confidence that the Council was behind the strategy. On behalf of the Council, the Chair thanked the University staff for an excellent piece of work and wished them well in its execution.
- 8.26 The Council **noted** the overview on the work to communicate the UK Market Strategy

9 INTERNATIONAL STRATEGY UPDATE

C/2011/03/03

- 9.1 The Vice-Chancellor, Mr Martin Bean, said that the update on the work to develop the international strategy was for the Council to note at this time. The University was in the latter stages of appointing a Commercial Director, who would become the custodian of the commercial elements of the international strategy moving forward. The Council would be asked to make some definitive decisions later in the year.

- 9.2 A member asked whether the fees of £5,000 would apply to European students. Mr Bean said that implications of the decision on fees on students in Europe would be presented to the Council in November 2011. The EU regulations were complex and it was easier to differentiate pricing across the four nations of the UK, than across the balance of the EU.
- 9.3 A student member asked why Germany was a target market. The research had indicated that 37% of students seeking higher education taught in English would “definitely” or “strongly consider” the OU, and another 40% would “consider” the OU. However, had it been made clear to these students that the OU degrees were not recognised in Germany, where the open entry model presented a particular problem? Mr Bean said that he would check the research.
- 9.4 A member mentioned that there were some areas where the government was putting in initiatives, such as UK India. Mr Bean said that paper stated how the University had separated the global development work from the for-profit work, but there were areas where the two overlapped, for example in India. The proposal that the University had submitted to the Department for International Development (DFID) to help with teacher capacity building provided an easier way for the University to enter a market such as India than more traditional routes. The strategy to be presented to the Council in November 2011 would clearly define the various ways in which the University would go to market around the world.
- 9.5 With reference to the proposed model description for Europe Direct, which referred to substantially online delivery, a member asked whether the University was decommitting from face-to-face tuition using ALs based in Europe. Mr Bean confirmed that this was the case.
- 9.6 The President, OUSA, Mrs Marianne Cantieri, observed that paragraph 43 stated that “Global Direct is equivalent to Europe Direct, but without the option of face-to-face tuition”. This would create issues if the document were to be accessed by students in Europe, as there was virtually no face-to-face contact in Europe and, if tutors were being removed, there would soon be none at all. Mr Bean said that the paper was confidential, but it would be amended.
- 9.7 A member asked whether the conclusions about partnerships and collaborative provision had been informed by the recent Quality Assurance Agency (QAA) audit. Mr Bean said that the University’s overall quality assurance framework, which included partner provision where the OU had a duty of care for the quality of the student experience no matter where the student was located, had influenced the University’s thinking more than the recent audit.
- 9.8 With reference to paragraph 12, a member asked whether the figures quoted were those from the renegotiated agreement with the BBC, as revenues of £1.9 million from a cost of £5.5 million did not appear to be a good return on investment (ROI). Mr Bean said that the primary investment with the BBC was, as it always had been, in co-productions to support the core work of the University, they were not targeted at achieving a high ROI through the subsequent syndicating of successful programmes through commercial channels. Where the OU did co-invest, it had certain rights regarding the global distribution of programmes, which were negotiated country by country, and market by market. Consequently, some opportunities had emerged around the sale of broadcast rights for successful programmes such as *Coast*, which had proved successful with cable and free to air broadcasters.
- 9.9 The Council **noted** the update on the work to develop the University’s International Strategy

10 REVISED FINANCIAL STRATEGY

C/2011/03/04

- 10.1 The Finance Director, Mr Miles Hedges, introduced the paper, which had been discussed by the Finance Committee at its meeting on 28 June 2011, and made some comments on the charts in the context of the discussions earlier in the meeting.
- 10.2 Chart 1 showed that the University would be moving from a funding environment in which grants that were currently announced in advance of the financial year and comprised 51% of total income would be reduced to 21%, whilst fees, which would be paid for the majority of students via the Student Loans Company, would increase from 39% of income to 69%. Income would therefore become more volatile in the new environment.
- 10.3 This volatility was also indicated in Chart 2, which illustrated the impact of the same change in student numbers on teaching related income. As the grant was essentially fixed and there was a tolerance band, the fee income from the higher end of student numbers would increase from 4 % to 13% of the University's teaching income.
- 10.4 Chart 3 indicated that the same student number variance would have a financial impact that increased from 1.6% to 5.8% of the University's total income and, as the marginal cost of teaching students would be virtually unchanged, the difference would flow straight through to the bottom line.
- 10.5 The University's cash flows within each year would become more extreme, as illustrated in Chart 4. Currently, with regard to English students, there was only one calendar month in which the University received no cash inflows from teaching activities in England. In the new environment, this would increase to six months in the year, for which the University would have to plan.
- 10.6 Chart 5 illustrated that there was a large gap between key module presentation starts, so variances in actual student recruitment compared to target would take some time to correct.
- 10.7 The Commons Committee of Public Accounts had recently emphasised the importance of universities remaining financially strong in the new funding environment and had recommended that students take an interest in the financial health of their universities, given the long-term relationship that a student had with his or her chosen institution. This had been further accentuated by HEFCE's recent introduction of a requirement on universities to give formal consideration to their financial sustainability.
- 10.8 The paper discussed the trade-off between the desire to maximise financial flexibility as quickly as possible, as part of the overall risk mitigation strategy, whilst also ensuring that sufficient resources were expended in attracting students and delivering a high quality education. The Vice-Chancellor's Executive (VCE) believed that the proposed financial strategy appropriately balanced this trade off and it was therefore taken to the Finance Committee for agreement.
- 10.9 The Treasurer, Mr Michael Steen, said that the Finance Committee had considered the revised Financial Strategy and resolved to recommend it to the Council. In the context of a turbulent, unpredictable and volatile environment, and with regard to the squeeze in cash flow due to the timing changes in the payment of fees, it was necessary to strengthen the strategy. It was important for the University to keep the financial strategy under review and to be nimble if further amendments were required; however, this was a sensible strategy for the present.
- 10.10 The Council **approved** the strengthening of the University's financial strategy through the following changes (deletions struck out and additions underlined):

- a) to maintain net current assets at ~~8% or 30~~ a minimum of 90 days' expenditure with a medium-term target of 180 days' expenditure;
- b) to at least balance normal recurring income with normal recurring expenditure, taking one year with another, over the medium term and to aim for a surplus of ~~2%~~ 5% of income;
- c) to restrict borrowings to the value of £62m ~~total fixed assets less deferred capital grants~~.

11 2010/11 FORECAST OUTTURN

C/2011/03/05

- 11.1 The Finance Director, Mr Miles Hedges, introduced the paper, which reported another favourable movement both from budget and from the last quarter. The bulk of this was the result of heads of units driving down costs in anticipation of the future reductions in revenue in the future. Income was slightly down on the budget for the current year.
- 11.2 Since the report had been put together, Her Majesty's Revenue and Customs (HMRC) had agreed a minor part of the University's back dated VAT claim, worth about £0.7m. HMRC had upheld the rejection of the major part of the claim, but the University had lodged an appeal against this decision. The appeal was unlikely to be heard before the summer 2012, although action was being taken to try to persuade HMRC to agree the remaining part of the claim without going to Tribunal.
- 11.3 The Treasurer said that the results positioned the University well as it moved into a period of great uncertainty. The first element of the VAT refund was a good result.
- 11.4 The Council **noted** the 2010/11 forecast consolidated outturn of £46.9 million surplus.

12 2011/12 REVENUE BUDGET

C/2011/03/06

- 12.1 The Finance Director, Mr Miles Hedges, introduced the paper, which sought approval for a budget that would generate a surplus of £26.3m. This represented 5.9% of budgeted total income and so slightly exceeded the target in the new financial strategy.
- 12.2 One feature of the budget for 2011/12 that was unusual in the context of the past decade, was that both income and expenditure showed large reductions from the amounts budgeted for the current financial year, 2010/11: £25.9m in terms of income and £21.2m in respect of expenditure.
- 12.3 The largest reduction in income was in funding body grants: £36.7m, of which £20.2m was attributable to the one-off HEFCE University Modernisation Fund grant for 2010/11. The balance was explained by the general cuts in funding body grants due to the Comprehensive Spending Review (CSR) settlement: these reductions were largely outside the control of the University. These decreases in grants had been offset by increases in other income, largely from fees as the result of buoyant student numbers and price increases previously recommended by SPRC.
- 12.4 The reduction in expenditure was due to management action to reduce the cost base in advance of implementing the new UK Market Strategy agreed earlier in the meeting. To date £36.8m or 49% of the targeted cost savings of £75m had been delivered and the University was working on the delivery of the balance over the next three years.
- 12.5 The Treasurer commented that the budget was an important item for the Council to consider. The Council could be assured that the OU had some well developed budgeting procedures, which were very reliable. There were some apparently big fluctuations in the University's results, because the figures were so large, but they were actually very close to

breakeven. Budgeting for a surplus of £26.3m was therefore appropriate and positioned the University well as it moved into a period of great uncertainty. There were some risks in relation to the budget, which were referred to in Appendix 5. The Finance Committee had recommended the approval of the budget.

- 12.6 A member asked whether the budget took account of the VAT claim or whether this would be considered at a later date. Mr Hedges responded that it would be taken account of when there was greater visibility on the timescale of the appeal process and the likely outcome. It would then be treated as an exceptional item.
- 12.7 The member asked whether the reduction in expenditure would prevent the University achieving any of the key elements of the strategy or put it under undue pressure. Mr Hedges said that did not: the cornerstone of the budget was to enable the University to deliver the strategy and to continue with the provision of high quality services to its students.
- 12.8 A student member asked whether any consideration had been given to registering as a charity outside the UK, for example in the Republic of Ireland, to enable students to take advantage of gift aid when donating to the University. Mr Hedges replied that at present the costs were likely to outweigh the benefits in the Republic of Ireland, but it would be kept under review. The Finance Committee had considered seeking charity status in the United States of America (USA).
- 12.9 The Council **approved** the allocation of resources as set out in the 2011/12 budget.

13 FINANCE COMMITTEE

C/2011/03/07

- 13.1 The Treasurer, Mr Michael Steen, observed that the minutes should be largely self-explanatory, with the bulk of the meeting spent on items already discussed earlier in the Council's agenda.
- 13.2 The Finance Committee had reviewed the accounting policies and approved revisions in line with changes to standard accounting practice. Further revisions might be introduced if and when International Financial Reporting Standards came into force.
- 13.3 The Finance Committee had agreed that the University should apply for tax exempt status in the USA. A member asked for an explanation as to why the University wanted this status. Mr Hedges said that the University currently received donations from a number of charities in the USA. Under US tax law, the charities had to deduct tax from these donations unless the University proved that it was an eligible body. Every time the University did this, it was necessary to engage legal and tax advisors. If the OU had tax exempt status in the USA, the risk and cost would be avoided. In response to a further query, Mr Hedges confirmed that the individuals affected by the need to reveal details of the emoluments of staff Council members and the five highest paid employees would be contacted to discuss any concerns they might have about the disclosure of information
- 13.4 The Council:
- a) **noted** the minutes from the meeting (F/2011/03/M);
 - b) **agreed** to proceed with the application for US tax exemption (minute 11)

14 AUDIT COMMITTEE

C/2011/03/08

- 14.1 The Chair of the Audit Committee, Mrs Claire Ighodaro, introduced the paper. The Committee thought it important for the University to have an anti-bribery and corruption policy, particularly in the light of the partnership and international work it was undertaking. A member asked whether the University should include a statement in the policy that emphasised a 'zero-tolerance' approach to bribery and corruption. Mrs Ighodaro said that this was inherent within the document, but might be highlighted in the communication of the policy across the University. Mr Woodburn said that any action resulting from a breach of the policy would have to be taken under the University's disciplinary procedures, so it was necessary to be cautious about making such a statement. However, it would be appropriate to make clear that any breaches of the policy would always result in disciplinary action.
- 14.2 The Committee also wished to improve the University's management of the risks and controls over transactions with 'related parties'. It was therefore proposing that the declaration of interests form that had to be completed by Council members and senior officers of the University should be made more detailed and completed on an annual basis. A list of the University's major suppliers, funders and partners would also be provided for information. Recent events demonstrated how unintended consequences could arise from such relationships and members should be aware of this risk.
- 14.3 The Council:
- a) **approved:**
 - i. the University's Anti Bribery and Corruption Policy (Minute 9 and Appendix 1 to minutes, amended to reflect comments made by the Audit Committee);
 - ii. the Declaration of Interests form for completion by Council members and Senior Officers of the University. (Minute 11 and Appendix 2 to the Minutes, updated to reflect comments made by the Audit Committee).
 - b) **noted** the unconfirmed Minutes from the meeting (AUC/2011/2/M);

15 ESTATES COMMITTEE

C/2011/03/09

- 15.1 The Chair of the Estates Committee, Mr Peter Mantle, said that the role of the Estates Committee had changed over the past few years with the reduction of funding: the focus was no longer on renewing the estate through new buildings, but on ensuring that the University got value for money out of its existing property and people.
- 15.2 The Committee had been concentrating on the renewal of leases as they fell due and on achieving the best terms possible in the current financial climate. It had also considered the 10 year capital plan with a view to ensuring that any works required within this period were absolutely necessary, as the financing would have to come out of University income, whilst also making sure that there would be no impact on the OU's operations if some work was not done. The Committee had also agreed to move staff from various buildings and consolidate the numbers in one place in order to improve operations and maximise the potential to redeploy free space.
- 15.3 The Council's approval of the Carbon Management Plan was a legal requirement. Future HEFCE funding was based on the University being able to reduce its carbon footprint by 35% by 2020. Progress was being made towards this target: it was demanding, but the reduction in staff numbers might make this easier. The Treasurer, Mr Michael Steen, asked whether there would be any major costs associated with the Carbon Management Plan

arising in the future. Mr Mantle responded that this was unlikely, although there might be problems with future funding if the University did not meet the targets. The University Secretary, Mr Fraser Woodburn, said that the carbon reduction was a requirement on HEFCE by government, who in turn required this of the universities. Any projects that the University envisaged would have a reasonable payback period, because of the reduction in fuel consumption. However, there could be costs: achieving a carbon reduction on the scale required was challenging and it was unclear whether the technology existed to achieve it. This problem was also faced by the rest of the sector. If a substantial capital investment was envisaged, it would have to be factored into the University's financial planning. A student member asked how important HEFCE would be in the future: if it would no longer be providing funding, would it be necessary to meet such requirements? Mr Woodburn said that although the significance of HEFCE was reducing, it was still the University's regulator and that as an institution in receipt of public funding via government loans, the University was required to respond to that regulator.

- 15.4 Another member commented that on page 6 of the Carbon Plan there was an ambitious target that suggested that the University was aiming to reduce its carbon by '36% per annum by 2020'. The University Secretary said that this would be corrected to read '36% by 2020'.
- 15.5 A student member asked about the current situation regarding the Dublin office. Mr Mantle responded that the lease had been renewed, with a significant reduction in rent.
- 15.6 The Council :
- a) **noted** the unconfirmed minutes of the meeting (E/2011/2/M);
 - b) **approved** the 2011 Carbon Management Plan (E/2011/2/01).

16 STRATEGIC PLANNING AND RESOURCES COMMITTEE

C/2011/03/10

The Council:

- a) **noted:**
 - i. the unconfirmed Minutes from the meeting (Appendix 1: SPRC-2011-03-M);
 - ii. the unconfirmed confidential and restricted Minutes from the meeting (Appendix 2: SPRC-2011-03-Confidential-Minutes), particularly the recommendation to the Council to approve the UK Market Strategy (minute 4.16);
 - iii. the paper presented to SPRC on the UK Political Landscape and Funding Environment (Appendix 3: SPRC-2011-03-04 updated to reflect recent developments);
- b) **approved:**
 - i. *OU Futures Wales 2011/12 – 2012/13*, as recommended by SPRC and attached as Appendix 4: SPRC-2011-03-02;
 - ii. the organisational changes, as recommended by SPRC and attached as Appendix 5: SPRC-2011-03-03;

- iii. the members of the Redundancy Committee on the recommendation of the Vice-Chancellor:

Chair: Prof D Kirkpatrick

Two members of the Council: Mr M Steen and Prof W Stevely (subject to the Council's approval of SPRC membership)

Two members of academic staff from the Senate: Prof A De Roeck and Dr S Bromley.

17 THE SENATE

C/2011/03/11

The Council **noted** the report on items discussed at the meeting of the Senate held on 8 June 2011.

18 ANNUAL EFFECTIVENESS REVIEW

C/2011/03/12

- 18.1 A member asked whether it would be helpful for the Council to make greater use of key performance indicators and possibly a traffic light system in order to facilitate the evaluation of Council papers and to provide more focus on the key issues. The University Secretary, Mr Fraser Woodburn, said that this would be considered in the context of the new strategy, which would be presented to the Council in September 2011.

18.2 The Council:

- a) **noted** the Annual Effectiveness Review;
- b) **agreed** the Corporate Governance Statement for inclusion in the 2010/11 Financial Statements.

19 COUNCIL GOVERNANCE REVIEW GROUP

C/2011/03/13

- 19.1 The Chair of the Governance Review Group, Mr Steve Barnett, commented on the tremendous progress that had been made in implementing the recommendations of the Final Report, which had been approved by the Council in July 2010. There was just one change to the recommendations, which was that the self-assessment questionnaires for members of Council committees be completed on a biennial, not an annual, basis.
- 19.2 Mr Barnett thanked the members of the Council Governance Review Group for their contribution, and the secretariat for its support in undertaking the review and in progressing the implementation of its recommendations.
- 19.3 A member commented that the terms of reference for the Scottish Government's Independent Review of HE Governance had now been published and it was important that the OU submitted a full response to the Call for Evidence as the current Cabinet Secretary might have his own views in terms of representation from and engagement in Scotland.
- 19.4 The Council:
- a) **noted** the minutes of the meeting held on 29 June 2011 (CGRG/2011/01/M);
 - b) **approved** the proposal that members of each Council committee should complete a self-assessment questionnaire as part of the committee's effectiveness review on a biennial basis, not annually as originally recommended in the final report (Recommendation 1).

20 MEMBERSHIP COMMITTEE

C/2011/03/14

The Council:

- a) **noted** the unconfirmed minutes of the meeting (MC/2011/03/M);
- b) **approved** the appointment of Professor William Stevely as Vice-Chair of the Council for a period of 4 years commencing 1 August 2011 (as agreed by the Membership Committee at its meeting on 1 March 2011 (MC/11/2/minute 5.2));
- c) **approved** the following appointments to the Council:
 - i) Ms Ros McCool, for a period of 4 years commencing 1 August 2011;
 - ii) Mr Brian Larkman, for a period of 4 years commencing 1 August 2011; (as agreed by the Membership Committee at its meeting on 1 March 2011 (MC/11/2/minute 3.7))
- d) **approved** the following appointments to Council Committees:
 - i) Professor William Stevely to serve on the Strategic Planning and Resources Committee as one of *two members of the Council, who shall not be members of staff or students of the University, appointed by the Council*, for a period of 4 years commencing 1 August 2011;
 - ii) Professor William Stevely to the Membership Committee as one of *two external co-opted members of the Council appointed by the Council*, for a period of 4 years commencing 1 August 2011;
 - iii) Ms Ros McCool as a lay member of the Council appointed by the Council to be the Chair of the [Staff Strategy] Committee;
 - iv) Mr Brian Larkman to the Finance Committee as one of *two members of the Council, appointed by the Council*, for a period of 4 years commencing 1 August 2011;
 - v) Mr Jim Gollan to the Finance Committee as one of two members appointed by the Council from outside its membership, at least one of whom shall not be an employee of the University, for a period of 4 years commencing 1 August 2011;
 - vi) Ms Shonaig Macpherson to the Audit Committee as one of three lay members of the Council, appointed by the Council, not being officers of the University or members of the Finance Committee, for a period of 4 years commencing 1 August 2011.

21 CHAIR'S ACTION

C/2011/03/15

The Council **noted** the appointment of Mr Chris Hughes to the Audit Committee as one of at least one and not more than three external cop-opted members with particular expertise through Chair's action since the last meeting of the Council.

22 DECLASSIFICATION OF COUNCIL PAPERS

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

C/2011/03/01 Strategic Response – UK Market Strategy
 C/2011/03/02 Communicating the UK Market Strategy
 C/2011/03/03 International Strategy Update
 C/2011/03/04 Revised Financial Strategy

C/2011/03/06 2011/12 Revenue Budget

C/2011/03/10 Strategic Planning and Resources Committee Appendix 2 (conf. minutes)

C/2011/03/10 Strategic Planning and Resources Committee Appendix 5 (Org changes)

23 GOODBYE AND THANK YOU

- 23.1 The Council thanked Mr Steve Barnett, Ms Tina McEwen and Mr Andrew Peck, who would reach the end of their term of office as external co-opted members of the Council on 31 July 2011, for their huge contribution to the University.
- 23.2 A thank you was also given to the Interim Pro-Vice-Chancellor (Research and Enterprise), Professor Alan Bassindale, who was attending his last meeting of the Council following the appointment of Professor Tim Blackman as the new Pro-Vice-Chancellor (Research and Scholarship).

24 DATE OF NEXT MEETING

There may be a business meeting of the Council on 24 September 2011 as part of the Residential Weekend, but ONLY if there is urgent business to discuss.

The next ordinary business meeting of the Council will be held on Tuesday 22 November 2011 at 9.45am for 10.00am in the Hub Theatre, The Open University, Walton Hall, Milton Keynes.

25 REVIEW OF MEETING

The Chair 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 after the meeting could speak to the Chair or the University Secretary after the meeting.

Julie Tayler
Assistant Secretary
Central Secretariat
July 2011