

THE COUNCIL

Minutes of the meeting of the Council held on Tuesday 17 July 2012
at The Open University, Walton Hall, Milton Keynes.

Present: Lord Haskins (Chair), the Vice-Chancellor, Mr H Brown, Mrs M Cantieri, Dr S Ding, Mrs S Dutton, Dr I Falconer, Mr A Freeling, Prof J Fortune, Dr M Hopkins, Mr R Humphreys, Mrs C Ighodaro, Mr B Larkman, Dr C Lloyd, Mrs S Macpherson, Mr P Mantle, Ms R McCool, Ms L Murphy, Dr T O'Neil, Mrs R Spellman, Mr M Steen, Prof W Stevely

In Attendance: Pro-Vice-Chancellor (Curriculum and Qualifications), interim Pro-Vice-Chancellor (Learning, Teaching and Quality), Pro-Vice-Chancellor (Research and Scholarship), Director, Students, Finance Director, University Secretary, Senior Assistant Secretary (Central Secretariat), Assistant Secretary (Central Secretariat), Commercial Director, Director, Estates (for minute 13), Director, Human Resources (for minutes 8 and 15), Director of Student Casework and Special Projects (for minute 8).

Apologies: Mr E Briffa

1 DECLARATION OF INTERESTS

There were no declarations of interest.

2 MINUTES

C-2012-02-M

The Council **approved** as a correct record the minutes of the business meeting held on Tuesday 8 May 2012.

3 MATTERS ARISING

C-2012-03-01

3.1 In response to a query from a student member regarding Minute 17.7, Dr Christina Lloyd, the Director, Teacher and Learner Support, said that the OU was recognised like any other UK university in Germany. A web link could be provided, which showed that the OU was listed with a reasonably high grade of recognition. With regard to the question of tax redemption, if a student was studying for career progression then they would be entitled to tax relief. If they were studying for leisure they would not.

Action: CL

3.2 The Council **noted** the responses to the matters arising.

4 CHAIR'S BUSINESS

The Chair had no business to raise that was not dealt with elsewhere on the agenda.

5 VICE-CHANCELLOR'S REGULAR REPORT

5.1 The Vice-Chancellor opened his report by telling the Council that a student, Alex Danson, along with ten other women, would be opening the UK's quest for a medal in the Olympic women's hockey competition. Alex was recognised as the star of the team; and she was also half way towards an OU degree.

5.2 Alex was one of five OU students who were competing in the Olympics, and all were about half way to their degrees. The others were Katie Dawkins, synchronised swimming; Dani King, sprint team pursuit cycling; Imogen Bankier, badminton mixed doubles; and Debbie Criddle, para-equestrian dressage.

Review of 2011/12

5.3 The Vice-Chancellor highlighted the University's achievements over the past year. A new academic framework had been introduced, which offered students much clearer learning pathways to the qualifications that were relevant to them. The access programme had been redesigned to provide extra help to students on low incomes who were new to higher education (HE). A delivery plan had been agreed for the re-launch of the OU's taught postgraduate offerings. A new Virtual Learning Environment (VLE) had been introduced and there had been many improvements to the University's learning systems in order that students would find additional help online. There had been significant progress towards the University's aim of developing larger and more collaborative research bids, and a series of large grants from the EU and from the UK Research Councils had just been announced. The business plan for Global Direct had just been approved, through which the University was planning to offer students outside the UK a broad range of OU qualifications and an equivalent learning experience to UK students; and the University's open educational resources (OERs) had been marshalled to further extend the OU's development programmes in Africa, India and Bangladesh.

5.4 In the past year, the University had broken all the records for its free online media: there had been 23 million unique visitors to Open Learn since 2006, 10 million video views to date on YouTube, and over 54 million downloads from iTunesU - a figure equalled only by Stanford University in the USA. Massive Open Online Courses (MOOCs) were changing the face of higher education and the OU was working to maintain its position as a world leader in the provision of OERs.

5.5 Financially, the University had exceeded its targets for the year and successfully executed against its cost reduction strategy. A new pricing framework had been introduced, so the OU's fees were easier to understand. Over the past few months, the University had taken the first important steps in securing its student numbers for 2012/13, significantly exceeding the initial target of 500,000 enquiries. Finally, the most important statistic of all, 93% of the University's undergraduate students had said that they were satisfied with the overall quality of their course, a figure which, once again, put the OU among the top three UK universities in the National Student Survey. The OU was first in Wales, Scotland and Northern Ireland. This demonstrated the importance of keeping the student and the quality of the student experience at the forefront of the University's activities.

5.6 These achievements represented tremendous hard work by a large number of people in all parts of the University. The Vice-Chancellor thanked colleagues for all that they had done to embrace and drive change across the institution.

- 5.7 The Vice-Chancellor also thanked members of the Council for giving freely of their time, expertise and experience. It had been of tremendous value to the senior team and their contribution was much appreciated.

Looking Ahead

- 5.8 As a consequence of these efforts, the OU was in great shape to face the challenges of 2012/13 and beyond, but the world that the University was about to enter would be a very different one. Some of the old certainties, such as a regulated higher education market, with high levels of government subsidy and significant incentives for growth, were fast disappearing. Some new challenges were emerging, such as a more competitive market and a more discerning generation of students, who were rightly expecting top quality teaching, first rate support, and excellent value for money. The biggest challenge, and the biggest uncertainty, was the recruitment of students in this very different funding environment. However, three-quarters of the people who would study with the OU next year would be studying under fees and financial support arrangements that would be unchanged from this year.

Student numbers

- 5.9 The University Secretary, Fraser Woodburn, reminded the Council that the UK Market Strategy had assumed that, in the long term, the University would lose approximately 20% of its student numbers in the new fees and funding regime. This percentage included students with Equivalent and Lower Qualifications (ELQ) and those wanting to undertake modules only. The strategy had also assumed that recruitment would be particularly difficult in the first few years, not only because it was a new market that was not fully understood by students, but also because it was unlikely that the University would get the different ways of marketing and of handling students right first time. The modelling undertaken alongside the UK Market Strategy had shown that the University would be financially viable, with the savings programme already agreed, on these assumptions. The methods by which the University had previously predicted student numbers would no longer work, because they had been based on historic trends, which would not necessarily fit the new student registration process.
- 5.10 Marketing had been set an exceptionally challenging target for new regime students in England, which had not been based on the figures in the UK Market Strategy, but rather on the same new student numbers as had been achieved in 2011/12. The University had made a good start by exceeding the target of 500,000 enquirers, but converting these enquiries into registrations was proving to be difficult. Whilst the UK Market Strategy work had identified some problems, the difficulties with the Student Loan Company (SLC) arrangements had not been predicted. The SLC did not open for student registrations until the end of July 2012. The application process would be paper based and might take up to six weeks to process, which would take students beyond the final enrolment date for those commencing their studies in October 2012. This created a very difficult recruitment environment, as enquirers did not want to register until they were certain that they had secured a student loan. The University had tried to address this issue by assuring enquirers that there was no risk if they wished to register now: the OU Guarantee meant that the University would assess students' eligibility for loans and, if it felt that they were eligible, guarantee not to charge them if they subsequently did not get a loan. It was early in the process, but only a tiny number of students in the new regime had actually registered and paid. This was not unusual, but it did mean that it was likely to be very difficult to achieve the marketing targets. Information about the rest of the sector was hard to find, but UCAS enrolments for young students appeared to have changed very little, whilst the figures for mature students were significantly reduced. Reportedly Birkbeck had seen a 30% reduction in enrolments. However, recruitment would never be so difficult again. From November 2012, on-line applications to the SLC would be

introduced and all future student intakes would be in a much better position. As the University had two main intakes, October and February, the University might be able to recover to the extent to which it fell short of target later in the year.

- 5.11 With regard to the 75% of students who would not be new regime students in England, the news was better. Postgraduate numbers were running ahead of last year and the recruitment of students in Wales, Scotland and Northern Ireland was buoyant, as was that of transitional students in England. Overall, student numbers were good and a significant intake was expected in October 2012, but the number of new regime students in England might be down on the marketing target.
- 5.12 A member asked what the financial impact of a shortfall in student numbers would be. Mr Woodburn replied that the financial modelling had assumed the UK Market Strategy figures, which had been 20% below the normal intake. However, the Marketing target had been based on the achievement of the same numbers as 2011/12. If the University was 20% down on the Marketing target, then there would be no financial impact. There would have to be a massive drop in new student registrations before there was a significant impact on the financial figures in 2012/13. However, poor recruitment of new students in 2012/13 would make the situation more difficult in future years. The Finance Director, Miles Hedges, added that the income from new regime students in England represented less than one fifth of the University's total income in the 2012/13 budget. A significant shortfall would therefore still be only a small percentage of the total income.
- 5.13 Mr Woodburn said that full analysis of the situation regarding student numbers would be provided in a paper to the Council meeting in November 2012, once the final intake for October 2012 was known. The paper would include some 'what ifs'. The UK Market Strategy had included some pessimistic assumptions, for example that the OU would not improve progression rates. However, the University would improve progression rates, so the paper would consider 'what if the progression rates improved by x percent'.

Action: FW

- 5.14 An associate lecturer member asked what the ongoing impact of a reduction in student numbers would be in terms of student support. The dip appeared to be unevenly distributed and main impact was on Level 1 (L1) students. Had consideration been given to the preservation of the skill base at L1, with regard to associate lecturers (ALs) and other aspects of student services, should the numbers drop off and then pick up in later years? Mr Woodburn agreed that L1 students would be the most difficult to recruit in October 2012, as all students studying for qualifications would be routed that way. However, transition students would also be registering for L1 in some cases, so the impact might not be as great as might be imagined. The University had discussed this issue with the University and College Union (UCU) and was considering ways in which it might minimise the impact on ALs by managing group sizes. In this way, the University would not have to lose skilled ALs and then have to re-recruit them for later intakes. The most difficult aspect of this situation was its unpredictability. It was difficult to predict numbers at the University level it, but at the level of a module, where tutors had to be allocated to students, it was even more volatile, and would continue to be so throughout August 2012.
- 5.15 Another member asked whether there was any demographic data available regarding incoming students and, if so, how this matched with findings of the UK Market Strategy work. Mr Woodburn said that the numbers were so small at present that a breakdown by segment and demographic would not be meaningful. The Vice-Chancellor's Executive (VCE) Away Day on 24 July 2012 would also be too early, but the University would track what happened to enquirers and how many students there were per segment compared to

what had been anticipated. Some of this data would be included in the report to the Council in November 2012.

Action: FW

- 5.16 An associate lecturer member asked if anything was being done to make the situation more predictable, such as extending the registration date or publishing the OU Guarantee more widely. Mr Woodburn said that in order to facilitate the rapid decision making that was necessary to respond quickly to events, a task force had been established with the power to make such decisions. The Vice-Chancellor, Director, Students and University Secretary met with the task force for a weekly review of what could be done to minimise the impact of the current situation. The OU Guarantee had been promoted and the University would support students through the SLC process as well as it could. The Director, Students, added that the University had reviewed the SLC application form and considered where students might have difficulty completing it. Where there was a risk that the application could go wrong, the University was providing a sample image of that part of the form on the Student Home page so that it could be copied.
- 5.17 A member asked if the OU might benefit from the 30% reduction in registrations at Birkbeck. Mr Woodburn said that this was possible, although as Birkbeck students were London based and had face-to-face tuition, they were not in quite the same market.
- 5.18 The Chair said that the November 2012 meeting of the Council would be the first opportunity for the University to provide an overview of student registrations for 2012/13. Dealing with the SLC might be difficult for both the University and its students: it was a new experience and it would take time to understand the new rules of engagement.

Other risks

- 5.19 The Vice-Chancellor said that the University faced other financial risks. One of these was the potential loss of Higher Education Funding Council for England (HEFCE) grant income for widening participation and for part-time study. Together these allocations were worth £67.3 million in 2012/13. Some parts of these allocations were being phased out and others were under review. For all these reasons, it was essential that the University continued to achieve its planned cost reductions of £46 million by the end of 2012/13 and a further £28 million by 2015/16; and that it also secured the delivery of new income streams, particularly from the fundraising work that was being led by the Development Office and from the Global Direct business plan that the Council had approved in May 2012. To date, the signs were encouraging: the University's forecasts to date indicated that cost reductions and new income generation were moving ahead of the original targets in every year to 2014/15.
- 5.20 In concentrating on the significant financial risks facing the OU over the next few years, it was important that the University did not neglect other aspects of its performance. Competition for part-time students was increasing and students themselves were becoming more discerning. It was vital that the University continued to maintain and improve the quality of its student experience: its modules and qualifications, the excellence of its support, and the value of what it provided. The University could not afford to take its eye off the things that had made the OU successful. Consequently, in the Strategic Plan, there was a sharpening of focus on the needs of students: improving the enquirer experience; delivering an outstanding student experience; and helping students achieve their study goals, as well as maintaining the quality and academic standing of the OU's qualifications and modules, or 'graduateness'. Equally, the University had to improve the external standing of its research and scholarship, to attract students and staff, and the income generated from it.

- 5.21 The strategy was one for improvement, but not necessarily for growth. In this more challenging and uncertain climate, continued growth could not be guaranteed; but quality would always win out. The University should aim to be better, not necessarily bigger. Growth would follow.

6 THE OU IN WALES STRATEGIC PLAN

C-2012-03-02

- 6.1 The Director, The OU in Wales, Rob Humphreys introduced the paper. The strategy for the OU's work in Wales sat alongside and underneath the overarching University strategy and its aim was to deploy the distinctiveness of the OU, in terms of its scale and means of delivery, at its most effective in Wales for the benefit of the sector, students and public life. It was necessary to balance some generic attributes, such as flexibility and cost, alongside the specific policy drivers of the Welsh government and Higher Education Funding Council for Wales (HEFCW) and the demographic environment in Wales. Wales was one of the poorest economies in the UK, and it was legally and culturally bilingual. It also had a Labour government, pursuing a social-democratic public policy, which wanted to see the HE sector working in a systemic manner, with HE and further education (FE) institutions working together in partnerships either nationally or across the three regions of Wales. This was quite different to the marketised approach to HE in England.
- 6.2 The OU in Wales approached what would be a turbulent time in the new fees and funding regime from a position of strength, having moved from 3rd place (16%) to 1st place (30%) in terms of market share for part-time undergraduates in the past five years and with income having increased from £11 million to £18 million. However, the institutions that were placed 2nd and 3rd in the market place were about to merge and, if they maintained their current level of provision, could draw level with the OU.
- 6.3 A member said that it was a compelling and well written document, but there did not appear to be anything that explicitly highlighted the importance of identifying and exploiting the synergies with the other devolved nations of the UK. Referring specifically to page 6, Mr Humphreys said that document implied throughout that the OU was a UK wide institution with global reach. On page 9, the document stated that there were many advantages to being part of the UK's largest HE institution and that the different environments in which it operated across the UK offered opportunity alongside challenge. This included the fact that the OU was the only university with a physical footprint in each of the four nations.
- 6.4 A member asked if, from a business perspective, the bilingual nature of the provision in Wales was an impediment or whether the University would want to include it as part of its strategy, even if it were not a legal obligation. Mr Humphreys said that it was a legal requirement on all publically funded bodies in Wales to offer levels of service through Welsh as well as English. In Wales, both legally and culturally, a bilingual or multilingual society was the natural order of things. This was typical of most nations in Europe, so in this respect England was the exception rather than Wales, Scotland or Ireland. The associated human rights issues were aligned with the OU's overarching mission and vision. However, rather than try to provide courses through the medium of Welsh, the OU had endeavoured to deploy its particular strengths in OERs, for example OpenLearn and iTunesU, which was much more cost effective. The teaching of mathematics in Welsh, for example, was left to other institutions that had different strengths. Mr Woodburn said that this was a legal obligation on the whole of the University, not just the OU in Wales. However, the University had successfully agreed with the Welsh Government Agency that it would provide services in Welsh in response to demand, and that the OU would not be expected to disproportionately incur costs in providing services for which there was as yet no demand. Those services that the University provided in Welsh did cost more, but not disproportionately so, and the University was meeting the requirements of its Welsh

students. The Welsh language and culture was part of the Welsh national identity, and if the OU did not respond to that it would be damaging to the business.

- 6.5 The President of OUSA, Marianne Cantieri, asked whether students of Welsh origin living in London would have access to the same facilities as those living in Wales. Mr Humphreys responded that at present, before the implementation of Curriculum Support Teams (CSTs), such students would register with the London centre, but there was no reason why any course being offered through the medium of Welsh or about Wales should not be available to them. It was another distinctive strength of the OU that it was able to take Wales to the wider world.
- 6.6 A member said that the pre-study experience for students in Wales was particularly important. The increased emphasis on the widening access programme in Wales was excellent, as it reached into the heart of the Welsh government's agenda. Particularising the Welsh elements of the programme would appeal to those working in the careers information, advice and guidance service, and would provide clearer pathways to students coming into the OU. The importance of this pathway service for young people could not be overestimated. Making it a high priority to increase the proportion of students completing a qualification was highly relevant in a Welsh context where people were typically less well qualified. Having a qualification would enable students to move outside Wales or to prosper in Wales. The document demonstrated an excellent balance in capturing what the OU was about and what was needed in Wales in terms of economic development.
- 6.7 A member observed that there were similarities between the strategies for the four nations, but it was important to notice where there were differences. For example, in Ireland, the University was looking for 'successful transition into Open University study and beyond' (page 14), but not in Wales. It seemed unlikely that there had been a conscious decision to remove this point, so it was worth doing a detailed comparison between the four strategies in case of difficult questions. Mr Humphreys said that he would investigate this difference, but observed that there was no strategy for England.

Action: RH

- 6.8 A member commented that the measures of success were different between Scotland, Wales and Ireland. For example, the Ireland strategy did not mention increasing the proportion of students completing a qualification. Although this might not be important to the Irish Government, it was important that the University tracked it. Another member commented that as these plans were underneath the overall UK plan, they should be monitored to ensure that they all fitted together and should not have differences that were not locally driven within them.

Action: Strategy Office

- 6.9 The Council **approved** *The Open University in Wales Strategic Plan 2012-15: Securing the Mission*.

7 THE OU IN IRELAND STRATEGIC PLAN

C-2012-03-03

- 7.1 The Director, Students, Will Swann, presented the paper on behalf of the Director, The OU in Ireland, John D'Arcy. The OU in Ireland Strategic Plan reflected the overarching institutional strategy and set it in the context of two different territories. Both were significant for the OU and reflected a commitment to an active, though varied, part in higher education in Ireland. The purpose of the document was to emphasise the benefits, to Northern Ireland (NI) in particular, of being part of a large scale, UK wide higher

education institution (HEI) that was also flexible enough to address the specific needs of the two territories. The University had approximately 10,000 students per year across the two parts of Ireland. Currently, 57% of these were in Northern Ireland where the University had the largest proportion of students from disadvantaged backgrounds of any part of the UK. The University's income from across Ireland was about £13.5 million per year. The HE strategies in Northern Ireland were quite new, but the themes would enable the OU to contribute actively. These included the development of an HE sector that was responsive to the needs of the NI economy, the requirement for a higher quality learning experience, the need for a more accessible HE sector and the considerable emphasis on the creation of a more flexible life-long learning environment. In the Republic of Ireland, the HE sector was also currently going through considerable change and challenge.

- 7.2 One of the most important and unique of the OU's characteristics in Ireland was that it was the only all-Ireland university. At a time of increasingly positive relationships between the UK and the Republic of Ireland, the OU's potential contribution to the all-Ireland social, economic and cultural agendas should not be underestimated. The governments in both Belfast and Dublin perceived cross-border collaboration to be important. This was an opportunity that the OU had already exploited and would continue to do so.
- 7.3 The University was currently funded in Northern Ireland by HEFCE, but was in the process of transferring that funding to the Department of Employment and Learning (DEL) in Northern Ireland or its successor body. This would complete the University's process of devolving its funding to the four nations of the UK.
- 7.4 The Chair observed that the OU provided an all-Irish university, but with different funding arrangements in each part. It would be interesting to see how this developed in the future. The OU had dealt with devolution in the nations very well. The next step would be devolution in the English regions and the OU must ensure that it was adequately represented there.
- 7.5 The Council **approved** *The Open University in Ireland Strategic Plan 2012-15: Securing the Mission*.

8 EMPLOYMENT ARRANGEMENTS IN CONTINENTAL EUROPE **C-2012-03-04**

- 8.1 The Chair reminded the Council that it had approved in principle the cessation of the direct employment of staff based in Continental Europe (CE), subject to the appropriate consultation, at its meeting on 28 February 2012. The consultation process had been taking place over the past few months and the Council was now asked to confirm its decision that, subject to due process in each country, the University should cease direct employment of CE staff. This would come into effect between the end of July 2012 and the end of April 2013. The Council's decision was necessary in order to comply with the Compulsory Redundancy of Permanent Academic Related Staff Policy.

Compliance

- 8.2 With reference to the correspondence between various associate lecturers (ALs) and the Chair of the Council, Lord Haskins, via the University Secretary, Fraser Woodburn, an associate lecturer member requested clarification on the situation regarding compliance. It had been understood that the University was not complying with the law in some CE countries, but the University Secretary's response had refuted that the University was acting illegally. The member also asked why the University was continuing to employ staff in the Republic of Ireland, which was also part of Continental Europe. Mr Woodburn responded that the University had a substantial number of students in Eire and although there were some issues, particularly around pensions, the University had managed to

achieve compliance there. However, it had been much more difficult to achieve in the other twelve countries in Europe. Even in Germany and the Benelux countries, where the OU had significant numbers of students, the employment arrangements diverged significantly from those in the UK and it had been a struggle to achieve compliance despite the University's efforts over more than a decade. There might still be issues around whether the AL employment contract was fully compliant, but ultimately this would be contestable in the courts.

Future tuition strategy

- 8.3 The President of OUSA, Marianne Cantieri, said that her understanding from the Council's decision in February 2012 was that the consultation would include the International Engagement project and the CE Futures project, as well as the negotiations with the union. A brief report on the International Engagement project had been provided, but it did not appear to have reached any conclusion and it was alarming that the work was now being passed to the Business Development Unit (BDU), which was not an academic unit. With respect to the CE Futures project, the report on Workstream 3 indicated that a scoping paper was to be written regarding the provision of face-to-face tutorials where currently justified by the tutorial strategy for that particular module, and that its recommendations would be circulated more widely. However, there was currently no information available on these recommendations and the future teaching model for students was unknown. Without this information it was very difficult to agree to the proposals in the paper. There was no objection to change, but it was necessary to understand the nature of that change before agreeing to it. The Vice-Chancellor said that the decision by the Council in February was to follow the normal consultation process, not to factor in the work of the other projects. The BDU was taking an academic view: the work was being led by Dr Simon Bromley, alongside the Commercial Director, Steve Hill, and engaged every central academic unit (CAU). No model would be implemented that did not meet the University's minimum standards for the student experience, either now or in the future.
- 8.4 The Director, Students, Will Swann, said that it was important that the OU delivered on its promises. All of the primary documents that encompassed those promises had recently been reviewed. These included the conditions of registration, the student charter, the code of practice on student assessment, and the statements of service on the careers advisory service and on information, advice and guidance (IAG). The core of the University's contract with its students was set out in its conditions of registration and its central promise was to provide students with course tuition and course materials as indicated in the course description. The course descriptions were carefully written so as not to make promises regarding the availability and accessibility of any particular mode of tuition, such as face-to-face tutorials. The main OU website for enquirers included a section called 'where can I study?' that set out the University's provision for students outside the UK. It stated that "tutorial support will usually be provided by online forums or email. There may be an opportunity for a face-to-face tutorial meeting depending on the number of students in your area, and you may also be able to organise your own informal student support group. Once we know how many students are registered on your module we can confirm tutorial arrangements". With regard to examinations, the website listed the 30 countries in which the OU had at least one examination centre and said "If your centre is a long way from you, we may be able to arrange for an examination close to your home, but there will be an extra charge and you will need to explain why it is too difficult for you to attend an ordinary examination centre".
- 8.5 None of the key documents or websites that constituted the University's promise to its students made any commitments that there would be face-to-face information, advice and guidance, examinations outside the UK, or services on the recognition of OU qualifications, or on careers and employment opportunities outside the UK, or for those

who spoke English as an additional language. However, the University always tried, within the limits of its resources, to provide these and other services that extended well beyond its core promise to students. The fact that the OU did provide some of these services to some of its students in some circumstances did not make them part of the universal provision for students that constituted the learning and assessment opportunities that were necessary for students to achieve their course learning outcomes. The universal or core provision was not in any way threatened by the proposal in the paper. If it were, the University would already be failing the great majority of CE students who already had a tutor based in the UK. The University would be able to continue to provide a wide range of additional services, such as those already provided by country coordinators, but by different means. Although the work of CE Futures was continuing, the University would protect the student experience as changes were made.

- 8.6 A student member said that Barbara Stephens and Nigel Holt had briefed her and Mrs Cantieri outside the meeting and this had answered many of their questions. However, it appeared that members of the Council had left the meeting in February 2012 with very different understandings on the agreement that had been reached. Several members had thought that there had been three projects going forward and that all three would feed further information into this subsequent discussion. It was disappointing that this information was not available. The delay in sending out the letter to affected staff had been explained, but it was surprising that it did not mention that the Council's decision had been taken 'in principle', which was fundamental to what the Council had agreed. This had been clear on the intranet, but not in the individual letters to staff, some of who felt that they had received their redundancy notices. The wording in the letters did not seem to reflect what had been agreed in the meeting.
- 8.7 An associate lecturer member said that she had been asked by the Chair of the Associate Lecturer Executive (ALE) to read out a message from the Executive. The ALE was the body of 12 ALs that coordinated AL input into University governance and it had held a meeting on 19 June 2012 with Dr David Knight, Dr Simon Bromley, Nigel Holt, Carolyn Buckby and Shirley Baxter to receive an update on the consultation. The statement read "We understand from the discussion we had on June 19 that its intended that from October 2012 tuition and study support for CE students will not be provided by staff directly employed in Continental Europe. Further we understand that this is the approach to be taken internationally in future by Global Direct. However it was far from clear how tuition would be provided, what form this tuition would take or who would be providing it. We sought further detail of the tuition strategy to be used, but believe that this has yet to be developed. As a result we would ask that Council continue the existing tuition arrangements in Continental Europe until a viable alternative is available for further consideration. When detail of the proposed tuition strategy is available we would be pleased to discuss this further with the University". The member observed that the paragraph 2 of the paper said that "the Council decided in principle to cease direct employment of staff in Continental Europe, subject to full and active consultation with the recognised trades union". The minutes of the February 2012 meeting suggested that a fuller consultation had been requested, in particular minute 8.34, which stated that "all the other issues raised by members of the Council should be considered during the consultation process to ensure that the University did not miss a step in the direction it was taking". The Council discussion had indicated that, despite the complexity and the assurance that many CE students were already being supported from the UK, there was at least some evidence that the support provided by country coordinators and ALs based in CE could be more effective. As the Vice-Chancellor had said, the University wanted to focus on being better, and the argument that the OU needed to be more effective in how it taught and supported CE students had not been fully explored. The results from the two projects were not available: one had been passed to the BDU, but there was no detail; the other was in the scoping stage and had not yet arrived at any conclusions or

recommendations. The information on how the OU was going to provide effective and better student support was not available to assist in the decision.

- 8.8 Mr Woodburn reminded the Council that less than 8% of students in Continental Europe were currently supported by an AL in their own country. More than 92% of students were supported by an AL in a different country, and more than 80% of students were supported by an AL in the UK. In future, the vast majority of students would be supported as they were now, as the University moved to a model where 100% of students were supported by a UK AL. Where student numbers justified, and the University had the ability to deliver them, additional services would be provided. With regard to the future tuition strategy, the International Strategy might consider using some of the models outlined in paragraph 22 of the paper in certain circumstances. However, none of these models had to be adopted, and they would not be adopted in Europe at this time. If the OU had substantial numbers of students in a particular country, then it might consider adopting one of the models, but this would be a business decision at the time.
- 8.9 Mr Woodburn said that there were two other strands to consider. First, how should the University ensure that its curriculum had an international dimension? This did not depend on the employment of ALs in Europe. Second, how should the University replace the services currently provided by the country coordinators? More than half of the CE countries did not have a country coordinator and the University was confident that it could provide an equally effective service through other routes. It was wrong to think that many students would receive a reduced service; the majority of students would get the same service as they did at present.
- 8.10 A member said that the figures quoted by Mr Woodburn were very persuasive: that 80% of students would not see a change in the location of their tutorial support was a very powerful statistic. There was a misalignment between the location of the students in Continental Europe and their ALs. None of the documentation that had been made available to the Council, including the correspondence on the website and the paper handed to members as they had come into the meeting, contained persuasive arguments that the staff currently employed in Continental Europe provided a service to 8% of the OU's student population that was so good that it should be rolled out further. Whilst the other projects might not have reached any conclusions as yet, the OU should always be reviewing the provision of educational support to students in the UK and elsewhere. There should be a continuous improvement cycle, which took into account changes in technology and approach, but which would benefit all students, not just those in Continental Europe. The issue of the complexity of the employment arrangements in Continental Europe should be a secondary consideration. However, if there was any doubt, the letters that had been made available to the Council served to illustrate the difficulties in managing such different employment arrangements. Many issues had been raised that the executive would have to handle carefully and sensitively, but there was nothing to indicate that the Council's decision in principle to cease employing staff in Continental Europe should be changed.
- 8.11 Another member commented that the only strategic rationale put forward by the paper for ceasing the direct employment of CE staff was the one of complexity. However, this missed the fundamental point that the vast majority of CE students were supported successfully from the UK; and the existing overall support for CE students was misaligned. The employment of local ALs was not necessary and, in addition, caused significant difficulties. Consequently, the University should move all students to the existing model that provided support from the UK, and cease direct employment of those staff based in Continental Europe. In parallel, the University should continue to examine ways of improving its support to CE students. On this basis, the member supported the proposal.

- 8.12 An associate lecturer member said that she had understood that the consultation would not just be undertaken with a view to complying with the law. The consultation had taken place, but only with a view to making redundancies. It had been hoped that the ALs and country coordinators in CE would be given the opportunity to demonstrate the benefits of their presence in CE. The arguments were all about the complexity of the employment arrangements, but there might be positive aspects of this staff presence in CE that the University was currently overlooking and this should have come out in the consultation process. Even though the letters that were sent to ALs gave the impression that the affected staff would be consulted on a face-to-face basis, it was understood that this would have been impractical. However, there could have been an electronic open-ended consultation to find out staff views on the benefits of the current system, particularly in view of the University's ambitions to increase student numbers in Germany, for example. Mr Woodburn commented that there were two issues that should not be merged: what was the University consulting about; and who was it consulting. Primarily, the University had been consulting with the University and College Union (UCU), as it was required to do. UCU represented the views of all staff across Europe, whether they were members of the union or not. The consultation had not been just about making redundancies, but how the University could avoid or mitigate the effects of redundancy. In that discussion, the University had been open to different views and could have changed its mind if UCU had made a strong argument for continuing employment in CE. However, in the University's judgement, no such argument had been made. The University had not consulted each individual AL, but depending on the nature of employment law in each country the consultation had gone wider than UCU. For example, the Works Council that had been established in Germany had looked at wider issues. If the changes were likely to have a substantial impact on the student experience it would be a different issue, but in the University's judgement it did not, because 92% of students were not supported by an AL in their own country. This was the fundamental argument: it was the role of ALs to support students and most students were perfectly well supported from the UK, without the complex and burdensome arrangements of directly employing staff in CE.
- 8.13 A member said that the papers and the discussion had helped to clarify some of her questions. The Council had to make strategic decisions, and the delivery and execution of those decisions were then the responsibility of the executive. A number of the issues that had been raised would be part of the work of the executive. The strategic decision was made in the context of the overall framework, but ultimately it affected individuals, who should be treated with sensitivity and respect. With the understanding that this would be in place, the Council could be comfortable that it was making the correct strategic decision and ask the executive to deliver on it. With regard to the rationale, the University was deploying a successful method of delivery for more than 80% of its students and wanted to roll this out more widely. In doing so, it recognised that individuals would be affected and it would treat them as fairly as possible, but that the University's strategy had to be delivered for all OU students.
- 8.14 The Council **confirmed** that, subject to due process in each country, the University should cease direct employment of staff (associate lecturers and academic-related staff) based in Continental Europe. This should come into effect between the end of July 2012 and the end of April 2013.

9 FORECAST OUTTURN

C-2012-03-05

- 9.1 The Finance Director, Miles Hedges, introduced the paper. The third quarter's results had shown a small further favourable movement in income and a larger further favourable movement in expenditure, partly offset by a small reduction in the outturn adjustment. The forecast surplus was now £34.5 million, a favourable movement of £8.2 million from budget and £4.3 million from the January 2012 forecast.

- 9.2 The one adverse movement in income had arisen as a result of the May 2012 modules not recruiting as strongly as had been predicted, which had had a knock-on effect on the budgeted income for 2012/13. However, this was more than made up for by an increase in project related income and a release of a contingency relating to prior year grants from the former Teacher Development Agency (TDA). Forecast expenditure continued to reduce as cost reduction measures were implemented ahead of budget.
- 9.3 The Treasurer, Michael Steen, commented that the further strengthening of the University's financial position was welcome and the Council should express its thanks to managers across the University for delivering such a good result.
- 9.5 The Council **noted** the 2011/12 forecast consolidated outturn of £34.5 million surplus.

10 2012/13 REVENUE BUDGET

C-2012-03-06

- 10.1 The Finance Director, Miles Hedges, introduced the paper, which was the first budget to be prepared in the context of the new funding environment in England. The lateness in the Student Loans Company (SLC) opening for applications from part-time students was unfortunate, although it was still on schedule to open at the end of July 2012. Most importantly, budgeted income from new regime students in England would represent less than a fifth of the University's total income. The delivery of this budget would mean that £46 million of the £75 million target for aggregate cost reductions or new income would have been achieved and the University was on target to deliver the remainder by 2015/16. Budgeted expenditure included an allowance for £23 million of non-recurrent strategic expenditure to help position the University for the new market dynamics. A major component of that spend would be a successor to the CIRCE¹ system to deal with student registration and curriculum planning, which was particularly important as the University moved forward from a module to a qualification world.
- 10.2 The Treasurer, Michael Steen, commented that at a time of such change it was encouraging that a balanced budget could be recommended to the Council. Staff across the University had worked extremely hard to deliver the operational changes necessary for the new environment and their efforts were appreciated. There was a contraction in student numbers and the unit budgets aggregated to a loss, but there was also a significant amount of strategic expenditure. The uncertainty over the recruitment of new regime students was due to circumstances beyond the University's control. In the short term, continuing grant funding for transitional students would soften the impact of student recruitment in the new funding regime, although in the long term the University would be increasingly on its own. It was comforting to note that even a reduction in new regime student recruitment of a third would reduce fee income by less than the surplus forecast for the current year.
- 10.3 A member asked whether the budget reflected the University Secretary's earlier comments about student numbers. Mr Woodburn replied that there had been two scenarios: the relatively pessimistic UK Market Strategy and another based on achieving the same intake as in 2011/12. The budget had been pitched between these two scenarios, which might appear slightly optimistic at present. However, transition students in England were likely to come in significantly above target, so overall the University was likely to be close to achieving its budget.

¹ Corporate and Individual Records for Customers and Enquirers

- 10.4 Another member asked whether there would be impact on the budget if the SLC did not meet their target opening date of the end of July 2012, and what contingency plans were in place. Mr Hedges replied that there would be an impact if the University did not meet its student number targets. Mr Woodburn added that the OU Guarantee was the contingency plan. The University already handled loans on behalf of the SLC that were much more complicated, as they involved student support as well as fees support and were means tested. In future, the criteria to determine whether a student was eligible for a loan would be quite simple, so it would not be difficult to assess loan eligibility. If students applied and were eligible, the SLC had to provide a student loan. Students needed to be assured that the OU Guarantee would allow them to study even if their loan application was delayed by the SLC. The loan may be late, which would create a cash flow problem for the OU, but it would be forthcoming. The Chair added that the University had strong reserves and should not over-react at this stage.
- 10.5 With reference to the 15% increase in the number of postgraduate students, a member asked on what basis this had been calculated. Mr Hedges replied that the number was based on the individual faculty predictions of taught postgraduate modules. The member said that the number seemed optimistic, as it would be too early for the improvements proposed as a result of the Postgraduate Review to have been implemented. The University Secretary, Fraser Woodburn, commented that this number did not heavily impact the overall financial position. In advance of the Postgraduate Review, the UK Market Strategy work had indicated that the University should do better in the postgraduate market and the University had already made some improvements to marketing its postgraduate offer. A substantial number of the postgraduates were MBA students and, had it not been for the changes in the website that had impacted on the May 2012 intake, the numbers would be moving ahead of previous years. If the University was successful in recruiting MBA students during the November 2012 and May 2013 intakes, the overall numbers indicated should be achieved.
- 10.6 A member asked for an update on the VAT situation. Mr Hedges responded that documentary evidence had now been submitted and there had been a conference with counsel, who remained optimistic. The University had identified four witnesses who would be able to add to those areas where the documentary evidence was a little sparse after some 25 years. These witnesses included Andrew Law, who had worked as a programme producer at the BBC before he joined the OU; the last head of the OU production centre for the BBC, who would provide the BBC management view; a former member of the Finance team, who had been involved in the financial arrangements; and the controller of BBC2 at the time the OU was founded – David Attenborough - who had gone on to become the controller of BBC TV. The witness base was very strong and, since the witness statements had been submitted, Her Majesty's Revenue and Customs (HMRC) had agreed to meet the OU and its advisors. This meeting was scheduled for the following week. In response to a query, Mr Hedges confirmed that the VAT figure was not included in the budget.
- 10.7 The Council **approved** the proposed revenue budget for 2012/12, which showed a surplus of £4.1 million.

11 FINANCE COMMITTEE

C-2012-03-07

- 11.1 The Treasurer, Michael Steen, introduced the paper. Apart from the latest forecast results for the current financial year and the budget for the next financial year, the main item on the Finance Committee agenda had been the submission to HEFCE of the financial forecasts, approval of which the Council had delegated to the Finance Committee because of the very tight deadline set by HEFCE. The submission, which took into account a few changes suggested by the Finance Committee, had been distributed with

the Council paper. The graph on page 9 illustrated that the forecast dipped into deficit in 2013/14. The shaded area illustrated the wide extent of uncertainty and was based on a range of pessimistic and optimistic assumptions.

- 11.2 The OU had accumulated reserves, which were being deliberately held in liquid funds, at a cost, in view of the uncertainty that the University faced. Some of these funds were in gilts, but others were in institutions subject to the current downgrading. A project was currently underway to create a sub-committee to improve the University's investment advice.
- 11.3 On the recommendation of the Finance Committee, the Council was asked to agree that the University should apply for tax exempt status in the Republic of Ireland, a move supported by the Director, The OU in Ireland, John Darcy. In response to a query, the Finance Director, Miles Hedges, explained that as the University not only employed staff in the Republic of Ireland, but also had premises there, it had to account for corporation tax on its activities. Although the University ran at a loss and there had been no tax to pay for several years, the Republic had changed the status of out of country providers and the result was that there would now be a tax charge that the University would have to pay. By achieving tax exempt status the University would not have to bear that charge. Tax exempt status would also help the University to obtain grants in the Republic, as the OU would then have the same tax status as other universities in the Republic.
- 11.4 Mr Steen said that the Committee had also reviewed its effectiveness and had recommended no change to its constitution.
- 11.5 The Council:
- a) **noted** the minutes from the meeting;
 - b) **agreed** that the University should apply for the determination of tax exemption in the Republic or Ireland.

12 AUDIT COMMITTEE

C-2012-03-08

- 12.1 The Chair of the Audit Committee, Claire Ighodaro, introduced the paper. The Audit Committee had noted Internal Audit's Strategy and approved the Internal Audit plan for 2012-13. The Committee had also considered progress on the internal audit of IT Disaster Recovery. Management had taken on board the issues raised and further feedback would be provided at a later meeting. This was a critical area for the University and, whilst it was hoped that IT disaster recovery procedures would not have to be used, the organisation was highly dependent on IT and the robustness of the procedures needed to be maintained.
- 12.2 Referring to paragraph 6.3 of the minutes, a member asked why the Committee had considered including a review of Treasury Management liquidity to be included in the audit work plan. Mrs Ighodaro replied that in view of the volatility of the current environment, members of the Committee thought that it ought to appear higher on the list of forthcoming audits. The audit would be around the processes involved.
- 12.3 The Council **noted** the unconfirmed minutes from the meeting of the Audit Committee held on 12 June 2012 (AUC-2012-02-M).

13 ESTATES COMMITTEE

C-2012-03-09

- 13.1 The Chair of the Estates Committee, Peter Mantle, introduced a presentation on the Estates Committee, its work and the challenges it currently faced. There were currently 3 external members, who had backgrounds in general estates, facilities management and construction. A new member, who would join the Committee from 1 August 2012, had experience of real estate management, which reflected the changing emphasis of the Committee's work from construction to consolidation. There was also broad base of University representatives, including members of the executive and a cross-section of senior academic and non-academic staff.
- 13.2 The Estates Committee was responsible for approving the Estates Strategy and the 10 year rolling capital plan. The Strategy, which had been written five years ago, was regularly reviewed and updated. The Committee tried to project forward the capital requirements of the University, although the OU was now looking to save money, rather than spend it. The Committee was also responsible for approving and monitoring capital projects, disposals and acquisitions. The expertise of the external members was used to develop the Estates service, ensuring that projects were handled in a professional way; whilst the internal members were able to convey the feelings and requirements of the staff on matters such as open plan. The Committee ensured that external techniques were brought to bear on the development of the Estates service, for example with regard to outsourcing, and examined the allocation of space standards to ensure that the University conformed to external benchmarks in the public and private sectors.

Capital Funding

- 13.3 The Director of Estates, Alan Burrell, said that one of the main issues currently affecting the Committee and the Estates team was capital funding. The University had been well funded until 2011, with HEFCE providing some £15-20k per year for building and refurbishment. There had been no capital funding since, but the estate was generally in good condition. The focus was now on maintenance in order to maintain the quality of the estate for the benefit of the OU's business, reputation and staff. The Estates team had to manage the expectations of the whole University: there were now fewer staff to undertake the work and the team had to focus on priorities.
- 13.4 A member asked whether there was any prospect of external capital funding restarting and, if not, how long could the University continue on the basis of care and maintenance alone and how would it fund any strategic development. The Vice-Chancellor replied that there was a broad recognition within the funding councils and the relevant government departments that capital expenditure by universities was important, and this was acknowledged in part by the fee strategy that had been introduced. As the Government considered capital projects to restart the economy, the sector had received an invitation to bid for projects that may be useful in the long term as well as satisfying the Government's growth targets. It was less likely that funding would be available in the normal cycle, but rather as had happened in the past be based on opportunities were funds became available. Universities were seen to be a sound, good investment. Mr Mantle said that there was probably 10-15 years life in the current estate on a maintenance only basis. Most of the old buildings had been disposed of or substantially upgraded. Mr Burrell agreed that 10 years was likely, although it was difficult to foresee. There might be an increased maintenance spend in some of the older buildings.

Space utilisation

- 13.5 Mr Burrell said that space utilisation was another issue for Estates and surveys had produced varying results across units. Staff numbers were reducing and the Estates team

were in active discussions with units as to how space could be used better, with the ultimate aim to free up space for sub-letting or demolition.

- 13.6 With regard to the possible under-utilisation of assets on the estate, the Chair asked whether there was any potential with regard to spin-offs or start-ups related to the OU's research. Mr Burrell said that this was something that might be considered as the University's space requirements were reduced. The Pro-Vice-Chancellor (Research and Scholarship), Professor Tim Blackman, said that the University was already acting on this to some extent by making facilities available to outside organisations that it wanted to work with. There had been some excellent investment in the OU's research infrastructure, particularly in the areas of Science and Technology, and there was a concern that this was now being underutilised. The amount of funding from the Science Research Council was reducing as it tried to protect its own facilities. In the next comprehensive spending review, the ring fence around the science budget might be lifted and there would be a reduction in revenue from those sources, which would make the assets that the OU had less productive. It was appropriate to let government know that the funding was important in terms of making the most of the OU's assets and the investment that had already gone into the research infrastructure. It was not just a simple cut, but left assets idle. The Chair suggested that the Council returned to this subject at a future meeting.

Action: TB

Sustainability

- 13.7 Mr Burrell said that sustainability was an issue that all universities had high on the agenda, as the targets were set down by government through HEFCE. The targets were to reduce carbon emissions by 36% by 2020 and 80% by 2050. Currently, the University was forecasting a shortfall of 11%. There were a number of projects completed, including a novel heating system that was 50% more effective in Building 12 and the replacement of lighting with light emitting diodes (LEDs) to reduce electricity consumption, and others in the pipeline that would try to reduce emissions further.
- 13.8 Whilst current carbon emissions were the same as the base year of 2005, they rose by 10% during that period 2005 – 2008 due to the expansion of the Estate and factors such as the need to install 200 automatic doors in order to comply with Disability Discrimination Act (DDA) requirements, which increased electricity consumption. Recent activity had reduced it back down to the 2005 levels. The University's relative carbon reduction to turnover actually showed a 23.6% reduction, but there was still much to be done. The University had to be mindful of new technologies as they emerged, but they had to be cost effective. For example, photovoltaics could be placed throughout the University, but the payback period was extremely long.
- 13.9 The treatment of waste had been a major success for the OU, with 80% being recycled. The reduction of carbon emissions around transport and procurement had yet to be included. HEFCE had produced a number of documents around how these should be measured, but it was difficult and potentially very time consuming, so pragmatic solutions were being sought.
- 13.10 A student member asked if there were any plans to compost suitable materials. Mr Burrell said that the University did some composting, but it was another avenue that was being explored.
- 13.11 With reference to the carbon reduction technologies, a member asked whether the OU's own research was providing practical outputs that could be put to use within the University. Mr Burrell replied that the Estates team did maintain links with the University's

academics, but some of the research was embryonic and it would be some time before it could be implemented.

Looking forward

- 13.12 The vision of the general Estates Services was to be the Best Estates Division in Higher Education. In the summer of 2011, customer satisfaction had been measured at 92%, whereas 10 years previously it had been just 49%. The performance of a range of functions against service level agreements (SLAs) had been measured at 92% - 96% on a monthly basis. A recent staff satisfaction survey had indicated scores for the Estates function that were on average 14% higher than the mean for non-academic units.
- 13.13 Building condition was classified as A and B, or good, or C and D, requiring huge investment or demolition. The condition of the buildings in the OU estate was 95% categories A and B, an improvement from 69% in 2002. The average in categories A and B for the sector was 77%.
- 13.14 The University had tasked all units with efficiency savings following the changes in funding. Estates had already met its target of £1.1m, one year early! In summary, the estate was in good condition, but it was important to protect the maintenance spend in order to keep it that way. The University needed to employ new carbon reduction technologies if it were to achieve the targets that had been set.
- 13.15 A staff member commented that the estate looked in better condition than ever. The President of OUSA said that over 400 students who had attended the recent OUSA conference at Walton Hall had been impressed by the campus. The Vice-Chancellor said that the OU's campus compared favourably with the facilities at other universities that he had visited recently. Others were unlikely to be able to continue for 10 years with the current state of their estate.
- 13.16 The Director, the OU in Wales, Rob Humphreys, commented that the discussion had been centred on Milton Keynes, but the OU had significant estate outside Milton Keynes. Was there anything distinct about these properties? Mr Mantle said that over the past 10 years there had been a policy of buying freeholds or long leases, or ensuring that leases had break clauses. Mr Burrell said there had been considerable investment in the regions and nations, with new offices in Cardiff, Belfast and Gateshead. The only old building was Oxford, but staff enjoyed working there. The metrics presented applied nationwide and the University could continue in the regions and nations for 10 years without further investment.
- 13.17 The Chair thanked the Committee for the report. The estate was something that the OU could be proud of.
- 13.18 The Council **noted** the unconfirmed minutes of the meeting of the Estates Committee held by correspondence on 15 June 2012 (E-2012-02-M).

14 STRATEGIC PLANNING AND RESOURCES COMMITTEE

C-2012-03-10 A & B

The Council **noted**:

- a) the unconfirmed Minutes and Confidential Minutes from the meeting (SPRC-2012-03-M and SPRC-2012-03-CM));
- b) the updated paper presented to the SPRC on the UK Political Landscape and Funding Environment (SPRC-2012-03-07-Updated).

- c) the paper presented to the SPRC on measures and targets by which success would be judged in achieving the objectives of the University's Strategic Plan for 2012-2015 (SPRC-2012-03-01);
- d) the paper presented to the SPRC summarising the output from the two sessions at the Council Strategy Workshop on 8 May 2012 and follow up action (SPRC-2012-03-06);
- e) that the SPRC recommendation to the Council on the Strategic Plan for the OU in Wales (SPRC-2012-03-M minute 7) is dealt with elsewhere on the agenda (C-2012-03-02);
- f) that the SPRC recommendation to the Council on the Strategic Plan for the OU in Ireland (SPRC-2012-03-M minute 8) is dealt with elsewhere on the agenda (C-2012-03-03);

and **approved**:

- g) the recommendations from SPRC to the Council on the Organisational Changes to the Faculty of Health and Social Care (SPRC-2012-03-CM minute 9.4 and SPRC-2012-03-04A);
- h) the recommendations from SPRC to the Council on Organisational Changes to the Centre for Inclusion and Curriculum and the Open University Validation Service (SPRC-2012-03-CM minute 9.6 and SPRC-2012-03-04B).

15 STAFF STRATEGY COMMITTEE

PRESENTATION

- 15.1 The Chair of the Staff Strategy Committee, Ros McCool, introduced a presentation given by the Director of Human Resources, Nigel Holt, on behalf of the Staff Strategy Committee. Ms McCool thanked those members of the Council who had responded to the questionnaire circulated at the previous meeting. The main issues raised by members were similar to those being considered by the Committee.
- 15.2 Mr Holt, said that the HE sector and the OU were facing challenging times with changes to government funding, more demanding customers and increasing competitive pressures. The OU's 12,000 staff were crucial to its success and the University was responding to these challenges through the People and Culture programme.

Staff Survey

- 15.3 A recent staff survey had provided a wealth of information and some insights into the current situation. Benchmarked against either the public or private sector, staff morale and engagement with mission (78%) was shown to be very high at the OU, with scores in the top quartile of all organisations. Pride in the organisation was high, as were the levels of job satisfaction (3.79/5) and motivation (3.58/5) amongst OU staff.
- 15.4 However, the staff survey also showed that the OU's ability to change was perceived as low, that management capability was regarded as variable and still weak in some areas (management capability up to 3.34/5 from 3.11/5 in 2009) and that the degree to which staff felt supported was 11% lower than some benchmarked organisations. The University was perceived as overly bureaucratic with variable customer focus. It was also felt there was insufficient innovation and weak performance management in some areas. A recent report on management in the HE sector indicated that similar issues were found across the HE sector.
- 15.5 In May 2012, the Staff Strategy Committee had sought Council members' views about the priority areas that should be addressed. Some of the key themes to emerge were the need for senior managers to 'walk the talk', and for there to be greater empowerment and

accountability. A large proportion of the comments had focussed on the behaviours of managers and staff, and there were many similarities with the issues raised in the staff survey.

People and Culture

- 15.6 To deal with some of the issues that had been identified the University had responded with a strategic programme called People and Culture. Its objective was to 'increase the engagement of all staff with the University's strategic objectives and build staff capabilities to strengthen the agility and performance of the University'. The People and Culture programme recognised that to be successful the University needed staff who were committed, engaged, skilled and highly productive with a passion for delivering excellent customer service.
- 15.7 There had already been some progress. A comprehensive managers re-structuring toolkit had been implemented to support staff with rapid organisational change. The ASPIRE programme had been launched, which had targeted mentoring support for black and ethnic minority (BME) and disabled staff and this had been very well received. A new staff employee assistance programme providing free counselling support had been launched.
- 15.8 The People and Culture programme currently covered four key strands: Enhanced Leadership Capabilities, Improving Institutional and Individual Performance, Increasing Student and Customer Focus, and Working Smarter. The latter sought to make much better use of systems functionality and technology.

Enhanced leadership capabilities

- 15.9 Effective leadership was viewed as critical to achieving the University's priorities. A totally new Leadership Competency Framework had been launched in May, which sought to guide managers and consider their strengths and development needs against six key competencies. This package of support covered the appraisal process, recruitment and development, and reflection tools to identify where personal development was needed. The launch had been well received and the package was currently being rolled out across the University. Examples of the Leadership Competency Framework had been provided in a pack for Council members. This strand required extensive follow through and already formed part of the annual appraisal process for a large proportion of senior managers. This was supplemented by a range of support activities including the Highly Effective Manager programme and various academic leadership programmes. The Leadership Competency Framework reflected the Valued Ways of Working behaviours framework that was already available for other staff.

Improving Institutional and Individual Performance

- 15.10 The second strand of the programme was Improving Institutional and Individual Performance. A key finding from the staff survey had been that a significant number of staff felt they did not receive regular feedback on their performance (41%) and this strand aimed to tackle this through more frequent coaching, setting better job objectives and developing performance improvement plans for staff who might be struggling in some areas. It was not just what staff did, but also how they did it that was crucial to effective performance. This strand included a wide range of support material to help managers, including videos, toolkits and examples of how to deal with poor behaviours, such as bullying or where staff had gone off sick following disagreements.
- 15.11 The strand also emphasised the important role that the senior team played in developing a new and progressive culture by being visible as leaders and by acting as positive role models, actively encouraging their staff to take personal accountability. This was very

much in line with the comments made by Council members to ensure our leaders 'walk the talk.'

Increasing Student and Customer Focus

- 15.12 Increasing Student and Customer Focus was particularly important as the University moved into a new world where students were paying higher fees and would expect higher levels of customer service. A customer centric mindset was being developed which focused on excellent delivery of services to internal and external customers alike. Work was under development to assess where gaps in service were and how to put the customer at the heart of decision making and to develop tools and techniques that improve the customer experience. Examples of this included everyone having a student or customer focus improvement objective, developing service standards and building more customer feedback into day to day business processes.

Improving productivity

- 15.13 Whilst much of the presentation focussed on culture and behaviours, it was important to set this in the context of overall performance. A chart demonstrated the rising trend of student full time equivalent (FTE) numbers compared with the core full time equivalent internal staff numbers, which excluded fixed term contract staff and externally funded staff. The chart illustrated a gradually improving trend of productivity over recent years. A second chart showed how core internal staff numbers had begun to reduce over recent years as the University had consciously sought to achieve a leaner and more efficient organisation. The pack contained other key metrics, which showed improving trends in, for example in the number of BME staff employed in the OU, and the decreasing number of work place accidents.

Looking forward

- 15.15 There were wide ranging developments currently underway and further activity would be taking place in 2012-13. Shared values were key to the cultural change in behaviour and formed the bedrock of the Valued Ways of Working and Leadership Competency Framework mentioned earlier. This investment in the future of the OU staff should pay dividends and build on the exceptional levels of commitment already apparent. The University would continue to monitor initiatives, and embed them, and take steps to ensure they made a real difference to the performance of the University. These interventions addressed a very large proportion of the gaps identified by Council members from the need for more accountability to the need for more visible leadership.
- 15.16 Ms McCool said that the Leadership work stream was the most important, not only for academic leadership, but for leadership of the organisation, people and change. Everything else would flow from effective leadership and leaders demonstrating the right behaviours. The Vice-Chancellor's comments a change of culture, with people being more focussed on delivery and positive about change had been reassuring. The results of the student survey indicated that the University was already getting much right in terms of student and customer focus. It would be important to find a way of evaluating the impact of the People and Culture programme, and the Staff Strategy Committee would be considering how to do this effectively and in a way that would provide the Council with the necessary reassurances.
- 15.17 A member said that some excellent resources had been produced, but there were questions about how well it would be used and how its effectiveness would be monitored. It was important that the University was confident that it had fair, timely and efficient systems for managing poor performance; and that support and feedback was provided to those for whom management was not their first discipline and who were reluctant to deal

with such issues. The provision of self-directed learning materials would address the ownership agenda. The programme should not be owned by Human Resources (HR), but championed by all line managers in order to ensure that the new leadership style became embedded across the University. The Vice-Chancellor said that the purpose of the Leadership Conference, at which he had been a keynote speaker, and the cascade through the senior team, with himself and his direct reports acting as role models, was to demonstrate that the approach had to be broad based and well adopted. The leadership team would not abdicate their role to HR. The first hurdle was to get all staff to have a review, whilst recognising that the issues were qualitative as well as quantitative. An organisation was defined by its people, so this was a priority. Mr Holt added that HR development was not just about workshops, but there was a blended learning approach with on-line modules and bite-size learning materials addressing behaviours across recruitment, induction and appraisal.

- 15.18 Another member commended the Leadership Competency Framework, but observed that cost reduction and efficiency appeared in the strand on Student and Customer Focus. It was important that customer focus and cost cutting were not equated. Mr Holt responded that cutting to 6 competencies led to an element of false fit, but value had to be part of the consideration.
- 15.19 In response to a query from an associate lecturer member, Mr Holt confirmed that the 12,000 staff included ALs, but that the staff survey had not; a separate survey of ALs had been undertaken. The data collected reflected the internal staff survey and some of the key messages were the same. For example, pride in the organisation was also high and the need for greater feedback had been highlighted. There had been some subtle differences, which could be covered at another time, but many of the outcomes were very similar.
- 15.20 The associate lecturer member asked whether it was within the remit of the Staff Strategy Committee to model future staffing needs, not only in terms of declining student numbers, but also with regard to changing tuition models. Ms McCool said that there was an HR workforce plan and that the Staff Strategy Committee received reports on the balance and profile of staffing requirements.
- 15.21 In response to an observation that the most senior levels of OU management were male orientated, the Vice-Chancellor said that this was an issue on his executive (VCE) that the University was trying to address this within the boundaries of fairness and legality. The Extended Leadership Team (ELT) and senior team demonstrated a better gender balance and recent appointments addressed other diversity issues.
- 15.22 A member said that the presentation had been helpful, but brief. The management should consider how it could best engage the Council with the principles and the effectiveness of the People and Culture programme, perhaps at the Strategy Day, as people were an organisation's biggest asset.

Action: FW

16 THE SENATE

C-2012-02-11 A & B

The Council **noted** the report on items and confidential items discussed at the meeting of the Senate held on 20 June 2012.

17 ANNUAL EFFECTIVENESS REVIEW

C-2012-03-12

- 17.1 The Vice-Chair, Professor Bill Stevely, said that he had begun to conduct the interviews with individual members of the Council that were part of the new review process. Some of the issues raised in the paper, had also been surfaced during these conversations. For example, it had become apparent that some recommendations were necessary with regard to induction. An improved induction programme for members could, in turn, deal with a number of other matters raised in the paper. Professor Stevely offered to review the paper and return with some recommendations.

Action: WS

- 17.2 A member said that the paper included some helpful comments, particularly with regard to risk. Whilst it was understood that the greatest risk at present was that of student numbers, it would be very helpful if the Council had a better understanding of the risks facing the University and how they were being assessed and managed.
- 17.3 A student member observed that it was important for all Council members to give their full attention to the meetings.
- 17.4 The Council **agreed** the Corporate Governance Statement for inclusion in the Financial Statements 2011/12.

18 FINAL REPORT ON THE COUNCIL GOVERNANCE REVIEW 2010 AND REVIEW OF MEMBERS 2011

C-2012-03-13

- 18.1 The University Secretary, Fraser Woodburn, introduced the paper, which provided a statement of what had been done to respond to the recommendations of the report on the Council Governance Review in 2010 and the Review of Members in 2011. There were two points for approval. The first was to rescind the decision to move the Council meetings around the nations as it had not proved practicable. This might be taken forward through the four nations meetings by involving Council members in those meetings. The second was to approve changes to the Standing Orders to reflect the recommendations of the reviews.
- 18.2 Referring to paragraph 5.1 on page 16, an associate lecturer member commented that although the Council had agreed to move the Strategy event to May, it had not been apparent that it had agreed to abandon the overnight stay. Mr Woodburn said that the requirement for an overnight stay had been removed, but whether there was an overnight stay every year would be for the Council to decide according to the agenda.
- 18.3 The associate lecturer member also commented that the paper stated that the induction would be associated with the Strategy event in May, but the timing of this would be rather late given that the Council year commenced in August. Mr Woodburn agreed that this would not be effective and the guidance would be reviewed.

Action: Central Secretariat

- 18.4 The associate lecturer member observed that the Council's powers with regard to the oversight of senior appointments seemed to date from 40 years ago. The Council had a good oversight of senior appointments such as the Vice-Chancellor, University Secretary and Pro-Vice-Chancellors, but there were a number of executive appointments outside that framework and it was not clear how the Council had any involvement in these. Mr Woodburn responded that 40 years ago, the Council and the Senate had to approve senior appointments, but this had been changed as it was a dubious practice in terms of

employment law. There was a formal involvement of the Council for all executive appointments. This could be formalised.

Action: FW

18.5 The Council :

- a) **noted** the responses to the recommendations (Appendices 1 and 2);
- b) **noted** the paper on the relative roles and responsibilities of the Council and the Senate (Appendix 4);
- c) **agreed** that the recommendation for one Council meeting each year to take place in Scotland, Wales or Northern Ireland be rescinded;
- d) **approved** the changes to the Council Standing Orders, including the Annexes and Appendices, arising from the responses to these recommendations (Appendix 3).

19 MEMBERSHIP COMMITTEE

C-2012-03-14

19.1 The Vice-Chancellor drew the Council's attention to a typing error in the paper: the end date of the appointments, where stated, should read 2016, not 2013.

19.2 The Chair of the Audit Committee, Claire Ighodaro, asked whether the Membership Committee had considered succession planning in order that a member with financial or audit experience would be in place when she demitted office in July 2013. Mr Woodburn responded that this had been the primary requirement highlighted during the Committee's discussions. The Committee had identified two possible individuals to approach.

19.3 The Council **approved**:

- a) the reappointment of Professor Bill Stevely and Shonaig Macpherson as external co-opted members of the Council from 1 August 2012 to 31 July 2016;
- b) the reappointment of Professor Bill Stevely as Vice-Chair of the Council from 1 August 2012 to 31 July 2016;
- c) the reappointment of Professor Bill Stevely as an external co-opted member of the Council to the Strategic Planning and Resources Committee and the Membership Committee from 1 August 2012 to 31 July 2016;
- d) the reappointment of Shonaig Macpherson as an external co-opted member of the Council to the Audit Committee from 1 August 2012 to 31 July 2016;
- e) the appointment of a nominated external co-opted member of the Council to the Membership Committee, subject to their agreement;
- f) the appointment of Dr Christina Lloyd to the Membership Committee as one of two members from the staff and student categories of Council membership;
- g) the recommendation for the change to the Membership Committee constitution arising from the annual effectiveness review. The proposed change to the membership is illustrated in the Appendix. Deletions are shown as strike through and additions are underlined.

20 DECLASSIFICATION OF COUNCIL PAPERS

20.1 The University Secretary, Fraser Woodburn, said that the formal announcement regarding the decision on paper C-2012-03-04 Employment Arrangements in Continental Europe would be made at 10.00am on 18 July 2012. Members of the Council were asked to keep that decision confidential until after that announcement had been made.

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

C-2012-03-07 Finance Committee - Financial Forecasts attachment
C-2012-02-10B Strategic Planning and Resources Committee Confidential Minutes
C-2012-02-11B The Senate Confidential Minutes (in order that the OU's validated organisations could be informed of the changes in a formal communication).

21 GOODBYES

21.1 On behalf of the Council, the Chair and the Vice-Chancellor thanked Laura Murphy, Dr Meg Hopkins and Professor Joyce Fortune, who had reached the end of their final term of office, for their service and input to the Council.

21.2 The Chair also thanked the Senior Assistant Secretary, Jane Duffield, who would be retiring from the University at the end of September 2012.

22 DATE OF NEXT MEETING

The next ordinary business meeting of the Council will be held on Tuesday 27 November 2012 at 9.45am for 10.00am in the Hub Theatre, The Open University, Walton Hall, Milton Keynes, MK7 6AA.

23 REVIEW OF MEETING

This item was included following a recommendation from the Council Governance Review Group, agreed by the Council in July 2010. There were no comments on this occasion.

Julie Tayler
Assistant Secretary
Central Secretariat
July 2012