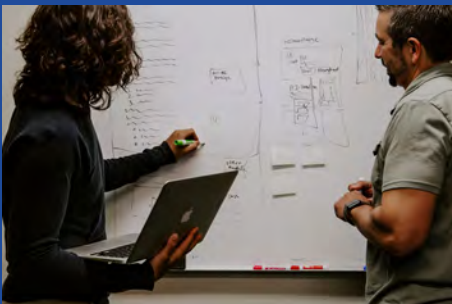
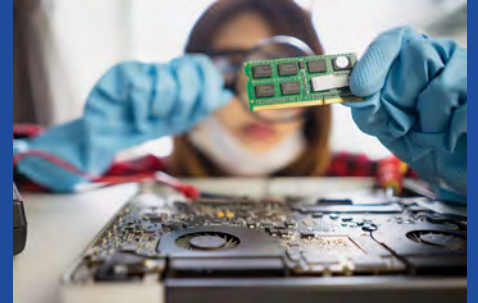


FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2021





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Financial Highlights

Our financial results for the year reflect exceptional growth in the numbers of students registering to study with The Open University. This growth reflects in part the focus and outcomes of our strategy but is also testament to the attractiveness of our offer during the Covid-19 pandemic.

Our strategic change programme continues and we have invested in systems, processes and staff to enhance our services and support to current and future students.

The underlying financial health of the University remains strong.

Results, Assets and Reserves		Year Ended 31 July 2021	Year Ended 31 July 2020
		£m	£m
	Total Income	561.5	474.1
	• Tuition fees and education contracts	393.2	330.7
	• Funding body grants	104.5	96.6
	• Research grants and contracts	13.8	11.9
	• Income from other sources	50.0	34.9
	Total Expenditure	519.8	420.6
	Expenditure before USS pension provision adjustment	520.8	481.4
	USS pension provision adjustment	(1.0)	(60.8)
	Surplus for the Year After Taxation	33.6	46.6
	Adjusted Operating Surplus	52.1	21.6
	(reconciliation of measure on page 28)		
	Net Current Assets	333.9	298.2
	Total Reserves	431.5	397.9

Other Key Statistics

	Total number of students	205,420	175,719
	Directly taught students	162,264	136,641
	Validated students	43,156	39,078
	Number of Full-Time Equivalent (FTE) students (Directly taught only)	87,960	73,167

University Highlights

In an unprecedented year we want to celebrate the everyday heroes who have enabled The Open University to live up to our motto **'Learn and Live'**. Never has this been more keenly felt than in this year where we saw all our staff go the extra mile to ensure our students could continue to study and fulfil their dreams. As we emerge from a global pandemic and having dealt with home schooling, unusual and often shared working spaces, broadband capacity, and social isolation, whatever our role, we can all say we did our bit to keep The Open University – Open.

Awards

Our enduring relationship with the BBC continues to provide high calibre programming demonstrated by Blue Planet Live winning the 2020 BAFTA for 'Best Live Event'.

We won Public/Private Partnership of the year at the 2020 PIEoneer awards in recognition of our successful partnership with Uber.

The paper co-authored by STEM PhD student, Madhu Madhavi, called 'Coal in the twenty-first century: a climate of change and uncertainty' was formally awarded the James Watt Medal by Institution of Civil Engineers (ICE) Publishing.

The Language of Lying, commissioned by our OpenLearn team and produced by Hamlett Films, won the MEDEA Award 2020.

In Ireland we received an 'Excellence in Online Learning' Award from Public Sector Magazine in Ireland.

Two Guardian University Awards, for the Uber partnership widening access and outreach, and nQuire for research impact. Both initiatives reflect the remarkable ability that our channels and platforms have to reach people who want to learn and discover new knowledge.



Recognition

Kate Lister, Lecturer in Education Studies, and Tom Power, Senior Lecturer in Education, have both been awarded Principal Fellowship of the Higher Education Academy.

Director in Ireland, John D'Arcy, was awarded an OBE in the Queen's 2020 Birthday Honours for his services to Education and the Arts.

Professor Nick Braithwaite, Executive Dean of the Faculty of Science, Technology, Engineering and Mathematics (STEM), was awarded the Lawrence Bragg Gold Medal from the Institute of Physics for developing the award-winning OpenSTEM Labs.

Jacqui Gabb, Professor of Sociology and Intimacy in Faculty of Arts and Social Sciences, has been named among this year's Fellows of the Academy of Social Sciences.

Vice-Chancellor Professor Tim Blackman was elected to the Council of the Academy of the Social Sciences.

Professor of Polar Oceanography, Mark Brandon, was awarded an MBE in the Queen's New Year 2021 Honours for services to Polar Science.

Wellbeing

The Student and Staff Mental Health and Wellbeing Strategy was launched, promoting an institutional approach, to coincide with World Mental Health Day.

The Michael Young Building on the Milton Keynes campus was transformed into a vaccination centre to help the NHS boost capacity locally, delivering up to 500 vaccinations a day.

Wales saw a **24%** increase in e-mail traffic into the Student Recruitment and Support team.

Students

In 2020/21, new student undergraduate and postgraduate registrations at course start grew by 7,600 full-time equivalent (FTE) students, a 33% increase compared to 2019/20. In terms of student headcount, there were 122,000 in England (an increase of 12% compared to 2019/20), 22,000 in Scotland (an increase of 33%), 14,500 in Wales (an increase of 32%), and 7,000 in Northern Ireland (an increase of 29%).

Our students have voted us third overall in the National Student Survey Awards. We retained an overall satisfaction rate at 88% across the UK, with an increase to 92% in Scotland. We ranked first in Wales and in Northern Ireland we were again first retaining this ranking for 17 years. In England and Scotland, we were ranked second.

Student support managed

244,056 QUERIES,
1.8 MILLION proactive support
messages and **143,710** pieces of
information, advice or guidance call.

Our work in Apprenticeships continue to grow. The DfE statistics have confirmed once again that we are the largest provider of degree apprenticeships in England based on 2019/20 statistics. We have over 2,700 apprentices partnering with over 750 employers with 46 apprenticeships across Scotland. Two of our biggest programmes in England are the Registered Nurse Degree Apprenticeship and the Chartered Manager Degree Apprenticeship, and the 2019/20 data shows that we continue to be the largest provider of these work-based programmes. In Northern Ireland, 508 nursing students were supported towards registration with the Nursing & Midwifery Council.

Jointly developed by the University and the Open University Students Association, we have launched our new Student Charter which sets out what we can all expect of each other and is a declaration of our shared values.

Sustainability

As our focus on sustainability increases, we announced Nick Braithwaite, Executive Dean, STEM as VCE sponsor for the environment. We will be demonstrating our commitment to achieving change across the green agenda with a particular focus on decarbonisation.

Working with the Marston Vale Community forest (local to the Milton Keynes campus), and in Malawi with the Neno Macadamia Trust, we launched a scheme to plant a tree for every research degree graduate. The project showcases the local and international reach of the University.

Investing in the future of the OU

Transitioning more than 4,000 Associate Lecturers to permanent contracts with new terms and conditions is planned to come into effect on 1 August 2022. Interim arrangements came into effect on 1 October 2021. We have taken the first step in our Core Systems Replacement programme, introducing new systems to support People Services, Finance and Payroll (November 2020).

Open Learn have had **14.1 MILLION**
unique visitors, **1.3 MILLION**
enrolments on our courses and **535,000**
course completions (digital badges or
Statements of Participation awarded).





FOREWORD BY PROFESSOR TIM BLACKMAN, VICE-CHANCELLOR

Defined by a global pandemic, 2020/21 was for many of our staff and students a time of great stress, worry and sadly loss. Throughout the year, everyone's wellbeing was our first priority: not just the excellent work to safeguard health and safety, but the care and concern shown for each other.

In many ways The Open University was at its very best, and this included some outstanding achievements and successes (which are highlighted on pages 6 and 7 of this report).

It was a record year for student numbers, with 33% growth compared to last year across undergraduate and postgraduate recruitment and in all four Nations as well as internationally. The University managed this growth while also improving retention on our courses. The icing on the cake was a huge

14 place rise in the National Student Survey, ranking us third overall in the UK for student satisfaction, first in Northern Ireland and Wales, and second in Scotland and England.

It is incredible and humbling how our students are determined to succeed often against the odds. We have over 30,000 students who declare a disability, and it was tremendous to see the UK Government's new National Disability Strategy for England single out the University for the quality of support to our students with a disability. One of them, Amy, is quoted as saying, 'One of the biggest things The Open University has given me is belief in myself'.





Record year for student numbers with **33%** growth compared to last year across undergraduate and postgraduate recruitment

We are a university of many different professions working to a common mission. Our 4,000 Associate Lecturers are core to this mission, and improving their job security and benefits, along with fuller integration into their Faculties, was the focus of a huge amount of work during the year. Although achieving these changes proved to be more challenging than expected, we will achieve them over the coming year. We also faced considerable challenges with work to renew our core IT systems, but will also see this work through to keep The Open University at the leading edge of how technology can transform services for our staff and students.

These programmes and improvements have been possible because of a strong financial performance that has meant, albeit with great pressures on staff, we were also able to increase spending on additional capacity during the year. We agreed nearly £16m for extra spending on staff in 2020/21 and are budgeting for £73 million additional expenditure in 2021/22.

There is much that remains uncertain in the external financial and policy environment. The Open University is facing this future in a strong position, investing in staff, improving student outcomes, undertaking world class research and extending our reach across the four nations with new learning opportunities. This is an achievement about which all our staff can feel very proud, and for which we are indebted to the University Council, our partners in The Open University Students Association, and our alumni and donors for helping making it happen.

Professor Tim Blackman
Vice-Chancellor

STRATEGIC REPORT

Introduction

Our 2020/21 Strategic Report provides an overview of the strategy and operating context for The Open University and reports on achievements and performance during the year. We explain our distinctive mission and how we deliver this through our strategic objectives. We look at our charitable status and operational performance with regard to students, staff and research activities. We consider our financial performance over the past year and compare this to the financial strategy. We set out our approach to risk management, and finally, we look to the future as we consider the external environment and the opportunities and challenges posed by regulatory, economic, social and political change.

This Strategic Report has been prepared under the narrative disclosure requirements of the Statement of Recommended Practice (SORP), Accounting for Further and Higher Education Institutions. The financial review discussed within this Report has been presented in line with the accounting requirements of Financial Reporting Standard (FRS) 102.

About The Open University

The University was granted its Royal Charter on 23 April 1969. Across 52 years we have pioneered distance learning, bringing university to our students wherever they are and enabling students to fit study around their life.

We are the largest University in the UK and one of the largest Universities in Europe in terms of student numbers. Our distance learning model provides accessible study resources and expert tuition instruction, which means that our students have the flexibility to study when and where they want. We do not believe in barriers to Higher Education and most of our courses do not have entry requirements. We support our students to make informed decisions based on their determination to succeed and an understanding and preparation for the work required. This model of supported open and distance learning has proved to be both resilient and popular through the Covid-19 pandemic as evidenced through growth in student numbers and student satisfaction reported on pages 17 and 18.

Through provision of inspiring learning and creating higher educational opportunities with no barriers to entry, we continue to adapt and innovate to meet the needs of our current and future students.

As a UK organisation, we operate within England, Scotland, Wales and Northern Ireland and, since 1996, in the Republic of Ireland. We are an integral part of the higher education sector in the UK nations and receive government funding for our operations from the Office for Students in England, the Scottish Funding Council, the Higher Education Funding Council for Wales and the Department for the Economy in Northern Ireland.

Delivery of core academic functions is coordinated through our four faculties, each led by an Executive Dean.

- Faculty of Arts and Social Sciences
- Faculty of Business and Law
- Faculty of Science, Technology, Engineering and Mathematics
- Faculty of Wellbeing, Education and Language Studies

Each faculty consists of a number of academic units, schools or research centres, led and managed by a head or director. The core academic functions and line-management combine to form the academic structure of the University. Interdisciplinary and cross-disciplinary activities are coordinated and supported by the Pro-Vice-Chancellor Research Enterprise and Scholarship, and the Pro-Vice-Chancellor Students.

Academic activity is supported by a number of corporate activities within the Professional Services teams. These activities include:

- front-line support to our students organised through contact centres aligned to the four faculties and specialist advisory teams
- materials design and production to enhance the learning experience
- access to knowledge and information through provision of library services and open access educational resources
- provision and maintenance of an IT infrastructure and technologies to deliver online distance learning and corporate systems
- other activities including marketing and communications, governance and corporate services.

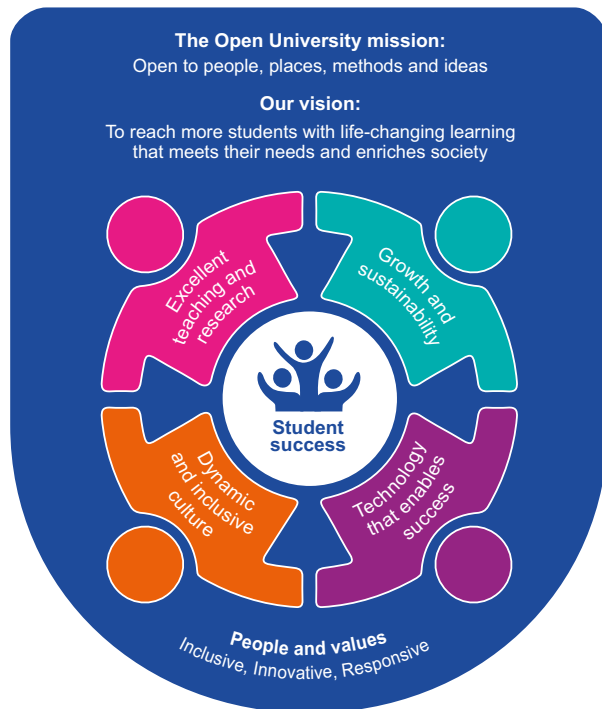
Whilst many activities are undertaken from the campus in Milton Keynes, our staff are geographically dispersed with centres in Edinburgh, Cardiff, Belfast, Dublin, Nottingham, and Manchester. Prior to the pandemic many of our staff were designated home workers. Over this past year the majority of operations have been delivered by our staff working from home. As the four nations move out of social distancing restrictions, we are working with our teams to determine our future ways of working.



Our strategy

Our Strategic Plan to 2021/22 builds on our enduring history and track record delivering genuine social and economic benefit for students, employers, and society across all four nations of the UK and beyond.

It affirms the University's commitment to its distinctive mission, vision and core values of being inclusive, innovative and responsive.



Our mission

The Open University is open to people, places, methods and ideas.

We promote educational opportunity and social justice by providing high-quality university education to all who wish to realise their ambitions and fulfil their potential.

Through academic research, pedagogic innovation and collaborative partnership, we seek to be a world leader in the design, content and delivery of supported open learning.

Through delivery of our strategic objectives, we will continue transforming lives through education, building on our success and delivering our mission in a changing world.

Strategic plan

We identify **student success** as our key strategic priority. It is through our scale, reach and our ability to support students to succeed that we are able to achieve our positive impact on society and the economy. Our focus is on:

- understanding our students' study goals and ensuring they get onto the right study path at the right level
- supporting our students to successfully progress through and complete their chosen module(s) or qualification(s)
- delivering a high quality and flexible student experience with high levels of student satisfaction
- supporting students to achieve positive career and personal development outcomes.

The Strategic Plan is underpinned by four related strategic objectives, which together achieve the overall vision:

- delivering **excellent teaching and research** to enhance our distinctiveness, reputation and, above all, student success
- enhancing our **future growth and sustainability** by diversifying our reach and sources of income and managing and challenging our costs, to ensure our financial sustainability
- investing in **technology that enables success** – both student-facing technology and our own internal systems
- fostering a **dynamic and inclusive culture** by investing in staff to recognise and maximise their contribution to our success.

The key success measures for each of these objectives and underpinning performance indicators are scrutinised on a monthly basis by the Vice-Chancellor's Executive, and quarterly by the University Council and the Senate.

Whilst the Strategic Plan frames the overall objectives for the period to 2021/22, the following areas have been prioritised:

- Student success, through a programme of initiatives to further enhance our students' experience of studying with us and enable the best study outcomes.
- Curriculum diversification, with a particular focus on developing our Microcredentials offer.
- Core Systems Replacement (CSR), to deliver the benefits associated with the launch of the technology solution to replace our core administrative and student-facing computer systems.
- Implementation of a new Associate Lecturer employment contract, which supports delivery of sustainable enhancements to tuition, assessment and student support as enablers of our students' success.

Our progress

Within the challenging context of the Covid-19 pandemic, we have continued to make progress in 2020/21, as measured against our strategic success measures.

We have seen unprecedented growth in student numbers, with total numbers increasing by 20.2% from 2019/20, taking our overall student population to 87,960 full time equivalents. Positive progress has been achieved in the proportion of students who succeed in their studies, with both module pass and return rates increasing in line with the University's ambition of a 1% improvement year-on-year.

- We have achieved an overall satisfaction rate of 88% in the latest National Student Survey (NSS), ranking first in Wales and Northern Ireland, and second in England and Scotland, placing us in the top three universities in the UK for student satisfaction overall.
- In November 2020, the first release of core finance and people services systems was implemented. Taking on board lessons learned from this implementation, the plan for future phases of CSR has been revisited

and further releases of people services functionality will follow in 2022, with student systems following in later years.

Underpinning our Strategic Plan is a strategic change programme spanning several years. The benefits of the programme will be delivered progressively, building a platform for future growth. This will enhance our financial sustainability and ensure that we are able to remain responsive to our students' needs and have the headroom to continue to innovate.

The impact of the Covid-19 pandemic on our staff and their working practices cannot be underestimated. More than ever, supporting, valuing, and investing in our staff remains a priority and we continue to develop initiatives to support them through this challenging period of change.

A new strategy

Responding to the needs, opportunities, and challenges of a rapidly changing world, we are developing our new Strategy for the period 2022–27. This has been informed by our learning from the current Strategic Plan and a significant period of engagement with our students and staff, and will be submitted for approval by the Council in November 2021. We will maintain our focus on bringing our mission to life, so that we continue to extend the positive economic and social impact that The Open University and our students deliver, transforming lives and communities through the power of learning.

Charity status and public benefit

As an exempt charity within the meaning of the Charities Act 2011, we set out how we meet the Charity Commission's public benefit test by reporting how our activities are of benefit to the public and that the opportunity to benefit is not unreasonably restricted.

The University's Council has taken into account the Charity Commission's guidance in exercising their powers and duties and in reporting of how the University operates for the public benefit.

The Charities Act 2011 provides that the Office for Students is our regulator. The University is also registered with the Office of the Scottish Charity Regulator under number SC038302.

Charitable aims

Our charitable aims are set out in our Royal Charter and encompassed in our mission and vision statement on page 12.



The advancement and dissemination of learning and knowledge by teaching and research by a diversity of means such as broadcasting and technological devices appropriate to higher education, by correspondence tuition, residential courses and seminars and in other relevant ways, and to provide education of University and professional standards for its students and to promote the educational well-being of the community generally.

[University's Royal Charter](#)



Public benefit

The direct beneficiaries of the University's activities are our undergraduate and postgraduate students, our apprenticeship students and their employers and the recipients of our research. The provision of educational opportunity to all those who wish to realise their ambitions and fulfil their potential is core to our mission. Our open-entry policy means that it is potential that matters and most of our courses have no entry requirements. Our distance learning model means that the opportunity to benefit from our activities is not restricted by geography. Details of the numbers of students that benefit from our activities as well as our work on widening access and participation are set out on pages 18 and 19.

Our activities also have wider public benefit and impact deriving from the intrinsic value of education and the development of knowledge and understanding supported by the significant amount of learning materials freely available through the University's OpenLearn

platform, Open University iTunes U services, YouTube, kindle books through Amazon and through FutureLearn Limited, our joint venture investment.

During 2020/21, we continued to work with governments across the four UK nations to provide access to free courses on the OpenLearn platform for furloughed workers and others whose jobs have been affected by the pandemic. This included the 'My World of Work' portal in conjunction with Skills Development Scotland, a NIDirect landing page in partnership with the Department for the Economy in Northern Ireland, the 'Working Wales' website in Wales, and 'The Skills Toolkit' in partnership with the Department for Education in England. Courses provided through these platforms covered digital skills, cyber security, employability skills, finance and mental wellbeing. During 2020/21, 120,000 visitors accessed OpenLearn via one of these schemes, bringing the total visitors during the pandemic to 179,000.

Information on research activities are set out on page 21. A number of our research projects provide wider public outreach, engagement and benefit. Examples include:

- Nquire: in partnership with the BBC, we have developed a platform that allows the public to contribute to 'big questions' (missions) that are set by our academics or in partnership with other organisations. For example, missions have included 'The Forest 404 Experiment' with the BBC and 'Plastic – defender or destroyer' in conjunction with the University of Hull.
- In Wales, our UKRI-funded BG Reach project, a celebration of the heritage, history and people of Blaenau Gwent past and present, has been a collaborative success. Working with Linc Cymru housing association and Aberbeeg Community Group, we supported adults new to Higher Education to continue creatively engaging online during each national lockdown, which culminated in an online exhibition and creative space.

The results of the vast majority of the research carried out by the University is published in the public domain and freely available through Open Research Online – the University's Open Access repository of research publications and research outputs.

Fees and funding

We are a fee-charging charity and the majority of our undergraduate students study part-time. As a result of our significant presence in the UK nations, we receive grant funding from each of the four nations' funding bodies in line with their devolved decisions on funding and financial support available to part-time students. This grant funding determines the fees we charge to students resident in each UK nation.

In England, although tuition fees are subject to statutory regulation, our fees are set lower than the regulatory cap. The majority of our students are liable for annual tuition fees of £6,193 per Full-Time Equivalent, equating to £18,579 for an undergraduate degree.

Our students in Scotland, Wales and Northern Ireland are liable for annual tuition fees of £2,072 per Full-Time Equivalent, or £6,216 to complete an undergraduate degree.

Other UK universities charge higher fees to overseas students who study in the UK, whereas our overseas students are taught in the countries in which they are resident, either directly or in partnership with a range of educational and commercial organisations, at fee levels that are similar to England.

Financial support for students

Students may be able to access support with tuition fees and living costs through government-backed loans and grants through the Student Loans Company (SLC) or Student Awards Agency Scotland (SAAS) based on the UK nation in which they reside. Disabled Student Allowances are available to UK residents to assist with the extra study costs associated with their disability, and can help pay for specialist equipment and software, a study support helper and other extra costs. This is administered by SLC/SAAS.

During 2020/21, the nations funders made additional funds available to address student hardship during the pandemic and through these schemes we have distributed £2.8 million to students meeting the criteria.



In addition to government support, in 2020/21 we made available £5.6 million funding for direct or indirect financial assistance:

- We provided additional services for students with disabilities, long-term health conditions, mental health difficulties or specific learning difficulties.
- We offered a number of access modules as an ideal starting point to develop study skills and build confidence prior to embarking on an undergraduate qualification. Students in the UK on low incomes may be eligible to study an access module for free if they meet certain criteria. In 2020/21, £1.5 million of tuition fees were waived through this scheme.
- The University's wholly owned subsidiary, Open University Student Budget Accounts Limited, provides students with a deferred payment facility at a lower than market rate of interest. This offers an option for deferred payment for those not eligible, or not wanting, to use the SLC and SAAS.
- We have a number of bursary or scholarships schemes including Carers' Scholarships, Carers Bursaries, Care Experienced Bursary, Open Futures Bursary and Disabled Veterans Scholarships. In 2020/21, £0.7 million of tuition fee or bursary payments were made.
- Our Study Support Scheme provided £0.8 million to students with low incomes with funding towards a range of study costs.

We alert all prospective and current students to financial support opportunities, both government backed or University funded, through our website, mail shots, e-mail and social media throughout the year.

Development activities

Over 12,000 University alumni, supporters, trusts and corporate partners have supported the University's mission and vision with philanthropic gifts to reach more students with life-changing learning, and to support faculties to take research and learning further than ever. We thank our benefactors for their support and continue to build relationships with individuals and organisations who resonate with the values and vision of the University.

The pandemic continues to impact on this activity and has led to several funders delaying their decision making. We resumed our fundraising activities in late summer 2020.

The Charities (Protection and Social Investment) Act 2016 requires us to set out our approach to fundraising activities. The primary responsibility for fundraising at the University is managed through The Open University Development Office which leads, facilitates, and supports donor cultivation, solicitation, stewardship and philanthropic gifts due diligence across the University.

A team of professional fund-raisers is employed to raise funds through:

- major gift fundraising from individuals, trusts and foundations, and commercial and charitable organisations, and
- fundraising from alumni of the University via direct mail, telephone, or crowd funding to encourage regular, planned and legacy gifts.

All our alumni and supporters are treated fairly and without discrimination. We are registered with the Fundraising Regulator and adhere to the Institute of Fundraising code of practice, particularly in the protection of vulnerable supporters and other members of the public from persistent approaches or placing undue pressure on a person to give money or property. The University monitors the activities carried out by our fund-raisers through regular management oversight and the University's Performance and Development Reviews.

We do not employ third-party fund-raisers or external call centres and do not use commission-based incentives for our team. We use third-party design and print agencies for our direct mail appeals, for which we have clear systems and processes in place. The Development Office is responsible for protecting the reputation of the University and as such has rigorous due diligence protocols in place with regard to potential philanthropic gifts.

Two complaints in relation to fundraising activities including administrative practices or procedures were assessed and resolved in the year in line with The Open University's fundraising complaints policy. The University received no allegations or investigations from regulatory bodies on our fundraising practices.

Our students

Supporting and enabling our students' success is our key priority. Throughout this year, working in partnership with our students, we have focused on the wellbeing and safety of our university community, while protecting our students' academic outcomes and supporting our colleagues to educate wholly online.

We have student success at the heart of what we do and will continue to seek feedback, listen and respond to our students to ensure the best experience possible.

Student numbers

In 2020/21, our directly taught student numbers of 162,264 have increased by 25,623 or 18.8% compared to 2019/20. The average intensity of student study, expressed in Full-Time Equivalents, has increased by 14,793 or 20.2% to 87,960. This has contributed to the growth in tuition fee income of £62.2 million (18.8%) compared to 2019/20, reported on page 30.

Student number growth reflects both increases in new student registrations and increases in module pass rates which are enabling more students to continue their studies towards qualification completion.

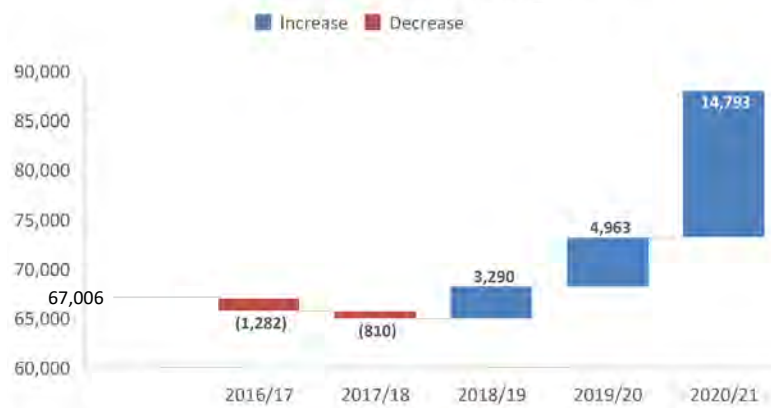
The level of new student growth significantly exceeded expectations in 2020/21, increasing

by 33%. This growth was driven by a number of factors: the appeal and resilience of our supported distance learning model in a market significantly changed by the Covid-19 pandemic; the introduction of new curriculum, positive performance and optimisation of our marketing and communications campaign and ongoing government investment in student funding in Wales and Scotland.

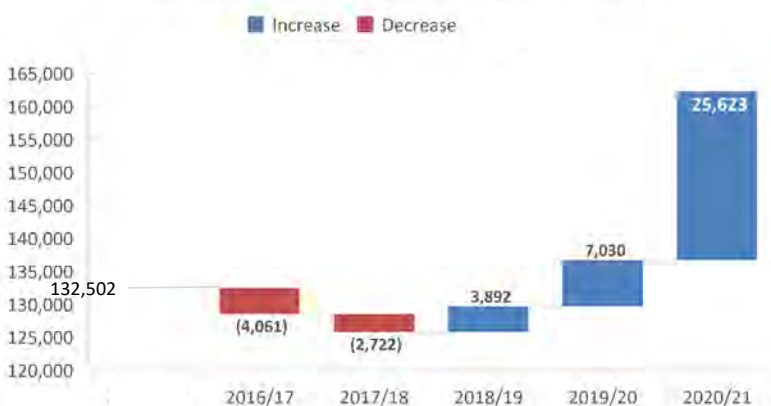
Our share of the UK part-time undergraduate market in 2019/20, the latest available data, increased by 3% to 47% compared to the previous year.

In 2020/21, we had 836 postgraduate research students, a small reduction on the previous year.

Annual change in student FTE



Annual change in student headcount



Student success

During 2020/21, we awarded more than 20,000 undergraduate and postgraduate degrees.

The Covid-19 pandemic continues to impact the educational and personal lives of our students. The arrangements for moving face-to-face tutorials online and revised assessment processes remained in place throughout the year. To assist our students, we made temporary amendments to our policies regarding assessment, deferral and postponement processes. We moved to remove exams where possible and provided assurance to students with our 'no detriment' policy on grading. Where possible, the final assessment was based on coursework. Throughout this period, we made these policy changes jointly with advice from our Students Association.

Enabling students to study from home, who normally come onto site, was a real team effort when over 11,000 home experiments, tools and PPE kits were manufactured, packed and distributed so students could carry on their studies from home.

Student satisfaction

We have been working on making continuous improvements to the student experience, and aim to provide the best learning experience for our students. A low submission rate in 2020 meant we were unable to publish the results for that year, so it is particularly pleasing that we rank as one of the top universities in respect of the overall satisfaction of our students as measured in the 2021 National Students Survey.

In Wales 89% of our students and in Northern Ireland 91% of our students are satisfied overall with the quality of their study experience putting us 1st in each nation's ranking.

In England 88% and in Scotland 92% of our students are satisfied overall with the quality of their study experience putting us 2nd in each nation's ranking.

Data reveals:

- 86% of students agreed that they were satisfied with the teaching on their module.
- 85% of students agreed that they were satisfied with assessment and feedback.
- 81% of students agreed that they were satisfied with the academic support they received.
- 84% of students agreed that their course was well organised and running smoothly.

We are also ranked 6th for overall student satisfaction in the 2021 Postgraduate Research Experience Survey. 86% of our postgraduate students reported they were very satisfied with the overall postgraduate experience.

Access, Participation and Success

Our Access, Participation and Success (APS) Strategy provides the strategic framework to deliver our ambition to remove inequalities in access and outcomes for students from under-represented and disadvantaged backgrounds. Our APS Strategy is four-nation by design, providing flexibility to respond to the requirements of nation funding bodies across our six priority areas:

- Curriculum choices
- Fees and funding
- Enabling access through partnerships
- Identity and belonging through inclusive design
- Proactive student support
- Personal and professional outcomes

Each nation responds to the priorities as set out by their funding body and related to their own national context. Common priorities exist for disabled students, students within the lowest Index of Multiple Deprivation and students from Black, Asian and Minority Ethnic backgrounds.

The Access and Participation Plan – England

The Access and Participation Plan (APP) is our agreement with the Office for Students (OfS) and is a condition of our registration. However, delivering the commitments within the APP is important to our mission to promote educational opportunity and social justice. Our plan covers the period 2020/21 to 2024/25 and was approved by the Office for Students in April 2020. It sets out targets for increasing the proportion of students from under-represented and disadvantaged backgrounds, and reducing the gaps between the most and least represented groups of students with regard to continuation of studies, module pass rates and good pass rates and progression to highly skilled employment or further study. Progress against targets will be reported in our annual monitoring return, the first of which is due in April 2022, which will be published on our website.

In order to achieve these ambitions, we set out plans which are funded from higher fee income (fee income above the basic part-time fee of £4,500) from our England students. Spend on access, financial support and research and evaluation activities is reported in Note 23 of these financial statements. In compliance with OfS guidance, the note does not include our expenditure on activities addressing gaps in the awards made and progression for these students.

Outcome Agreement – Scotland

All Scotland's universities and colleges, including The Open University in Scotland, are required to develop an annual Outcome Agreement with the Scottish Funding Council in order to access public funding. The Outcome Agreement sets out the University's commitment to a range of priorities, and includes a series of widening access and success measures reflecting Scottish Government aspirations around reducing inequalities for students from the most deprived SIMD (Scottish Index of Multiple Deprivation) quintiles and from care-experienced backgrounds among others. The guidance for Outcome Agreements also requires institutions to publish a range of plans including Equality Outcomes and Mainstream Reports, Gender Action Plans, Corporate Parenting Plans and Mental Health Strategies.

HEFCW Monitoring – Wales

The Higher Education Funding Council for Wales (HEFCW) monitors both Higher Education Institutions and Further Education Institutions in Wales on a range of national measures relating to both sector and individual institutional performance. These include widening access and participation from students in the bottom two quintiles of the Wales Index of Multiple Deprivation (WIMD), student retention & progression, and the proportion of part-time students.

The Welsh Language Standards are a legal framework giving people in Wales the right to receive public services through the medium of Welsh. They replace our previous Welsh Language Scheme and are a legal requirement which applies to the whole University. We have established an oversight group to help ensure ongoing compliance with the standards and promote best practice.

The Widening Access and Participation Plan – Northern Ireland

The Open University in Northern Ireland (NI) submits an annual Widening Access and Participation Plan to the Department for the Economy (DfE), addressing the DfE's 2012 Access to Success strategic aims and targets for increased participation in HE.

The impact of the Access to Success strategy is being reviewed throughout 2021/22 with the aim of a new approach to widening access being established for 2023/24.



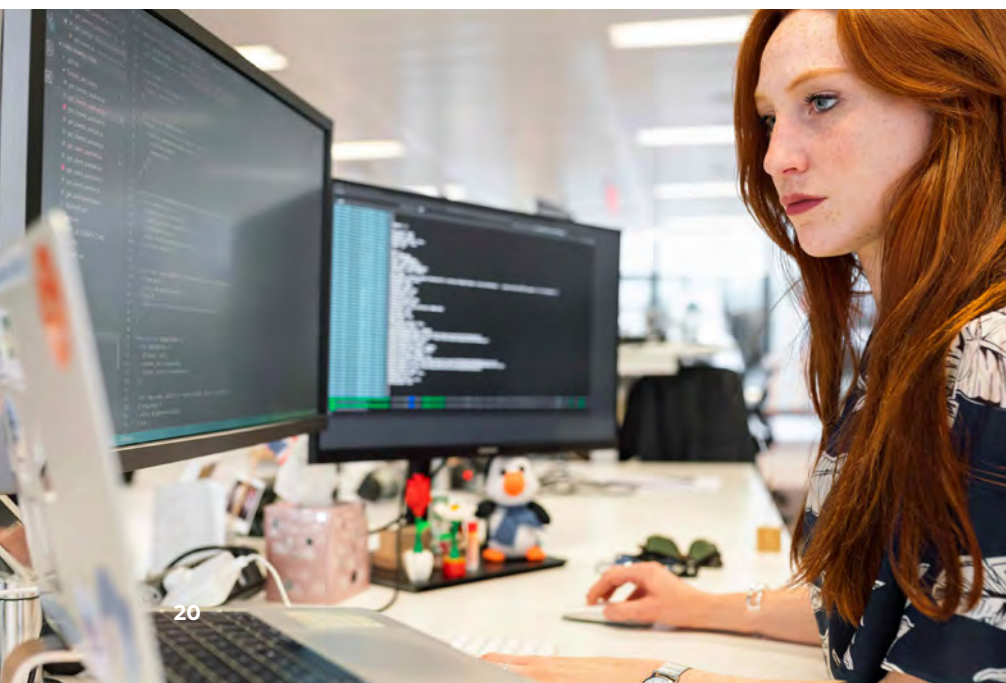
Institutional Quality

The Open University is a registered provider with the Office for Students in England. To satisfy the national quality assessment requirements in Wales and Scotland, we were subject to a successful QAA Quality Enhancement Review (QER) in March 2021, which adjudged that we met the standards for quality. We received four commendations, two affirmations and four recommendations which are being taken forward by an action group.

In addition, much of our academic provision is accredited or recognised by various Professional, Statutory and Regulatory Bodies (PSRBs). In 2020/21, there were a number of successful assessments of our provision including:

- retention of all three Business School accreditations; by the Association to Advance Collegiate Schools of Business (AACSB), the Association of MBAs (AMBA) and EFMD Quality Improvement System (EQUIS). We remain as one of the 1% of business schools worldwide to be triple accredited.
- re-accreditation of our BA (Hons) in Social Work by the Scottish Social Services Council, Social Care Wales and the Northern Ireland Social Care Council as well as a successful review by Social Work England.
- approval of a new programme for Nursing Associates by the Nursing and Midwifery Council.

The University continues its system of internal periodic and annual quality reviews and makes use of external examiners.



Our research activities

We are distinctive among UK universities in combining our mission to widen access to higher education with research excellence. Research and knowledge exchange are important elements of our founding principle: to be 'open to people, places, methods and ideas'.

We are currently developing our new Research Plan. A key element of this will be our intention to address major societal challenges through our research and enterprise activity. These challenges are currently being formulated in consultation with our staff and student communities and will demonstrate how our research can make a real difference to people's lives.

Our Research Excellence Framework (REF) 2021 submission comprised 650 members of eligible academic and research staff with significant responsibility for research (as defined in the University's REF2021 Code of Practice). This is a 50% increase in submission size compared to REF 2014. We made submissions to 21 Units of Assessment, up from 18 in REF 2014. As well as representing an overall more inclusive approach, our REF 2021 submission saw an increase in the representation of staff groups with protected characteristics, although we continue to improve our career support for staff from black and other ethnic minority communities and women of all ethnicities.

Research activities for Postgraduate Research Students have been disrupted as a result of the Covid-19 pandemic and adaptations have been made to help our students achieve their study objectives. Many students returned to campus during the summer of 2021.

Income from external research grants and contracts for 2020/21 was £13.8 million, an increase of £1.9 million from 2019/20. In addition, £1.6 million income was received through a Research Partnership Investment Fund (RPIF) grant from Research England (disclosed as Funding Body Grant).

We anticipate that competition for research funding in UK universities will intensify

further in the years ahead, and we will continue our focus on taking forward measures to increase and diversify external research income, improving cost recovery on our research activity and effectively managing our internal research cost base.

Notable award achievements in 2020/21 include:

- £0.8 million from the Engineering and Physical Sciences Research Council for SENSE: Sensory Explorations of Nature in School Environments.
- £0.7 million from the Engineering and Physical Sciences Research Council to explore Cobalt-free hard-facings for reactor systems.
- £0.7 million from the National Institute for Health Research (NIHR) to look at Improving patient, family and colleague witnesses' experiences of Fitness to Practise proceedings.
- £0.6 million from the UK Space Agency for post-launch support for the NOMAD instrument on ExoMars Trace Gas Orbiter.
- £0.5 million from the Arts and Humanities Research Council for iBali: storying educational inclusion/exclusion in Nigeria, South Africa and the UK.

Our people

Our community of passionate and dedicated staff are fundamental to our success and we work hard to create a diverse and inclusive workplace. We aim to help our staff fulfil their potential, rewarding them fairly and providing a positive working environment.

Response to growth

In 2020/21, in response to the significant growth in student numbers, the number of full-time equivalent staff employed by the University increased by 12% to 6,680 by the end of the year. The number of academic and research staff grew by 12% as a consequence of continued investment in exceptional teaching and research.

Response to the pandemic

The Covid-19 pandemic continues to create challenges to ways of working and reinforces the need for responsive, collaborative, innovative and resilient colleagues, supported and lead by skilled, supportive and compassionate leaders and managers.

Our policies and practices were adapted to reflect the impact of the pandemic. Examples include a more flexible approach to working hours, managing absence and the use of annual leave. At the start of the year a Pandemic Contingency Leave policy was in place to support colleagues who could not carry out their full roles from home, and a range of wellbeing resources and dedicated wellbeing sessions were made available. The Employee Assistance Programme counselling sessions were extended from 6 to 12 weeks for those who needed additional support.

During this year, many colleagues had to balance work with caring responsibilities and supporting their children's learning. To enable colleagues to work at home successfully and to maintain a sense of community, connection and belonging, a range of online resources were developed including tool kits for managers and effective home working and collaboration tools for all who were working remotely.

The feedback from colleagues in the Staff Barometer Survey undertaken during November 2020 provides assurance on how effective colleagues found these measures to be, with 86% of respondents describing the university as an organisation that cares for its people, and 86% of respondents knowing where to go for support regarding health, safety and wellbeing.

Executive recruitment

The Vice-Chancellor's Executive is made up of senior leaders from across the University including the Nation Directors. The purpose of this leadership team is to provide strategic and operational direction to the Vice-Chancellor in his capacity as Chief Executive of The Open University.

During 2020/21, Professor Kevin Shakesheff was appointed Pro-Vice-Chancellor Research Enterprise and Scholarship and Professor Marcia Wilson joined as Dean for Equality, Diversity and Inclusion.

Between February and June 2021, our Chief Financial Officer, Paul Traynor, was granted special leave. During this period, Laurence Holden, our former Group Finance Director, was appointed Interim Group Finance Director.

Our Associate Lecturers

We are transitioning our Associate Lecturers (ALs) to permanent contracts with new terms and conditions. Interim arrangements came into effect on 1 October 2021 and will ensure there will be no compulsory AL redundancies and ALs will move to FTE-based annual salaries as planned. Professor Josie Fraser, Deputy Vice-Chancellor, was appointed as AL Contract Change Programme Executive Sponsor.

Equality, Diversity and Inclusion

We have always held social justice and equality of opportunity as core to our Mission.

Key milestones in the 2020/21 academic year include:

- Renewal of our institutional Athena Swan Bronze award following a two-year self-assessment process. In addition, the School of Engineering and Innovation received a Silver departmental award, the School of Environment, Earth and Ecosystem Sciences secured its first Bronze departmental award and the School of Life, Health and Chemical Sciences renewed its departmental Bronze status. The first non-STEM School (Business) submitted an application for a Bronze departmental award.
- Completion of an Athena Swan staff survey, collecting views on gender equality that will inform our evidence base for future work and measure progress since the 2019 survey.
- Creation of an institutional Race Equality Charter Self-Assessment Team, with representatives from Units, Faculties and student groups, to progress a submission for a Bronze award in 2023.
- Publication, by The Open University in Scotland, of its statutory Public Sector Duty Report (PSED) for the period 2021–2025. Focussing on the most pressing inequalities within our institution, the report determines and provides evidence as to how we meet our obligations under the Equality Act 2010, and sets out our PSED outcomes.
- Participation in the Advance HE Race, Access and Success Collaborative Programme by The Open University in Wales, along with the nine other higher education providers in Wales. We have signed up to the Zero Racism Cymru Pledge – a Race Council Cymru initiative.
- Launch of the Student and Staff Mental Health and Wellbeing Strategy including a new website providing support to students and staff.
- Marking of World Mental Health Day in October 2020 and University Mental Health Day in March 2021, including practical workshops and online webinars. Over 500 members of staff attended these events and shared how they would make small changes to improve their wellbeing.
- Introduction of Wellness Action Plans for staff, with briefing sessions provided to enable staff to find out more. A winter wellbeing campaign to encourage staff to look after their wellbeing, particularly whilst working remotely from colleagues.
- Celebration of International Women's Day across the University, including senior leaders pledges to #choosetochallenge, and an event in conjunction with Women@OU network.
- Working in partnership with Carers Trust Scotland, launch of an online module 'Carer Aware at University' for university professionals to help improve support to the thousands of student carers in Scotland, who are studying alongside providing unpaid care for a family member or friend, who is ill, frail, disabled or has mental health or addiction problems.

Ongoing areas of work for 2021/22:

- Implementation of the Athena Swan institutional action plan has begun and will continue until 2025, developing and reviewing policies and practices to improve our gender equality.
- As we continue to address barriers to Black, Asian and Minority Ethnic staff and student progression and success, we continue our preparation for the Race Equality Charter Bronze status.
- We have a clear ambition to increase our diversity to ensure our staff and governance members are as reflective as the students and communities we support, and we will continue to embed our attraction strategy designed to attract and hire more diversely.
- We plan to review our Equality Scheme, relaunch our Equality Analysis Process and enhance the support for Equality Impact Assessments.
- With the continuing impact of the Covid-19 pandemic, we will further develop our mental health and wellbeing support.
- In Northern Ireland we will work with the Irish Language and Culture Commissioners when they are appointed.
- The Open University in Wales will launch phase 2 of a reverse mentoring programme to better understand diversity issues, reduce unconscious bias and improve inclusivity.

Further information is available on the University's equality and diversity website:

<https://www.open.ac.uk/equality-diversity/>



Gender, ethnicity and disability breakdown

At 31 July 2021, the gender, ethnicity and disability breakdown of Council members, senior managers (comprising the members of the Vice-Chancellor's Executive), and of staff were as follows:

Gender	Employees		External		Total	
	Male	Female	Male	Female	Male	Female
Council Members	3	5	7	8	10	13
Senior Managers (excluding Council)	7	5	0	0	7	5
All Other Employees	3,633	5,957	0	0	3,633	5,957

Ethnicity	Employees				External		Total
	BAME*	White**	Refused	Unknown	BAME**	White**	
Council Members	1	7	0	0	2	13	23
Senior Managers (excluding Council)	2	10	0	0	0	0	12
All Other Employees	998	8,245	270	77	0	0	9,590

* does not include 'White-Other'

** includes 'White-Other'

Disability	Employees			External		Total
	Disabled	Non-Disabled	Unknown	Disabled	Non-Disabled	
Council Members	0	7	1	2	13	23
Senior Managers (excluding Council)	0	12	0	0	0	12
All Other Employees	713	8,836	41	0	0	9,590

The staff numbers above are based on staff in-post as at 31 July 2021, whereas the staff numbers in Note 8 are the average FTE over the entire financial year.

Trade Union Facility Time

We recognise the benefits to both the employer and employees when the University and the Trade Unions work together effectively. There are two Unions which are recognised for the purposes of consultation and negotiation: the UCU (University and College Union) and UNISON. Facility time is time spent by individuals on carrying out their representative duties in respect of their trade union role. In accordance with The Trade Union (Facility Time Publication Requirements) Regulations 2017, we report for the period 1 April 2020 to 31 March 2021, as follows (comparators for the period 1 April 2019 to 31 March 2020 are in brackets):

Relevant Union Officials

There were 69 (2020: 57) individual employees representing 41.3 (2020: 38.5) Full-Time Equivalent (FTE) employees, who were relevant trade union officials during the period.

Percentage Of Time Spent On Facility Time

Of the 69 (2020: 57) employees, 59 (2020: 53) staff spent less than 50% of their working hours on facility time, and 7 (2020: 4) staff spent 100% of their working hours on facility time during the relevant period.

Percentage Of Pay Bill Spent On Facility Time

The pay amount relating to the total percentage of working hours spent on facility time is 0.1% (2020: 0.1%) of the total staff costs for the University during the relevant period.

Paid Trade Union Activities

The number of hours spent by employees who were relevant trade union officials on paid trade union activities is 7.8% (2020: 11.9%) of the total paid facility time hours during the relevant period.

Public Interest Disclosure

We ensure that our Whistleblowing Policy and associated procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risk we face. The Policy is reviewed annually by the Audit Committee on behalf of Council to ensure fitness for purpose.

The Policy and procedures were reviewed to ensure accessibility and consistency with other student-facing policies, and were approved by the Audit Committee in October 2020.

In the period from 1 August 2020 to 31 July 2021, there have been five disclosures made through the Whistleblowing mailbox. Each of these was considered and either investigated directly or referred to be dealt with through other established University procedures. The results of concluded investigations have either resulted in actions being taken to deal with the specific situation and with any underlying causes, or there was considered to be no further action to take. One case is still being progressed.

Additionally during the year, one long standing case has been concluded as the complaint made was withdrawn. No common themes arise from the cases. Two of the five cases (and the now closed long standing case) were initiated by the employees of University contractors rather than by directly employed Open University staff.

Financial Review

Our strong financial performance in 2020/21 is testament to the financial resilience of our distance learning model and its attractiveness during the Covid-19 pandemic. It also reflects the outstanding response of our staff to the continuing external challenges and to sound financial management.

Our financial statements comprise the consolidated results of the University and trading subsidiaries, Open University Student Budget Accounts Limited Limited (OUSBA), Open University Worldwide Limited (OUW) and our joint venture, FutureLearn Limited (FutureLearn). Together these form the 'Group'.

Financial Highlights and Results for the Group

Accounting surplus:	£33.6 million (2019/20 £46.6 million) noting that in 2019/20 we reported a £60.8m USS pensions provision surplus
Adjusted operating surplus:	£52.1 million (2019/20 £21.6 million)
Adjusted operating surplus as a % of income:	9.8% (2019/20 4.7%)
Total cash and current asset investments:	£427.3 million (2019/20 £347.0 million)
Net current assets:	£333.9 million (2019/20 £298.2 million);
Net assets:	£431.5 million (2019/20 £397.9 million)

Our financial results for 2020/21 reflect the exceptional growth in teaching activities and strong, unrealised returns on equity investments described on page 30. We have also spent less on non staff than we planned to as a result of the continuation of the Covid-19 pandemic.

The growth in the numbers of students registering with us as described on page 17 has driven the increases in teaching income, some of which is a result of the Covid-19 pandemic. We have recruited additional staff to increase our capacity to support our students; the full year financial impact of this recruitment will be seen in 2021/22.

Throughout the Covid-19 pandemic, we have remained 'open for business'. Some income-generating activities and research projects were initially deferred as activity could not be progressed. Where possible, during this year, specialist facilities have been opened to staff and students. We incurred additional expenditure directly as a result of the Covid-19 pandemic including financial support to students and provision of equipment to support staff to work from home. However, our non staff expenditure was significantly lower than planned due to continued online delivery of teaching events and deferral or cancellation of other scheduled activities.

We have continued investment in our strategic change programme to ensure business readiness for the future. During 2020/21, this spend was on the implementation of core administrative systems and the preparation for the new Associate Lecturer contract.

Our key financial performance measure is the adjusted operating surplus as a % of income. We also monitor our liquidity and our reserves. Our financial strategy targets have been exceeded throughout the financial year and further detail is provided on page 35.

Last year's figures include a £60.8 million surplus relating to movement on the Universities Superannuation Scheme pensions provision as an outcome of the 2018 valuation. The outcomes of the 2020 valuation were not agreed for the 2020/21 year end. We expect the financial impact of this valuation, described on page 34, to be reported in next year's report.

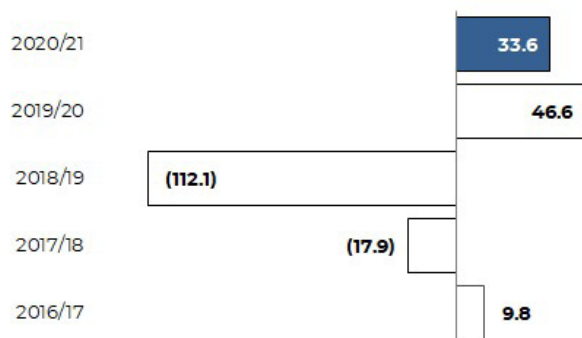
These headlines are explored in more detail in the following sections.

Group Financial Outturn

We report an accounting surplus after tax of £33.6 million which compares to a surplus of £46.6 million last year after the adjustment for the USS provision.

Reported surpluses/(deficits) over the last five years are set out below. For 2020/21, our surplus is a result of strong growth in student numbers, unrealised investment gains and the impact of the pandemic on planned activities. Year-on-year fluctuations are principally due to time-limited and non-operating income and expenditure, including unrealised gains on investments in 2019/20 and 2020/21, the USS provision adjustments in 2018/19 and 2019/20, and the costs of strategic and other change activities since 2018/19.

Surplus/(Deficit) (£m)



Adjusted surplus

To better represent our underlying operational financial performance, we report the adjusted operating surplus. This excludes items not influencing the day-to-day operations of the Group as set out in the table below. Our adjusted operating surplus is £52.1 million which compares to an adjusted operating surplus of £21.6 million in 2019/20, reflecting the financial impact of the exceptional growth in student numbers during 2020/21, and the lapse time in reporting full year costs of staff recruited to support this increased activity.

	Consolidated		University	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
Accounting Surplus/(deficit) for the year	33.6	46.6	19.6	48.9
Restructuring and strategic change	40.1	39.2	40.1	39.2
USS deficit provision adjustments	(1.0)	(60.8)	(1.2)	(59.7)
Share of deficit of joint venture	8.2	6.8	0.0	0.0
Impairment of investment in joint venture	0.0	0.0	22.0	0.0
Investment gains not used for operations	(28.8)	(10.2)	(28.8)	(10.2)
Adjusted Operating Surplus	52.1	21.6	51.7	18.2

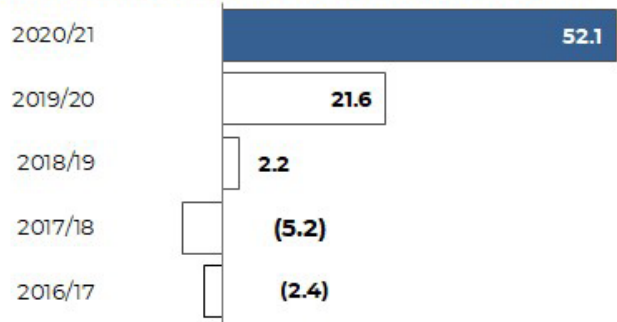
Restructuring and strategic change projects comprise the major core systems replacement project (discussed on page 13), the transitioning of Associate Lecturers to permanent contracts (page 7), and projects to transform business operations across the University. These change activities are expected to continue for at least 3 more years.

The movement from a £21.6 million adjusted operating surplus in 2019/20 to an adjusted operating surplus of £52.1 million in 2020/21 is explained below:

	Year Ended 31 July 2021
	£m
Adjusted Operating Surplus – 2019/20	21.6
Increase in Tuition Fee Income	62.5
Increase in Funding Body Grants	7.9
Decrease in Research Grants, Other Income and Donations	(2.2)
Increase in Operating Staff Costs	(36.2)
Increase in Operating Expenses	(1.5)
Adjusted Operating Surplus – 2020/21	52.1

The five-year view of the adjusted operating surplus/(deficit), eliminating the non-operational items across the years, provides a better measure of underlying financial performance. The driver for the improving underlying financial performance is growth in student numbers. The 2019/20 and 2020/21 results also include financial impacts of the Covid-19 pandemic including increased new student registrations for 2020/21, and a more challenging environment for research and commercial activity.

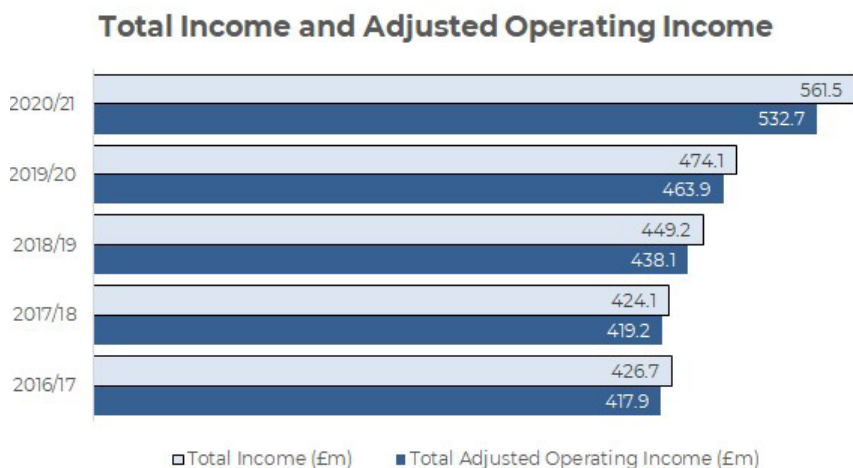
Adjusted Operating Surplus/(Deficit) (£m)



Income

In 2020/21 the Group's Income from all sources increased by £87.4 million (18.4%) to £561.5 million.

The chart below sets out our total income for the last five years. Our adjusted operating income excludes transactions not part of day-to-day operations such as unrealised gains on investments of £28.8 million (2019/20, £10.2 million). Both measures show a favourable trend, reflecting increases in tuition fee income from the growth in student numbers since 2017/18.



Tuition fee income Page 72

Our tuition fee income increased by £62.5 million (18.9%) to £393.2 million. Directly taught student numbers grew by 25,623 (18.8%). The increase in registrations for teaching degrees was across all four UK nations with year-on-year growth in tuition fee income of 18.6% in England, 13.0% in Scotland, 49.6% in Wales, 27.9% in Northern Ireland and 11.9% in international students.

Funding body grants Page 72

We received grant funding from the four UK nations' higher education funding bodies and from Research England. The changes in grant funding set out in Note 2 to the financial statements reflect each nation's funding methodology and priorities for higher education. The increase in funding body grants of £7.9 million (8.2%) included £2.8 million of specific hardship funding for students in response to the Covid-19 pandemic.

Research grants and contracts Page 73

In addition to Research England's Quality Research (QR) and UK Research Partnership Investment Fund grants included in funding body grants, the University's academics submit grant applications to UK Research and Innovation (UKRI) funders, European Research Councils and other charitable and commercial bodies to fund specific research projects. In 2020/21, income from research grants and contracts increased by £1.9 million to £13.8 million, as the impacts of the Covid-19 pandemic on planned activities reported in 2019/20 eased.

Other income Page 73

In 2020/21, income from other sources reduced by £1.1 million to £16.9 million. This is a result of a challenging commercial environment and the impact of the Covid-19 pandemic in restricting some income-generating activities. During the year, our tenants vacated our London Office and these figures include the resultant loss of rental income.

Investment income Page 73

Investment income increased by £16.3 million to £30.0 million. This increase was due in part to additional investment of £50 million in equity funds in January 2021 and also the year-on-year movement in the market value of our investment in equity funds. £22.2 million of this income is unrealised gains on the market value of our investment holdings.

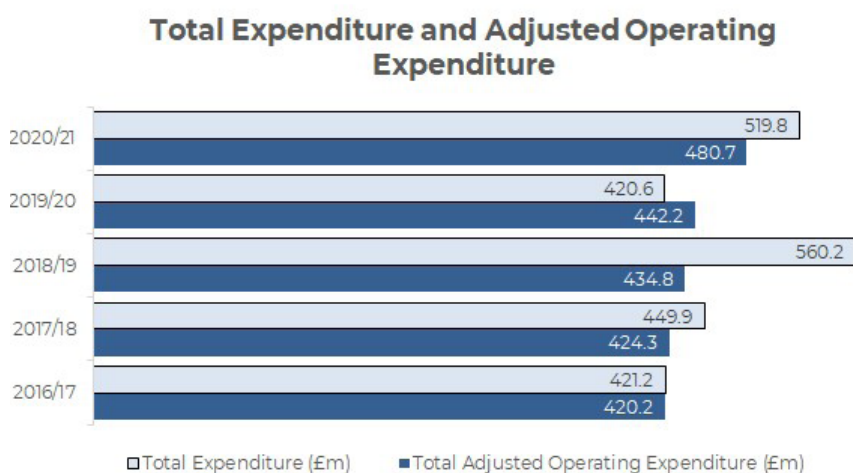
Expenditure

In 2020/21, total Group expenditure from all sources was £519.8 million, a £99.2 million increase on 2019/20. Excluding the changes to the USS pension provision reported in the previous year, total expenditure from all sources increased by £38.4 million (9.1%).

Our total expenditure for the last five years is shown below. Expenditure has increased to support the growth in student numbers, the accounting adjustments to the USS pension provision in 2018/19 and 2019/20, and from 2017/18 we have been incurring expenditure in delivering our strategic change programme.

The adjusted operating expenditure excludes transactions not part of day-to-day operations including valuation changes in the USS pension provision of -£1.0 million (2019/20, -£60.8 million), and expenditure on time-limited strategic change activities of £40.1 million (2019/20, £39.2 million). This shows that action to hold our underlying costs flat has been reasonably successful over a number of years. The increase of 7.6% in adjusted operating expenditure in 2020/21 is in direct response to supporting the increased student numbers.

We continue to seek efficiencies and cost reductions through our ongoing strategic change programme.



Staff costs Page 74

Total staff costs increased by £94.0 million to £366.4 million partly as a result of the impact of USS pension provision adjustment in the previous year. Excluding the pension adjustments, underlying staff costs have increased by £33.2 million (10.1%). This underlying increase reflects recruitment of staff to support higher student numbers and the full year impact of increased employer pension contributions applied during 2019/20 (page 91).

Non-staff costs Pages 78 and 79

Other (non-pay) operating expenses, depreciation and interest payable increased by a combined total of £5.2 million (3.5%), reflecting the impact of higher student numbers and additional payments to students in distributing hardship funding. This outturn is a significantly lower than our planned activity as a result of deferral and cancellation of events and activities as the Covid-19 pandemic continues.

Cash and cashflow

Total cash balances as at 31 July 2021 were £205.0 million, £25.9 million higher than at 31 July 2020. Our total cash and current asset investments, a better measure of our liquidity, are £427.3 million (2019/20 £347.0 million).

On page 71 of the financial statements, our reported Net Cash Inflow from Operating Activities (financial statements definition) of £57.5 million was due to the increased adjusted operating surplus described on pages 28 and 29 and an increase in creditor balances as a result of higher student numbers (liabilities related to fees paid in advance and partly completed modules) and timing of purchases close to the year end.

Net cash outflows from investing activities of £31.6 million reflect the investment in equity funds (see Note 16) and capital expenditure as discussed below.

Assets and Liabilities

In 2020/21, Net Assets increased by £33.6 million (8.4%) to £431.5 million.

Our intangible assets increased by £5.4 million to £25.3 million. This is the capitalised costs of purchased software to deliver the core administrative systems, part of our strategic change programme.

Tangible assets totalled £232.0 million at 31 July 2021; the net decrease of £3.7 million compared to 2019/20 was largely due to the depreciation charge for the year. The additions to land and buildings in the year of £0.5 million were in respect of minor improvements (2019/20, £0.2 million).

Our investment in the joint venture FutureLearn Limited ('FutureLearn') is reported as a non-current investment of £7.6 million (2019/20 £15.8 million). In the Group financial statements, the investment is calculated using the equity method and the reduction in valuation is our share of FutureLearn's deficit for 2020/21. The investment in FutureLearn, as reported on the University's Statement of Financial Position, was adjusted to write down the cost of investment (see Page 67 and Note 14).

Net current assets increased by £35.7 million to £333.9 million largely as a result of an increased holding of cash and current asset investments (gilts, equities and term deposits) to £427.3 million at 31 July 2021. The increase in cash and current assets investments of £80.3 million since 31 July 2020 is due to increased levels of income and unrealised gains on equity funds managed on our behalf as described on page 33 and Note 16. This is offset by an increase in creditor balances of £47.7 million to £146.0 million as a result of increased student transactions as described below and timing of invoice payments in the period around year end.

The University recognises liabilities on the balance sheet in respect of student tuition fee income for curriculum modules partially completed at 31 July (£34.5 million as shown in Note 17) and modules not starting until the following financial year (£33.9 million as shown in Note 17). As a result of higher student volumes, these balances are £19.6 million higher than 2019/20.

It is our policy to abide by terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later. There are no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998.



Treasury and Investment Management

We have a Responsible Investment Framework which our Investment Committee use to select fund managers. Investment Committee meet with each fund manager at least once a year to review their performance, their Environmental, Social and Governance (ESG) practices and to ensure they continue to satisfy the criteria of the Responsible Investment Framework. More information on the framework can be found at: <https://www.open.ac.uk/foi/main/policies-and-procedures/university-business>.

Our investment strategy and performance is reviewed by Finance and Investment Committees. Exposure to financial risk is mitigated through appropriate treasury and investment policies providing for diversification and capital protection of our cash assets after taking into account changing economic conditions. Daily cash flows are managed to ensure sufficient liquidity whilst providing appropriate interest returns and minimising counter-party risk. We manage our cash assets on two bases:

Short term fund

This fund is operated on the basis of ensuring capital protection and availability of liquid funds for immediate and medium-term requirements.

We invest in bank deposits with the largest UK banks and building societies, UK gilt-edged stocks ('gilts') having a maturity within five years of the acquisition date, and money market liquidity and sterling government funds, which are split between three fund managers.

We are potentially vulnerable to changing interest rates on our short-term fund. However, interest income is a small proportion of total income and the relative impact of changing interest rates on the overall financial results is low.

Equity-based long term fund

This fund targets an investment return of three percentage points above the UK Retail Price Index over the long term, with short-term capital volatility being accepted.

During the year, as part of our long-term investment strategy, we undertook a tender process which resulted in an increase in the number of fund managers from two to four and a reallocation of funds between the fund managers.

The four investment managers are selected for their contrasting approaches. This is designed to provide a measure of capital protection in different market conditions whilst providing an above-inflation return. All four fund managers invest on behalf of a wide range of charitable clients and have well-developed procedures to invest in a socially responsible manner. We do not directly invest in offshore funds.

Our foreign currency transactions form a very small proportion of total income and expenditure and our exposure to exchange rate risk remains small. We do not adopt particular strategies to reduce this risk although it is kept under review.

The profile of the University's gilts, equity-based investment funds, and term deposits as at 31 July 2021 is set out in Note 16.

Pensions

The University and its wholly owned subsidiaries have one defined benefit pension scheme available to our UK-based staff, the national Universities Superannuation Scheme (USS), which also includes a defined contribution element. USS is completely independent of the Group. A full actuarial valuation of the USS is normally undertaken every three years, with interim estimates being carried out in the other two years.

Whilst the last triennial review was as at 31 March 2017, the latest completed review was conducted as at 31 March 2018 and it is this 2018 position, agreed by the USS Trustee in September 2019, that is incorporated within these financial statements as the agreed valuation in place as at 31 July 2021.

2018 Actuarial Valuation

The actuarial valuation as at 31 March 2018 was completed on 16 September 2019. This valuation reported a scheme deficit of £3.6 billion and a funding level of 95%. This valuation resulted in revisions to the deficit recovery plan agreed as a result of the 2017 valuation. With an aim to eliminate the deficit by 2028, member and employer contribution rates increased from 1 October 2019 to 9.6% and 21.1%, respectively. From 1 October 2021 onwards, contributions had been planned to increase to 11% and 23.7% respectively. However, after the financial year end, these increases have been reduced, as explained below.

The provision to fund the deficit is £106.0 million, a decrease from £107.0 million at 31 July 2020. Details are provided in Note 26.

2020 Actuarial Valuation

The 2020 triennial review was completed on 1 October 2021, after the balance sheet date but before these financial statements were signed. Therefore, the financial statements have been prepared on the basis of the 2018 valuation. However, one outcome of negotiations in the months leading up to the completion of the financial statements has been the reduction of the planned increase in contributions that had been planned for October 2021.

Period	Employers	Employees
1 October 2019 to 30 September 2021	21.1%	9.6%
1 October 2021 onwards	23.7%	11.0%
1 October 2021 onwards (revised)	21.4%	9.8%

Other proposed changes to the scheme are subject to formal consultation, which is not expected to be completed until early in 2022. The outcome of the consultation will determine the deficit recovery contributions required to fund the scheme deficit and therefore the amount of the provision. This is disclosed as a non-adjusting post-balance sheet event in Note 26 to the financial statements on page 92.

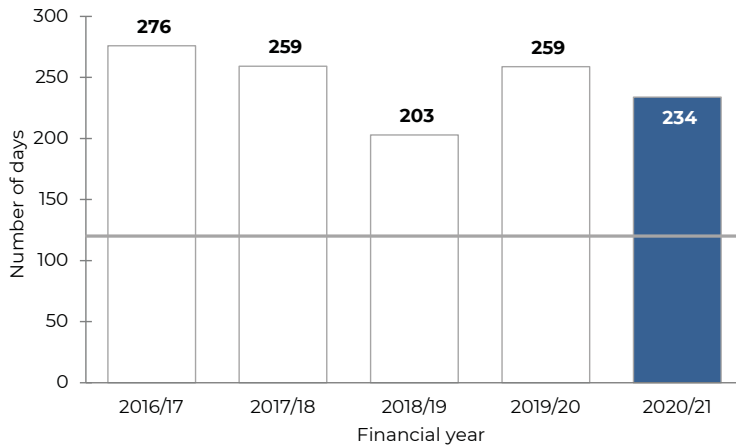
In addition to the USS, a small number of employees are members of defined contribution pension schemes. Details are provided in Note 26.

Our Financial Strategy

Our financial strategy ensures that available financial resources are used to best effect to achieve the University’s objectives whilst maintaining financial sustainability and resilience. The financial strategy is monitored through three performance measures.

Net current assets: To maintain net current assets at a minimum of 120 days expenditure

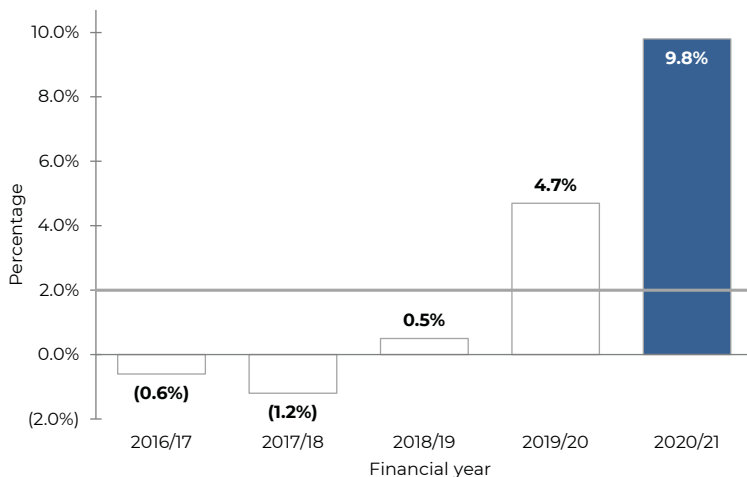
The target represents the required level of expenditure cover based on consideration of financial risk. Our performance against this measure over the past five years is set out in the graph below. At 31 July 2021, net current assets were £333.9 million, an increase of £35.7 million (12.0%) from the previous year’s figure of £298.2 million. The 2021 figure represents 234 days of expenditure.



Income and expenditure: To at least balance normal recurring income with normal recurring expenditure, taking one year with another, over the medium term and to aim for an adjusted operating surplus of 2% of income.

The history of the adjusted operating surplus/(deficit) is shown in the graph, along with the financial strategy target of 2%. The adjusted operating surplus as a % of income for 2020/21 is 9.8% of income, an increase from the 4.7% reported for 2019/20.

This is a result of growth in student numbers as discussed on pages 13 and 16.



Reserves: To maintain unrestricted reserves, taking one year with the next, at a level no less than £350m to provide for financial sustainability through consideration of liquidity, functional assets and financial risk.

We have refined this performance indicators during the financial year to include a target for unrestricted reserves of £350 million. This measure, aligned to methodology provided by the Charity Commission, determines the target level of reserves that are required to deliver plans for maintaining essential services for our students and demonstrates financial resilience. For 2020/21, our unrestricted reserves are £426.2 million, which is in excess of the required reserves.

Risk and Risk Management

We apply a risk management approach to support the delivery of our Strategic Plan.

Governance mechanisms are in place to provide assurance to our Council and Audit Committee that our risk management policy, risk management framework and risk appetite guide are followed and remain fit for purpose.

Our risk management process is cascaded through the University and informs decision-making at strategic and operational levels. Use of a Risk Management System provides for the consistent capture of risk information, the ability to view risks in real time across the University and to produce aggregate data.

We maintain a Strategic Risk Register which captures the University's principal strategic threats and opportunities and this is regularly discussed at meetings of the Vice-Chancellor's Executive, the Audit Committee, and the Council to support the delivery of strategic objectives and inform planning and decision making. In the context of developing our new Strategy for the period 2022–27, a zero-based review of our Strategic Risk Register and risk appetite will take place to ensure they reflect the prevailing internal and external environment within which we operate, aligned with the goals and ambition of the new Strategy.

Risk Oversight

The Council	Audit Committee	Vice-Chancellor and Vice-Chancellor's Executive
Overall responsibility for risk management, determines risk appetite on an annual basis and sets the tone for risk within the University.	Oversight of the risk policy, framework, processes and risk response actions on behalf of the Council.	The Vice-Chancellor is accountable for implementing the risk management policy and framework. Executive risk owners are assigned by the Vice-Chancellor to manage individual strategic risks.

Our management of risk focuses on decreasing the impact and/or the likelihood of threats being realised and increasing the likelihood and/or impact of opportunities being realised. Current risks being actively managed through our strategic planning include:

Strategic risk	Steps being taken to mitigate these risks include:
Cyber/information security	<ul style="list-style-type: none"> • Initiation of activity to achieve ISO 27001 Information Security Management accreditation by 2023. • Evaluation of an enhanced vulnerability scanning capability. • Frequent webinars to increase staff awareness. • Compliance monitoring of mandated security training for all staff. • Testing of the University's cyber response plan.

Strategic risk	Steps being taken to mitigate these risks include:
Delivery of core systems replacement (CSR) benefits	<ul style="list-style-type: none"> • CSR Delivery Board in place with additional scrutiny provided by internal audit and external reviews. • Oversight of the controls in place and effectiveness of the established governance mechanisms is provided by the Audit and Finance Committees. • A dedicated business change team is embedded within the programme to ensure cross-functional alignment of the technology rollouts are aligned with business-led change plans. • A Digital Technologies programme will deliver a series of digital capabilities over a 3–5 year period designed to enhance the end-user experience and encourage student engagement and interaction.
Covid-19 pandemic and extended lockdown	<ul style="list-style-type: none"> • Minimising disruption to teaching and providing the necessary support to students and staff. • Controlled reopening of Open University sites and planning for the return of staff. • Planning and developing future ways of working that will accommodate any future lockdowns or restrictions to on-site access. • Ongoing review of impact on students including monitoring of deferrals and withdrawals from study.
Challenges in effectively implementing the new Associate Lecturer contract	<ul style="list-style-type: none"> • Ensuring that effective, sustainable ways of working, processes and systems are in place prior to implementation of the new contract. • Alignment of the IT strand of the Associate Lecturer (AL) Contract Change Programme with the CSR schedule. • Ongoing working and negotiations with the University and College Union, which involves ALs and their line managers. • Robust communications plan is in place and regular engagement with the AL community.
Quality and development of the University's research and enterprise	<ul style="list-style-type: none"> • Identifying, reviewing, and fostering areas of our research strength, aligned with our strategic direction. • Using the outcomes of Research Excellence Framework (REF) 2021 to inform and refresh the University's strategic priorities for research and enterprise. • Knowledge Exchange Group established to support the submission of the University's Knowledge Exchange Framework 2020. • Graduate School providing strategic oversight of postgraduate research activity and building a dynamic and inclusive research environment.
Changing regulatory or compliance conditions across the four UK Nations	<ul style="list-style-type: none"> • Completion of the necessary steps to ensure retention of the Office for Students registration. • Close working with the OfS and other regulatory bodies in each of the UK nations. • Further enhancements are being made to guidance and escalation processes for reportable events and building/improving awareness. • Focus on General Data Protection Regulation (GDPR), Access and Participation Plan (APP), consumer regulations, Welsh language standards, Prevent, Safeguarding, Higher Education Statistics Agency's (HESA's) Data Futures, and UK Visas and Immigration to ensure acceptable levels of compliance and the capture of reportable events. • Determining our response to climate risk requirements and the four nations response to the climate and ecological crises.

Strategic risk	Steps being taken to mitigate these risks include:
Increasing challenges in providing accessible and effective study pathways and support to a diverse student community	<ul style="list-style-type: none"> • Ensuring an attractive and cost-effective curriculum offering and flexible study options. • Delivery of a high-quality and flexible student experience with high levels of student satisfaction. • Diversifying our proposition to reach and support a wider range of students. • Ongoing engagement with governments across the four UK Nations to influence policy and optimise opportunities.
Attracting, developing, ensuring the wellbeing and retaining the right calibre of diverse staff	<ul style="list-style-type: none"> • Developing the University's strategic change capability. • Addressing the digital skills capability gap amongst staff. • Implementing strategic resource and succession planning. • Creating cultural change through management behaviour and practices, including recognition and performance mechanisms. • Strengthening AL integration into the University community through the AL Programme. • Ensuring close working with the Universities and Colleges Employers Association and Universities UK.
Scope to generate new streams of income	<ul style="list-style-type: none"> • Continue to optimise opportunities through the investment in FutureLearn Limited by SEEK Limited. • Advancing existing partnerships to their full potential and exploring new partnerships.
Scope to reduce costs	<ul style="list-style-type: none"> • Developing an efficiency Action Plan. • Establishing new processes through benefits realisation of CSR and digital innovation investment.

The risk presented by the UK's departure from the European Union is being monitored separately from our key strategic risks.

UK's departure from the European Union	<p>The departure of the UK from the European Union continues to cause uncertainty.</p> <p>The level of risk to tuition fee income is low, as a relatively small proportion of our income comes from the European Union. However, £3.2 million of research funding was received from the European Commission in 2020/21 and government support is provided to promote and bid for continued funding. The relative strength of the university's underlying financial position, and the outcomes from our strategic change programme, will help ensure that we remain well placed to withstand and respond to any adverse impact arising from Brexit.</p> <p>We provide support to research students and staff who may be affected through our international community support network and our Employee Assistance Programme. We will continue to monitor applications from potential EU research students in the light of the new Immigration Act. The additional costs to the students, for example the visa and Immigration Health Surcharge, can make the upfront costs of studying within the UK prohibitive.</p> <p>The impact of legislation changes are addressed, for example State Aid (now Subsidy Control) and Export Control regulations were reviewed and internal procedures updated. We are also monitoring potential divergence of UK and EU data protection legislation.</p>
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Long-Term Financial Sustainability, Going Concern and Forward Look

We have reported a strong financial performance for 2020/21 largely as a result of excellent student numbers. The Covid-19 pandemic has had limited negative impact on our operational and financial performance to date. Our expectations for 2021/22 are that, with the continuing hard work of our staff in delivering our strategy, we will continue to attract new students and retain existing students.

The early evidence of recruitment for our October 2021 modules indicates that the growth in new student registrations seen in 2020/21 as a result of the Covid-19 pandemic has not been sustained. However, our total student numbers continue to increase. These early results support our confidence for the next financial year with student registrations expected to be close to our target for October modules, which itself is 8% higher than last year. Our October modules represent around 80% of planned student registrations for 2021/22.

Long-term financial sustainability

Our strategy, described on page 12, includes an objective to enhance future growth and sustainability. The impact of this strategy on our financial position is evidenced through the growth in both new and continuing student numbers described in this Strategic Report. The strategic change programme introduced during 2017/18 is also expected to deliver operational benefits and contribute to a sustained operating surplus. This programme, through implementation of new core administrative systems and enhanced working practices ensures that we are business-ready for the future.

The external environment continues to be uncertain and volatile. The sector will face some significant challenges as we move slowly out of the Covid-19 pandemic and for the University these challenges include the impact of the costs of national recovery on government priorities for funding higher education, the sustainability of the student numbers seen in 2020/21, and the medium term impact on the apprenticeships market and international partnership activities.

The key areas of risk and opportunity and consideration of our response to these in the near future are set out on pages 36 to 38. There are five factors that are particularly relevant to consideration of our long-term financial sustainability and going concern. These are discussed below:

Continuing financial resilience as we emerge from the Covid-19 pandemic

Our business model of good quality supported distance learning provision has enabled us to continue to support our students throughout the pandemic. Our planning assumptions for student growth were significantly exceeded in 2020/21 and only a very small number of students deferred or withdrew from study as a result of the pandemic. We remain confident that student registrations will be close to our ambitious targets for 2021/22 and we continue to monitor levels of student registration and the impact of the wider economy on the appetite for part-time study.

Treasury management is discussed on page 33 and performance against the financial strategy is discussed on page 35. Our healthy levels of cash and current asset investments at 31 July 2021 provide substantial resource to maintain day-to-day activities and capacity, in the short term, to address unexpected adverse movements in income or expenditure or business disruption.

These cash balances also enable us to invest in our strategic change programme including systems replacement without impacting our day-to-day activities or taking on additional debt. Council has authorised the use some of our reserves to invest in the change programme, noting that the projected liquidity position at the end of this programme will remain strong. There are no plans for new external borrowing.

Investment in capacity to support student number growth and organisational change

The growth in student numbers in 2020/21 resulted in significant, behind the scenes, operational challenges to ensure all students received the experience they expected. This was compounded with workload associated with the implementation of new business systems and the plans for implementation of the new Associate Lecturer contract.

We invested in new staff during 2020/21 and our approved budgets for 2021/22 enable an increase staffing capacity across the University.

Costs of pensions

The financial impact of decisions relating to the 2020 valuation of the Universities Superannuation Scheme are discussed on page 34. In the short term, employer contributions will be lower than planned. However, the triennial review needs to be finally completed before the long-term financial impacts can be resolved. Whilst we have planned for financial impacts of scheme changes, there are also are likely to be impacts on employer staff relations.

We anticipate that discussion of issues concerning the affordability of the USS scheme in terms of cost to members and employers, and of the types of benefit available to members, is likely to continue for some time.

Climate change and our impact on the environment

We are committed to achieving net zero greenhouse gas emissions by 2050. This requires a clear roadmap for investment to decarbonise our estate. The sector average investment for such a mission is about 10 times the current annual energy bill, typically over a ten-year period. At the same time as decreasing our carbon footprint, we will expand our educational impact in matters of environmental sustainability.

Future funding of higher education

The pressures on public funding in all four UK nations, exacerbated as a result of the Covid-19 pandemic, and decisions about prioritisation of its use for higher education, may present challenges.

In England, the final conclusions of the UK Government's Review of Post-18 Education and Funding are expected to be announced at the Comprehensive Spending Review in autumn 2021. This will include consideration of the proposals in the Augar Report, including reform of student finance and minimum entry requirements for higher education. The proposed introduction of the Lifelong Loan Entitlement from 2025, with legislation currently being considered by the UK Parliament as part of the Skills and Post-16 Education Bill, could present significant opportunities for the university.

We continue to monitor the political and economic environment and consider, through scenario planning potential financial impact.

Going Concern

We have a reasonable expectation that our strong financial position provides a sound base to enable us to deliver on our strategy that will sustain this financial position and provides financial resilience for unpredicted changes in revenue streams or cost base.

Our financial plans incorporate consideration of the potential impact of operational, economic, government and financial risks on our financial sustainability as described on the previous pages. We forecast and evaluate the future financial position of the University over a period of five years including income and expenditure statements, cash flows and a summarised balance sheet. We carry out sensitivity analysis on these forecasts which flex the main assumptions. We also consider our significant financial risks including changes in government teaching grants and student funding mechanisms, both under and over achievement of student recruitment targets, potential outcomes from the USS consultation and other pressures on planned income and expenditure. We discuss plausible downside scenarios and possible responses to these scenarios with the Vice-Chancellor's Executive, Finance Committee and Council.

Our risk analysis of our financial forecasts identifies opportunities through continued student number growth and diversification of income through new learning products. However, we have focused on the downside risks that are outside our control and that may impact our current planning assumptions. These include:

- Reduction in planned student numbers, both in-year withdrawals and later years recruitment, as a result of a global economic downturn.
- Reduction in teaching and other specific grants as a result of government response to the comprehensive spending review and post-Covid decisions.
- Reduction of other income streams including investment income and commercial income from continuing downturn in the global economy.
- Increase in employer costs as an outcome of the 2020 USS valuation and increased risk of industrial action.
- Increasing cost pressures, particularly in the delivery of large scale technology programmes.

We also considered the impact of the more extreme scenarios on our liquidity position and undertook month-by-month, stress testing to understand their cumulative impact. The strength of our cash and current asset investments allows for sufficient time to respond to the downside risks. Our review of liquidity over the next twelve months provides assurance that even in the most extreme scenario, and without interventions to reduce expenditure, we have sufficient cash to continue to operate without increasing borrowings.

Our forecasts and projections to 2025/26, taking account of reasonable sensitivities in relation to the key risks, indicate that we can operate within our current facilities and available headroom. Accordingly, Council continues to adopt the going concern basis in preparing the financial statements and considers that the University has adequate resources to continue in operational existence for the foreseeable future.

Environmental Sustainability

Delivery of sustainability at The Open University aims to draw on our unique characteristics: our pioneering provision of distance learning; our mass public engagement reach – often in partnership with the BBC; and our four nations presence. Our VCE sponsor for sustainability is Professor Nicholas Braithwaite, Executive Dean of STEM. He summarises our current commitment to improving our sustainability practice and ambitions as follows.

In the year ending July 2021 we have:

- Invested c.£30k in a Carbon Trust report on our direct and indirect greenhouse gas emissions from our energy useage ('Scope 1 and 2') and a planned programme for reduction. We are addressing emissions from the rest of our business activity ('Scope 3') starting with data collation and supply chain actions.
- Invested c.£50k in sustainability consultancy and urgent operational support to our Energy Manager and Sustainability Communications Data and Reporting Manager. We are redesigning our sustainability team to optimise our effectiveness.
- Declared 'net zero greenhouse gas emissions' by 2050 in line with Government policy and are developing a road map, reaching out to our local stakeholders.
- Placed the championing of sustainability as a headline goal in our new Strategy 2022–27. We are developing key performance measures against which to report progress.
- Agreed in principle to collate qualifying data for sign-up to the Sustainable Development Goals (SDGs) Accord and UN Global Compact.
- Submitted to the THE World Impact Rankings of over 1100 universities where we came 101–200 in our best performing three SDGs; 201–300 and 601–800 in two others.
- Launched a monthly sustainability bulletin and hosted 10 Go Green staff champion events attracting around 500 staff.
- Received over 100 staff submissions to 'Open Account – your role in our future' that aims to curate reports from SDG related research, projects and work which we have featured in weekly SDG briefings in the lead up to COP26.
- Met with our student People and Planet group to discuss responsible investment and finance.
- Continued our collaboration with the BBC 'Our Planet Now' initiative – co-productions include Perfect Planet, Green Planet, Greta Thunberg: A Year to Change the World documentary – and BBC World Service podcast and radio series Project 17.
- Celebrated our students studying sustainability as part of our core Ambition marketing campaign.
- Incorporated sustainability in the Annual Financial Statements for the first time, to signal our new pan-institution approach.

We have identified that our major net-positive impact is through our curriculum, research and knowledge exchange as an Educator. Our draft vision for sustainability highlights The Open University social justice mission with respect to inter-generational equity, from a 2030 perspective.

By 2030 we shall be confident that:

- our creation and sharing of knowledge and skills enriches and transforms society, enabling our students to deliver on the Sustainable Development Goals which are visible in our curriculum, our research and our enterprise activities
- our student-centred pedagogy enables responsible behaviours and disruptive innovations
- our teaching model is low environmental impact and we transparently report on this
- our course content and resources, across all disciplines, challenge unsustainability and exemplify sustainability through theories, application, stories and practice – ensuring 21st century transformative competencies
- our students turn to us for multi-disciplinary lifelong learning, upskilling and reskilling for decarbonisation, decolonisation and the just transition to a sustainable society
- our research is recognised for its policy influence and impact which enables implementation of sustainability in all areas of society
- our stakeholders see us as a trusted source of informed debate and holistic understanding through a range of contemporary media and partnerships
- our staff proactively engage to embed sustainability in all roles, meeting or exceeding legislative requirements across our business operations in the four nations.

In the coming year we shall:

- Focus our sustainability activity on our role as an Educator, creating and sharing knowledge to respond to the green skills gap and supporting the transition to a renewable energy economy. We will ensure that our business is compliant with regulation through review of direct carbon emissions, travel and supply chains across the four nations, responsible finance and development of a climate resilient campus and services.
- Adopt a 'levelling up' approach to benefit from best practice in the four nations including: Scotland's Climate Change Adaptation legislation, the Welsh Wellbeing of Future Generations Act and the Civic Mission framework and Northern Ireland's application of deliberative democracy and the UK's collegiate network through the Alliance for Sustainability Leadership in Education (EAUC).
- Learn from our experiences of the pandemic, and move to a hybrid working model, actively exploring opportunities to build more sustainable working practices in our new approach.
- Develop the 'climate literacy' of our staff.



Looking Forward

We are focused on delivering our vision ‘to reach more students with life-changing learning that meets their needs and enriches society’ through our key strategic priority, student success.

We continue to do this from a position of considerable strength. We remain the leader in the UK part-time higher education market, with a growing market share including increased student numbers across all four UK nations (pages 10 and 11), and we have a substantial share of the market for Higher Degree Apprenticeships. We are the only university that operates at scale throughout the UK and we fulfil a unique national role. With our open access policy, we continue to promote fair access for all who want to study higher education courses, making a substantial and unique contribution to widening participation in the UK. Through our joint venture, FutureLearn Limited, we continue to build on our worldwide reputation for the quality of our teaching and extend our reach and impact in existing and new parts of the world. And, as reported in these statements, we are in a good underlying financial position in terms of operating performance and reserves.

Our financial resilience during the Covid-19 pandemic and our history of over 50 years of achievement support us going forward confidently for our students into the emerging post-pandemic world.

Approved by Council on 23 November 2021 and signed on its behalf by:

A DICKINSON
Chair of Audit Committee

P J TRAYNOR
Chief Financial Officer

T BLACKMAN
Vice-Chancellor

CORPORATE GOVERNANCE STATEMENT

Constitution, Governance and Regulation

This Corporate Governance Statement covers the period from 1 August 2020 to the date of signing of these financial statements.

The Open University was incorporated by Royal Charter on 23 April 1969. It is registered at Companies House under number RC 000391 and its registered address is Walton Hall, Milton Keynes, MK7 6AA. Certain parts of the Charter, and the Statutes appended thereto, have been amended by the Privy Council, the last amendments being made in December 2005.

The Council of the University is, subject to the provisions of the Charter and Statutes, the executive governing body of the University and is responsible for the administration and management of the revenue and the property of the University. The University's corporate governance arrangements are described in the following pages, and the members of the University Council during the year ended 31 July 2021, who are the charity trustees, are listed on page 48.

The Open University is regulated principally by the Office for Students (OfS), which defines the conditions under which the University receives public funds. Operating throughout the UK, the University also receives funding from the Higher Education Funding Council for Wales, the Scottish Funding Council and the Department for the Economy, Northern Ireland.

The Open University is required to have robust systems of risk management and internal control, to use public funds only for the purposes for which they were intended, to report in specified ways and to have specified arrangements for audit.

As a condition of OfS funding, the University subscribes to the designated quality body – the Quality Assurance Agency for Higher Education and the designated data body – the Higher Education Statistics Agency.

The University's principal advisors are listed on page 94.

Formal Governance Structure

Two statutory bodies govern the University: the Council and the Senate.

Council is the main governing body

The University's main governing body is the Council, supported by a number of subcommittees. The Council is particularly concerned with strategy, finances, property and staff. It has ultimate authority within the University but must respect the views of the Senate in academic matters.

Senate is the academic authority

The Senate is the academic authority of the University, responsible for promoting the academic work of the University, both in teaching and research. Subject to the powers of the Council, it oversees academic management, including curriculum and all aspects of quality and standards associated with the University as a degree-awarding body. Senate meetings concentrate on major issues of academic strategy, policy, priority and performance.

Corporate Governance and Accountability Arrangements

The University's Council is committed to achieving high standards of corporate governance in line with accepted best practice, and reviews its performance and effectiveness on a regular basis.

The University's Governance and Nominations Committee reviews external developments in governance, including HE codes of governance, and makes recommendations to the Council as required. The Committee monitors the University's practice in light of the Committee of University Chairs (CUC) Higher Education Code of Governance (2020), the Scottish Code of Good HE Governance (2013, revised 2017), the Welsh Governance Charter for Universities in Wales and Commitment to Action, regulatory interventions by OfS, and the requirements of other funding bodies. With respect to all codes, institutions should state that they have had regard to them, and where an institution's practices are not consistent with particular provisions of either code, an explanation should be published in the Corporate Governance Statement of the annual audited financial statements.

A review of institutional governance is currently being overseen by the Governance and Nominations Committee with the aim of developing the performance of the Council. The Open University strives to be an exemplar of good governance and currently meets the requirements of the Scottish Code of Good HE Governance on a comply or explain basis as a condition of its SFC grant.

The University Council

The membership of the Council is set out in the University Statutes. At the date of approval of these financial statements there are 21 members. Since the University is a charity, the Council members are the charity trustees. The roles of Chair and Vice-Chair of the Council are separated from the role of the University's Chief Executive, the Vice-Chancellor.

The University's Council has adopted a statement of primary responsibilities, which is published on the University's Freedom of Information and Governance websites. This statement sets out the Council's responsibilities in respect of The Open University Charter, the proper conduct of public business, human resources, finance and the law, the University's Mission and strategy, monitoring effectiveness and performance, the appointment of the University Officers and Council members, ensuring the welfare of students and the quality of institutional educational provision, and the Students Association. It also outlines the Council's regulatory powers and its delegation of powers.

The Statement of Responsibilities of the University's Council on pages 54 to 55 describes its responsibilities in respect of maintaining accounting records, and preparing financial statements and accountability arrangements. It also summarises the University's system of internal control and its system of risk identification and management.

At the date of signing these financial statements the Council has the following committees: an Audit Committee; a Finance Committee; a Governance and Nominations Committee; an Investment Committee (a subcommittee of the Finance Committee); a Remuneration Committee; and, a Strategic Planning and Resources Committee (a joint committee with the Senate). All of these committees are formally constituted with terms of reference. The Chair of each committee is an external Council member, with the exception of the Strategic Planning and Resources Committee, which is chaired by the Vice-Chancellor. The Council, on the recommendation of the Governance and Nominations Committee, appoints all members of the Council who sit on these committees.

The Council also appoints external members co-opted to Council committees. The corporate governance disclosures in respect of these committees follow those in respect of the Council itself.

In relation to the University's financial statements published on its website, the University's management is responsible to Council for the maintenance and integrity of The Open University website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The following members of Council retired from office during the year ending 31 July 2021: Mr RW Spedding, Ms M Galliers, Ms R Girardet, Dr J Byford, Ms A Henderson and Ms J Liddell.

Further information on Council and Committee membership and remit appears in the following pages of this report.

Performance Evaluation of Council and its Committees

The Council supports ongoing review of the role and performance of governance, and reflects on its effectiveness at the end of each meeting and annually.

The 2020/21 review of the Council and the Audit Committee focused on the year's business against the terms of reference and members' attendance. The reviews of the other Council committees were also supplemented by feedback from committee member surveys. The Governance and Nominations Committee considers the Annual Effectiveness Reviews and makes recommendations for change if required. The Council also regularly commits to an external review of its effectiveness.

The Council holds an annual event which focuses on members' roles and responsibilities as a governor of the University.

The 2020 event was an opportunity for members to participate in online discussions and workshops to commence the process to formulate the University Strategy for 2022–2027.

A review of individual members of the Council, based on a short self-assessment questionnaire, is undertaken at the end of each Committee year and each Council member has a biennial appraisal with the Chair or Vice-Chair of Council. Any concerns and recommendations are reported to the Council through the Governance and Nominations Committee.



Council and Committee Membership and Attendance

The members of the University's Council and Committees during the year ended 31 July 2021, and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2021 and up to the date on which the financial statements were approved, are shown below.

	Council	Governance & Nominations	Remuneration	SPRC ¹⁶	Finance	Investment	Audit
Council Members							
Officers of the University							
Mr M Sweeting, Chair	6/6	5/5	4/4	1/1	7/7		
Mr R McCracken, Treasurer	6/6		4/4	1/1	7/7	3/3	
Professor T Blackman, Vice-Chancellor	6/6	5/5		1/1	7/7		
President, Open University Students Association							
Mrs S Jones	6/6	2/3 ¹²		1/1 ¹⁰			
Elected Members: Staff							
Mr S Amoah ⁹	0/0						
Mr J D'Arcy OBE	6/6	5/5					
Dr J Byford ⁶	2/2			1/1			
Dr C M Halliwell ⁷	6/6						
Ms A Henderson ⁸	6/6	5/5					
Miss C Howells	6/6						
Ms R Malik ⁷	2/2						
Mr R E Parker ⁵	5/5			1/1			
Mr D T Parry ⁴	1/1			0/0			
Professor E Scanlon	6/6			1/1 ¹⁰			
Elected Members: Open University Students Association							
Ms J Liddell ³	1/1						
Miss D Smith	5/5						
External members Co-Opted by Council							
Professor J Brooks	6/6	5/5	3/4	1/1			
Mrs M E Curnock Cook CBE ¹⁴	6/6				7/7		
Mr A Dickinson ⁹	0/0						0/0 ⁹
Ms C Doyle ²	5/5	2/3 ¹²					
Mrs M Galliers ⁸	6/6			1/1			4/4
Mrs R Girardet ⁸	6/6	5/5					
Professor P Gray ²	4/5	3/3 ¹²		0/0 ¹¹			
Mr P Greenwood ²	6/6	2/2 ¹³					3/4
Mrs R Lock	6/6		4/4				0/0 ⁹
Mrs L Patel ²	5/5						
Mr R W Spedding ⁸	6/6						3/4
Mr T Tobun ²	5/5						
Professor M Kellett ¹⁵	0/0						

¹ From 1 August 2020² From 28 August 2020³ To 14 September 2020⁴ To 30 September 2020⁵ From 23 October 2020⁶ To 29 January 2021⁷ From 9 April 2021⁸ To 31 July 2021⁹ From 1 August 2021¹⁰ From 27 October 2020¹¹ From 25 August 2021¹² From 24 November 2020¹³ To 24 November 2020¹⁴ To 18 October 2021¹⁵ From 23 November 2021¹⁶ Strategic Planning and Resources Committee

Non-Council Members	Governance & Nominations	SPRC³	Finance	Investment	Audit
Vice-Chancellor's Executive membership of committees					
Mr P Traynor, Chief Financial Officer				2/3	
External membership of committees					
Mrs C Banzky				2/3	
Mr B S Larkman				3/3	
Ms E Lewis					3/4
Mr J Mann ¹			7/7		
Mr M B Moule				3/3	
Mr N Poulter					4/4
Mr P Robert-Tissot			7/7	3/3	
Miss K Smith			6/7 ¹	3/3 ²	
Mr C A Wood				3/3	

¹ From 4 September 2020² From 1 December 2020³ Strategic Planning and Resources Committee

Further information about the governance structure and the business of each of the committees is available at the internet site: www.open.ac.uk/about/main/governance-ou/government-structure.

Committee Remit and Membership

	Members of Council	Other External Members
AUDIT COMMITTEE	Mr A Dickinson (Chair) ¹ Mr R W Spedding (Chair) ² Ms M Galliers ² Mr P Greenwood Mrs R Lock ¹	Ms E Lewis Mr N Poulter

¹ From 1 August 2021² To 31 July 2021

The Audit Committee comprises wholly external members drawn from both within and outside of the Council, and so has no executive responsibility. Its remit is as follows:

Risk Management	Reviewing the effectiveness of the Group's arrangements for risk management, control and governance.
Financial Statements	Reviewing the University's accounting policies and consolidated financial statements and recommending them for approval to Council. Reviewing with the external auditors the scope and nature of their audit of the financial statements, including their report to Audit Committee.
Value for money and data quality	Satisfying itself and reporting to Council, with advice from the Chief Auditor and other internal and external sources of assurance as appropriate, that satisfactory arrangements are in place to promote economy, efficiency and effectiveness, and the quality of data submitted to the various funding bodies and the SLC.
Internal Audit	Reviewing and approving the terms of reference of the Internal Audit function and monitoring its performance and effectiveness.
External Audit	Advising the Council on the appointment and remuneration of the external auditors, and monitoring their performance and effectiveness through consideration of their reports and discussion with both management and the auditors.
Regulatory compliance	In addition to seeking assurance on risks associated with non-compliance generally for the University, the Committee also assesses its own compliance with the regulatory framework.

The Audit Committee relies substantially on the work of the internal and external auditors, on the information provided by management and on the response of management to the questions it raises. The University's external audit has normally been tendered every seven years. PricewaterhouseCoopers LLP (PwC) partners responsible for the external audit are rotated regularly in accordance with PwC's own policies and required regulations.

Based on the normal timetable, external audit services were due for tender during 2020. The Audit Committee, during its meeting in June 2020, agreed to defer the process for at least one year to 2021, but by no more than three years to 2023.

The Audit Committee has discussed with management and the external auditors the key financial risks and uncertainties impacting on the preparation of the financial statements and the financial position of the University. These areas have been considered in the audit planning and scoping and they related to:

The Core Systems Replacement programme	The implementation of a new system results in challenges associated with data migration, documenting understanding of the new system, and the reliance on reports from the system proposed to be used for our audit.
Increase in student numbers	Assurance over revenue recognition as a result of the significant increase in student numbers.
Investment in FutureLearn Limited	The arrangements for and disclosure of the impairment review of the FutureLearn Limited investment.
USS pensions provision	The accounting treatment adopted for the provision of the costs related to the Group's commitment to fund the deficit in the Universities Superannuation Scheme.
Compliance	Compliance with terms and conditions associated with the application of funds received from various funding bodies and with other regulatory requirements.

The Group financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 60 to 67, which are in accordance with applicable United Kingdom accounting standards. The University's Audit Committee has reviewed the Group's accounting policies and considers them to be the most appropriate to the Group's operations.

The Audit Committee has assessed its current practice with the Audit Committee Code of Practice issued by the Committee of University Chairs in June 2020. The Committee considers that in all material respects its operation is in accordance with the Code, however, a small number of areas for further refinement have been identified and these will be progressed during 2020/21.

Further information about the governance structure and the business of each of the committees is available at the internet site: www.open.ac.uk/about/main/governance-ou/government-structure.

Committee Remit and Membership

	Members of Council	Employees	Other External Members
GOVERNANCE AND NOMINATIONS COMMITTEE	Mr M Sweeting (Chair) Professor J Brooks Ms C Doyle ⁴ Ms R Girardet ⁶ Professor P Gray ⁴ Mr P Greenwood ⁸ Mrs S Jones ⁴	Prof T Blackman Mr J D'Arcy OBE Ms A Henderson ⁶	

The Governance and Nominations Committee is responsible for recommending to the Council the appointment of external co-opted members to the Council and the Council's Committees. It also makes recommendations to the Council for the appointment of Council members to committees of the Council and to other committees of the University. It monitors the effectiveness of Council membership and advises the Council on matters relating to the role of Council members. It is also responsible to the Council for assuring the effectiveness of the Council's governance arrangements.

REMUNERATION COMMITTEE	Mrs R Lock (Chair) Professor J Brooks Mr R McCracken Mr M Sweeting
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The Remuneration Committee determines the annual remuneration of, and rewards to, the most senior staff, including the Vice-Chancellor. The cost of living salary increases for all staff are determined by national pay negotiations led by the Universities and Colleges Employers Association (UCEA).

STRATEGIC PLANNING AND RESOURCES COMMITTEE	Professor J Brooks Ms M Galliers Professor P Gray ⁴ Mrs S Jones Mr R McCracken Mr M Sweeting	Prof T Blackman (Chair) Dr J Byford ⁵ Mr R E Parker ² Mr T Parry ¹ Professor E Scanlon ³
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The Strategic Planning and Resources Committee is a joint committee of the Council and the Senate; it is convened annually to consider and recommend the University's Fee and Financial Support Strategy.

¹ To 30 September 2020

² From 23 October 2020

³ From 27 October 2020

⁴ From 24 November 2020

⁵ To 29 January 2021

⁶ To 31 July 2021

⁷ From 25 August 2021

⁸ To 24 November 2020

Further information about the governance structure and the business of each of the committees is available at the internet site: www.open.ac.uk/about/main/governance-ou/government-structure.

	Members of Council	Employees	Other External Members
FINANCE COMMITTEE	Mr R McCracken (Chair) Mrs M E Curnock Cook CBE ³ Mr M Sweeting	Prof T Blackman	Mr J Mann Mr P Robert-Tissot Miss K Smith ⁷

The Finance Committee reviews and then recommends to Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews and then recommends to Council the financial regulations and financial policies that are applied by management.

INVESTMENT COMMITTEE	Mr R McCracken (Chair)	Mr P Traynor	Mrs C Banzsky Mr B S Larkman Mr M B Moule Mr P Robert-Tissot Miss K Smith ² Mr C A Wood
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The Investment Committee advises the Finance Committee on the University's investment strategy, recommends appropriate funds and investment managers and monitors their performance.

¹ From 4 September 2020 ² From 1 December 2020 ³ To 18 October 2021

Further information about the governance structure and the business of each of the committees is available at the internet site: www.open.ac.uk/about/main/governance-ou/government-structure.

RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL

In accordance with the University's Charter and Statutes, the Council is responsible for the administration and management of the University's affairs, and is required to present audited financial statements each year.

The Council is responsible for ensuring that proper accounting records are kept that disclose with reasonable accuracy at any time the financial position of the University and enable the financial statements to be prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards.

Under the Memorandum of Assurance and Accountability between the Office for Students and the University's Council and the OfS Accounts Direction, the Council, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the University's state of affairs and the surplus or deficit and cash flows for that year. The Council considers that the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to understand the University's performance, business model and strategy.

In causing the financial statements to be prepared, the Council has ensured that:

Accounting policies	Are selected and applied consistently.
Judgements and estimates	Are reasonable and prudent.
Accounting standards	Are followed, subject to any material departures disclosed and explained in the financial statements.
Going concern basis	Is used and the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. As indicated on pages 39 to 41, the Council is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

Use funds properly	Ensure that funds from OfS, the Scottish Funding Council (SFC), the Higher Education Funding Council for Wales (HEFCW), the Department for the Economy (Northern Ireland) (DfE) and UK Research and Investment (UKRI) are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with OfS and the Funding Agreements with SFC, HEFCW, DfE and UKRI and any other conditions which the five funding bodies may, from time to time, prescribe.
Implement controls	Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
Manage risks	Ensure that there are effective systems of risk identification and management that cover all risks, produce a balanced portfolio of risk exposure, are based on a clearly articulated policy and approach, are monitored and reviewed regularly, are integrated into normal business processes and aligned to the University's strategic objectives and are managed by heads of units and senior managers.
Safeguard assets	Safeguard the assets of the University and prevent and detect corruption, fraud, bribery and other irregularities.
Manage resources	Secure the economical, efficient and effective management of the University's resources and expenditure.

Risk Management

The approach to the University's system and internal control is risk-based. The key elements of the University's system of risk identification and management, which is designed to discharge the responsibilities set out above, include the following:

Links to objectives	Linking the identification and management of risk to the achievement of institutional objectives through the annual planning process.
Risk appetite	Defining the University's appetite for risk, setting parameters for acceptable levels of risk-taking in key risk categories.
Evaluation of likelihood and impact	Evaluating the likelihood and impact of risks becoming a reality as part of that same process and establishing mitigating controls.
Review of procedures	Having review procedures that cover business, operational, compliance and financial risk.
Embedding the risk process	Embedding risk assessment and internal control processes in the ongoing operations of all units.
Reporting	Reporting regularly to the Audit Committee and then to Council on internal control and risk. Reporting annually to Council the principal results of risk identification, evaluation and management review.

Internal Controls

For the period covered by these financial statements to the date of signing, the key elements of the University's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

Defining responsibilities	Definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative units.
Medium and short-term planning	A medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
Performance review	Regular reviews of academic performance and quarterly financial reviews involving variance reporting and updates of forecast outturns.
Expenditure and investment appraisal	Defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Council.
Financial regulations	Financial regulations, including financial controls and procedures, are approved by the Finance Committee and their application monitored.
Audit	A professional internal audit team whose annual programme is approved by the Audit Committee.

Internal controls are reviewed annually by the Chief Auditor and the Audit Committee. Any system of internal control or risk management is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Through the internal audit process, internal control issues have been routinely identified and improvements made by management. During the year, there have been no issues identified in this way that have been considered to be significant.

The Chief Auditor reported to the Audit Committee that the arrangements for governance, risk management and internal control including value for money relating to the routine operations of the University were, in his opinion, satisfactory; but that there were some challenges for the governance, risk management and internal control including value for money, specific to the strategic change programme during the year. These are being addressed in the replanning of the Student Systems programme, and in the updated arrangements for managing the Associate Lecturer Contract Change Programme.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE OPEN UNIVERSITY (THE "INSTITUTION")

Report on the Audit of the Financial Statements

Opinion

In our opinion, The Open University's group financial statements and institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the institution's affairs as at 31 July 2021 and of the group's and of the institution's income and expenditure, gains and losses and changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41); and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Financial Statements for the year ended 31 July 2021 (the "Annual Report"), which comprise the Consolidated and Institution Statements of Financial Position as at 31 July 2021; the Consolidated and Institution Statements of Comprehensive Income, the Consolidated and Institution Statements of Changes in Reserves, and the Consolidated Statement of Cash Flows for the year then ended; and the Statement of Principal Accounting Policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and institution's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group and institution's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trustees' Report

Under the Charities (Accounts and Reports) Regulations 2008 and, Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion, the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Responsibilities of The University's Council set out on page 54, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group and institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the group and institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We are eligible to act and have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to

detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the institution/industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws, taxation laws and data protection regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Office for Students' Accounts Direction (OfS 2019.41) and the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed included:

- Detailed discussions with management and walkthrough procedures to understand and evaluate the controls designed to prevent and detect irregularities and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewed legal expenses to identify any inconsistencies with other information provided by management;
- Assessing significant judgements and estimates including those relating to impairment of investments in the Joint Venture and the disclosures included on these balances within the financial statements;
- Incorporating elements of unpredictability; and,
- Identifying and testing unusual journal entries.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with Section 10 of the Charters and Statutes of the institution and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations made under that Act (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects:

- funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), have been applied in accordance with the relevant terms and conditions.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The Institution's grant and fee income, as disclosed in Note 2 and 4 to the financial statements, has been materially misstated; or
- The Institution's expenditure on access and participation activities for the financial year, as disclosed in Note 23 to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

Charities Accounts (Scotland) Regulations 2006 (as amended) exception reporting

Under the Charities Accounts (Scotland) Regulations 2006 we are required to report to you if, in our opinion:

- sufficient accounting records have not been kept by the Institution; or
- the Institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
24 November 2021

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of land and buildings, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice, Accounting for Further and Higher Education Institutions (SORP 2019 edition). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. These accounting policies were approved by the Audit Committee on 23 March 2021 and have been applied consistently throughout the year.

2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertakings, together with a share of the results of joint ventures, for the financial year ended 31 July 2021.

The consolidated financial statements do not include those of The Open University Students Association, as the University has no control or significant influence over policy decisions of the Association.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal or loss of controlling interest. Intra-Group transactions are eliminated on consolidation.

Balances between the University and its joint ventures are not eliminated. Normal trading transactions that are not settled at the balance sheet date are included as current assets or liabilities.

Joint ventures are determined where control over an entity is jointly shared with a third party. Associates are determined where there is significant influence but not joint or overall control. Joint ventures and Associates are accounted for using the equity method.

3 Recognition of Income

Tuition Fees and Education Contracts

- a. Fee income is credited to income over the period in which the students are studying. This is achieved by using an apportionment basis over the period of the relevant module, or in the case of Apprenticeships the full period of study. Any fee income carried forward to a future financial year is included in creditors as deferred income.

Any refunds and discounts to tuition fees are applied to the fee that is receivable. This fee is recognised as income; any further financial assistance to students, other fee waivers and provision for bad debts are included in other operating expenses.

Where students have registered for modules that begin in a future financial year and have already paid or intend to pay using an instalment credit agreement from the University's subsidiary, Open University Student Budget Accounts Limited, the income is included in creditors as student fee income in advance. Where these fees have not been paid wholly or partly in advance by the end of the financial year in which registration takes place, the amount not received at the end of the financial year is included in trade receivables.

Where students are intending to pay for their study using part-time tuition fee loans from the Student Loans Company, their liability for the fee is created when their attendance is confirmed.

Funding Body Grants

- b. Recurrent grants from funding bodies are credited to income in the period in which they are receivable.
- c. Non-recurrent grants and donations are recognised when they are receivable and when performance conditions have been met. Income received in advance of performance conditions being met is included in creditors as deferred income. Where there are no performance conditions, income is recognised when it is receivable.

Research Grants and Contracts

- d. Research and Development Expenditure Credits are included in Research Grants and Contracts.

Other Income

- e. Income from the sale of goods or services is credited to income when the goods or services are supplied to the external customers against the orders received or the terms of the contract have been satisfied. Non-cash sales are recognised at the fair value of the goods or services exchanged.

Investment Income

- f. Interest receivable is credited to income on a daily basis.

Donations and Endowments

- g. Donations and endowments with donor-imposed restrictions are recognised in accordance with accounting policy 3c. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions, at which point the income is released to general reserves through a reserve transfer.

Amounts Received as Agent

- h. Where the University acts solely as paying agent to disburse bursaries and grants on behalf of a third party, the grants and bursaries received and the disbursements made are excluded from the Income and Expenditure Account. The balances carried forward are included in both current assets and in creditors falling due within one year.

4 Recognition of Expenditure

- a. Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms.
- b. Module development costs are charged to expenditure as they are incurred.
- c. The University has a maintenance plan designed to keep its estate in a constant state of good repair. The cost of maintenance is charged to expenditure in the period in which it is incurred.
- d. Loan interest and/or facility fees are charged to expenditure on a daily basis.

5 Liabilities and Provisions

- a. Provision is made when a present obligation exists for a future liability in respect of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and where the amount of the obligation can be reliably estimated.
- b. Restructuring costs are recognised in respect of the direct expenditure of a reorganisation where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

6 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

7 Leasing Costs

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

8 Taxation Status

The University is potentially exempt from taxation on income or capital gains to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax and any tax incurred is either expensed or capitalised according to the nature of the underlying expenditure.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full on timing differences that exist at the balance sheet date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the balance sheet date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

9 Pension Schemes

In the United Kingdom, the University participates in two schemes to provide retirement and death benefits for its employees, namely, the Universities Superannuation Scheme (USS), and for a small number of staff the Federated Superannuation System of Universities (FSSU), a defined contribution scheme. In the Republic of Ireland, a small number of employees are members of the defined contribution Open University Retirement Solution Plan (OURSP).

Defined benefit scheme (USS)

The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, the University accounts for the scheme as if it were a defined contribution scheme. The University also makes a provision for its estimated share of any deficit in the USS; changes in the provision are reflected in the income and expenditure account. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period, along with changes in the level of the deficit provision.

The costs of the USS deficit recovery plan have been estimated based on a model devised by the USS and the British Universities Finance Directors Group (BUFDG). The model uses the additional costs included in the deficit recovery plan and discounts based on corporate bond levels having a maturity similar to the length of the recovery plan (7 years as at 31 July 2021). The scheme actuary reviews the funding of the USS every year and normally undertakes a formal actuarial valuation every three years, at which time the deficit recovery plan may be amended.

Defined contribution schemes

The cost charged to the expenditure account is equal to the total of contributions payable in the year.

10 Intangible Assets

The Group capitalises costs relating to the purchase and implementation of software packages as intangible assets. Software development costs, in-house or outsourced, are charged to expenditure as incurred. Intangible assets purchased are initially recognised at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment.

Intangible assets are amortised on a straight line basis over their estimated useful lives. The useful economic lives of intangible assets are as follows:

Software packages	10 years
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Assets under construction are not amortised until they are ready for use and are represented as costs incurred to date.

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period, previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

11 Land and Buildings

Land and buildings held at 31 July 2014 are shown in the balance sheet at the valuation on that date less accumulated depreciation and accumulated impairment losses; land and buildings acquired after 31 July 2014 are shown at cost less accumulated depreciation and accumulated impairment losses. The revaluation at 31 July 2014 was undertaken in accordance with the appraisal and valuation manual prepared by the Royal Institution of Chartered Surveyors. The Walton Hall campus was valued on the basis of depreciated replacement cost and all other buildings on the basis of existing use value. The valuation was conducted by Gerald Eve LLP, a regulated firm of Chartered Surveyors.

On adoption of FRS 102, the Group adopted the transitional provisions to measure land and buildings at fair value on the date of transition, and to use that fair value as its deemed cost.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated on a straight-line basis over their expected useful lives of 40 years. Where buildings have a major refurbishment to adapt them for another use or extend their original useful life, the refurbishment cost is depreciated over their revised expected useful lives, which is a maximum of 40 years from date of the adaptation. Minor refurbishments to buildings are depreciated over the remaining expected useful life of the building, with a maximum period of 10 years; repairs and maintenance are expensed immediately.

12 Equipment

Equipment costing less than £50,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost. The equipment is depreciated on a straight-line basis over its expected useful life as follows:

Telephone equipment	5 years
Motor vehicles	4 years
Computing equipment	3 years
Other equipment	3 years

Assets under construction are not depreciated until they are ready for use and are represented as costs incurred to date.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated as above. The related grants are recognised in accordance with accounting policy 3 (recognition of income).

13 Heritage Assets

Heritage assets costing or valued at over £50,000 are capitalised at cost or value on acquisition, where such a valuation is reasonably obtainable. Such assets are not depreciated. Other heritage assets are not capitalised. All costs incurred in relation to preservation and conservation of heritage assets are expensed as incurred.

The University library holds in its archives a small collection of personal and public papers and documents bequeathed to it by persons connected to the University, and a collection of historical documents related to the University. These items are not included in the financial statements since the University considers that it would not be practical to obtain a meaningful valuation.

14 Investments

- a. Investments in subsidiaries are shown at cost less accumulated impairment.
- b. Investments in joint ventures and associates are accounted for at cost less impairment in the University's financial statements.

15 Stocks of Finished Goods

- a. Stocks of module materials are valued at the lower of cost and net realisable value. Provision is made for obsolete or surplus module materials.
- b. Stocks of materials for use at residential schools are written off when purchased.

16 Cash, Cash Equivalents and Liquid Resources

Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within twenty-four hours without penalty. Cash equivalents are highly liquid investments that are repayable within three months and are subject to insignificant risk of changes in value; they can include term deposits at banks or investments in gilts. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits with maturities of greater than three months and other instruments held as part of the University's treasury management activities and are included within gilts, equities and term deposits.

17 Financial Instruments

The Group has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement and disclosure of financial instruments. Financial assets and liabilities are recognised when the Group becomes party to the contractual provision of the instrument, and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets include trade and other receivables, cash and cash equivalents, and investments in commercial paper (i.e. deposits and bonds). These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures, are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income. Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured, the assets are measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of the ownership of the asset are transferred to another party.

Financial liabilities

Basic financial liabilities include student fee income received in advance or for study partially complete, trade and other payables, bank loans, and intra-Group loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as 'creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value of derivatives are recognised in the statement of comprehensive income in finance costs or finance income as appropriate, unless they are included in a hedging arrangement. The Group does not apply hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies.

Financial liabilities are de-recognised when the liability is discharged, cancelled or expires.

18 Accounting for Donations and Endowments

a. Donations

Donations are recognised in the financial statements when the donation has been received or if, before receipt, there is sufficient evidence to provide necessary certainty that the donation will be received and the value of the incoming resource can be measured with sufficient reliability.

Where a donor has specified that a donation must be used for a particular objective, it is classified as a restricted donation. Income is retained within the restricted reserve until such time that it is utilised in line with the restrictions, at which time it is released to general reserves.

b. Endowments

Where donations are to be retained to the benefit of the University for more than five years for purposes specified by the donors, other than the purchase or construction of tangible fixed assets, they are accounted for as endowments. Income is retained in the endowment reserve until such time that it is utilised in line with the terms of the endowment, at which time it is released to general reserves.

Where the University has the power to use the capital portion of an endowment, it is categorised as an expendable endowment; where the capital portion must be retained indefinitely, it is categorised as a permanent endowment.

Critical Accounting Estimates and Judgements

The University prepares its consolidated financial statements in accordance with FRS 102 as issued by the UK Financial Reporting Council, the application of which often requires judgements to be made by management. Under FRS 102, management is required to adopt those accounting policies most appropriate to the circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows. These judgements, estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It may later be determined that a different choice would have been more appropriate.

Management has discussed its critical accounting estimates, judgements and associated disclosures with its external auditors, its Finance Committee and its Audit Committee.

Accounting Estimates

Retirement benefit obligations

The costs of the USS defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 26.

Management is satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

As the University is contractually bound to make deficit recovery payments to the USS, this is recognised as a liability on the balance sheet. The provision is currently based on the USS deficit recovery plan agreed after the 2018 actuarial valuation, which defines the deficit payment required as a percentage of future salaries until 2028. These contributions will change as a result of the 2020 valuation as explained in Note 26.

The provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount based on corporate bond levels having a maturity of a similar length to the recovery plan. Further details are set out in Note 26.

Any change in the quantum of the provision is charged to staff costs. A sensitivity analysis of the approximate effects of changes in future staffing levels and changes in the discount rate has been carried out as follows:

USS deficit sensitivity analysis:

	Effect on total provision at 31 July 2021	Effect on expenditure in year ended 31 July 2021	Notes
FOR EVERY 1% INCREASE IN STAFF COSTS	Increase by £1.1m	Increase staff cost by £1.5m	The effect is reversed if staff costs decrease, and diminishes the further in the future the change occurs.
FOR EVERY 0.1% INCREASE IN DISCOUNT RATE	Decrease by £0.5m	Decrease staff cost by £0.5m	The effect is reversed if discount rates decrease.

Access and participation expenditure

As a requirement of the Office for Students Accounts Direction, we are required to disclose in a note to the financial statements certain expenditure aligned to our 2019/20 Access and Participation Plan which covers English students. Further information is provided in Note 23.

As a four-nation University, many of the costs relating to disabled student support and certain financial support schemes are incurred across all our operations and cannot be directly attributed to England students. Management considers that these costs cover the four nations and therefore the basis of calculation of relevant expenditure in England is determined as a pro rata of England students as a percentage of total students. For 2020/21, this is 72.9% of relevant expenditure.

Access and participation expenditure sensitivity analysis:

	Effect on APP expenditure in year ended 31 July 2021	Notes
FOR EVERY 1% INCREASE IN PROPORTION OF SPEND ALLOCATED TO ENGLAND	Increase APP expenditure by £0.04m	The effect is reversed if England share of spend decreases.

Impairment of assets

At each reporting date, the valuation of land and buildings and fixed asset investments are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount.

The University's investment in its joint venture, FutureLearn Limited, is held at cost. In the consolidated Statement of Financial Position, the investment is valued on an equity basis and includes the University's share of losses incurred by the joint venture as a result of the expenditure incurred to deliver future growth.

In reviewing the carrying value of the joint venture in the Statement of Financial Position management have considered a number of sources of evidence and data points. These include:

- the underlying net asset value of the Company as at 31 July 2021;
- an independent valuation of FutureLearn's shares, commissioned by FutureLearn management for the purpose of accounting for its share based payment scheme, which considered alternative valuation methodologies including discounted cashflow and valuations of comparable companies;
- our own expectations of FutureLearn's future cash flows and cash requirements; and
- the development and progression of the growth strategy for FutureLearn Limited as an outcome of the investment by SEEK Ltd in April 2019.

Based on current business performance of FutureLearn's business, there is an impairment trigger to the carrying value of the investment. Management determined the recoverable value of the investment on a fair value less cost to sell basis, and the available multiple is deemed to be the key assumption. This resulted in an impairment to the carrying value of investment and the value is impaired to £8m in the University's Statement of Financial Position. The key assumption, if reasonably changed, does not result in a material adjustment to the carrying value of the investment.

Accounting Judgements

Revenue

Revenue received in respect of tuition fees forms the largest category of revenue for the University. The time period over which the modules are taught varies from twelve weeks for modules of 10 credit points to over sixty weeks for some postgraduate modules. The University considers that the costs of the services delivered to support the modules are spread reasonably evenly over the life of the module. Whilst there may be peaks and troughs in activities over the life of any module, and differences in activity between modules, the time-apportion methodology has been used for many years as a practical methodology for recognising tuition fee revenue.

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Consolidated		Institution	
		Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
		£m	£m	£m	£m
Income					
Tuition fees and education contracts	1	393.2	330.7	393.2	330.7
Funding body grants	2	104.5	96.6	104.5	96.6
Research grants and contracts	4	13.8	11.9	13.8	11.9
Other income	5	16.9	18.0	15.0	16.6
Investment income	6	30.0	13.7	35.2	15.3
Donations and endowments	7	3.1	3.2	3.1	3.2
Total income		561.5	474.1	564.8	474.3
Expenditure					
Staff costs	8	366.4	272.4	360.8	268.2
Other operating expenses	9	144.9	138.7	175.9	147.7
Depreciation and amortisation		7.6	6.5	7.6	6.5
Interest and other finance costs	10	0.9	3.0	0.9	3.0
Total expenditure		519.8	420.6	545.2	425.4
Surplus before other gains and losses		41.7	53.5	19.6	48.9
Share of deficit of joint venture		(8.2)	(6.8)	0.0	0.0
Surplus for the year before taxation		33.5	46.7	19.6	48.9
Taxation	11	0.1	(0.1)	0.0	0.0
Surplus for the year		33.6	46.6	19.6	48.9
Total comprehensive income for the year		33.6	46.6	19.6	48.9
Represented by:					
Endowment comprehensive expense for the year		0.0	(0.1)	0.0	(0.1)
Restricted comprehensive income for the year		1.0	1.1	1.0	1.1
Unrestricted comprehensive income for the year		32.6	45.6	18.6	47.9
Total comprehensive income for the year		33.6	46.6	19.6	48.9

All amounts relate to continuing operations.

The accounting policies on pages 60 to 67 and the Notes on pages 72 to 92 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN RESERVES

	Income and Expenditure Reserve			
	Endowment	Restricted	Unrestricted	Total
	£m	£m	£m	£m
Consolidated				
Balance at 1 August 2019	2.0	1.3	348.0	351.3
(Deficit)/Surplus for the year	(0.1)	1.1	45.6	46.6
Balance at 31 July 2020	1.9	2.4	393.6	397.9
Surplus for the year	0.0	1.0	32.6	33.6
Balance at 31 July 2021	1.9	3.4	426.2	431.5

	Income and Expenditure Reserve			
	Endowment	Restricted	Unrestricted	Total
	£m	£m	£m	£m
Institution				
Balance at 1 August 2019	2.0	1.3	354.0	357.3
(Deficit)/Surplus for the year	(0.1)	1.1	47.9	48.9
Balance at 31 July 2020	1.9	2.4	401.9	406.2
Surplus for the year	0.0	1.0	18.6	19.6
Balance at 31 July 2021	1.9	3.4	420.5	425.8

The accounting policies on pages 60 to 67 and the Notes on pages 72 to 92 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

	Note	Consolidated		Institution	
		As At 31 July 2021 £m	As At 31 July 2020 £m	As At 31 July 2021 £m	As At 31 July 2020 £m
Non-current assets					
Intangible assets	12	25.3	19.9	25.3	19.9
Tangible assets	13	232.0	235.7	232.0	235.7
Investments	14	7.6	15.8	9.3	31.5
Total Non-current Assets		264.9	271.4	266.6	287.1
Current Assets					
Stock		2.6	2.8	2.6	2.8
Trade and other receivables due within one year	15	49.9	46.6	43.0	39.8
Trade and other receivables due after one year	15	0.1	0.1	6.0	8.2
Gilts, equities and term deposits	16	222.3	167.9	222.3	167.9
Cash and cash equivalents		205.0	179.1	197.4	170.6
Total Current Assets		479.9	396.5	471.3	389.3
Less Creditors: amounts falling due within one year	17	146.0	98.3	146.4	99.9
Net Current Assets		333.9	298.2	324.9	289.4
Total Assets Less Current Liabilities		598.8	569.6	591.5	576.5
Less Creditors: amounts falling due after more than one year	18	60.5	60.5	60.5	60.5
Less provisions for liabilities	20	106.8	111.2	105.2	109.8
Total Net Assets		431.5	397.9	425.8	406.2
Restricted Reserves					
Income and expenditure reserve – endowments		1.9	1.9	1.9	1.9
Income and expenditure reserve – donations		3.4	2.4	3.4	2.4
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		426.2	393.6	420.5	401.9
Total Reserves		431.5	397.9	425.8	406.2

The accounting policies on pages 60 to 67 and the Notes on pages 72 to 92 form an integral part of these financial statements, which were approved by Council on 23 November 2021 and signed on its behalf by:

A DICKINSON
Chair of Audit Committee

P J TRAYNOR
Chief Financial Officer

T BLACKMAN
Vice-Chancellor

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m
Cash flows from operating activities		
Surplus for the year before tax	33.5	46.7
Adjustment for non-cash items		
Depreciation	7.6	6.5
Decrease in stock	0.1	0.0
Increase in debtors	(2.0)	(8.3)
Increase/(decrease) in creditors	47.6	(5.9)
Decrease in provisions	(5.1)	(60.3)
Share of deficit in joint venture	8.2	6.8
Adjustments for investing or financing activities		
Investment income	(30.0)	(13.7)
Interest payable	0.9	3.0
Endowment income	(0.1)	(0.1)
Capital grant income	(3.3)	(3.7)
Cash Inflow/(Outflow) from Operating Activities	57.4	(29.0)
Taxation	0.1	(0.1)
Net Cash Inflow/(Outflow) from Operating Activities	57.5	(29.1)
Cash flows from investing activities		
Capital grants receipts	2.3	6.9
Investment income receipts	0.5	3.1
Payments made to acquire tangible assets	(2.9)	(0.6)
Payments made to acquire intangible assets	(6.5)	(11.4)
(Acquisition)/sale of gilts, equities and fixed-term deposits	(25.0)	47.0
Net Cash (Outflow)/Inflow from Investing Activities	(31.6)	45.0
Cash flows from Financing Activities		
Interest paid	(0.1)	(0.4)
Endowment cash received	0.1	0.1
Net Cash (Outflow) from Financing Activities	0.0	(0.3)
Increase in cash and cash equivalents in the year	25.9	15.6
Cash and cash equivalents at beginning of the year	179.1	163.5
Cash and cash equivalents at end of the year	205.0	179.1

The accounting policies on pages 60 to 67 and the Notes on pages 72 to 92 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Tuition Fees and Education Contracts: Consolidated and Institution	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m
Student fees – United Kingdom		
Taught Degrees:		
England	313.7	264.6
Scotland	23.5	20.8
Wales	18.1	12.1
Northern Ireland	8.7	6.8
Research Degrees	2.1	2.4
Total Student Fees – United Kingdom	366.1	306.7
Student Fees – Overseas	25.4	22.7
Research training support grants	1.7	1.3
Total Tuition Fees and Education Contracts	393.2	330.7

2 Funding Body Grants: Consolidated and Institution	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m
Recurrent grants		
Office for Students/UK Research & Innovation	46.3	46.9
Scottish Funding Council	23.3	22.4
Higher Education Funding Council for Wales	12.6	10.4
Department for the Economy (Northern Ireland)	7.1	5.5
Total Recurrent Grants	89.3	85.2
Specific grants		
Office for Students/UK Research & Innovation	8.5	6.9
Scottish Funding Council	3.2	2.0
Higher Education Funding Council for Wales	3.5	2.5
Total Specific Grants	15.2	11.4
Total Funding Body Grants	104.5	96.6

3 Details of Grant and Fee Income: Consolidated and Institution	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m
Grant income from the OfS	54.0	42.0
Grant income from other bodies	50.5	54.6
Fee income for taught awards (exclusive of VAT)	388.7	326.6
Fee income for research awards (exclusive of VAT)	2.1	2.4
Fee income from non-qualifying courses (exclusive of VAT)	2.4	1.7
Total Grant and Fee Income	497.7	427.3

4 Research Grants and Contracts: Consolidated and Institution	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m
Research Councils	5.0	3.9
Other sources, including industrial companies	8.8	8.0
Total Research Grants and Contracts	13.8	11.9

5 Other Income	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
Other grants and contracts	7.1	9.8	7.0	6.7
Validation fees	4.0	3.6	4.0	3.6
Other learning services	0.7	1.5	0.2	0.9
Other income	5.1	3.1	3.8	5.4
Total Other Income	16.9	18.0	15.0	16.6

6 Investment Income	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
Change in value of equity-based funds	29.6	11.6	29.6	11.6
Interest receivable on gilts, bank deposits and money market funds	0.2	1.9	5.6	3.7
Interest on student loans	0.2	0.2	0.0	0.0
Total Investment Income	30.0	13.7	35.2	15.3

The change in value of equity-based funds comprises £7.4m of realised gains due to dividends received and reinvested in the fund, and £22.2m of unrealised gains which is the net movement in fair value of the funds during the year. Included within the change in value of equity based funds is £28.8m of investment gains not used for operations.

7 Donations and Endowments: Consolidated and Institution

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m
Unrestricted donations	1.6	1.9
New endowments	0.1	0.1
Restricted donations	1.4	1.2
Total Donations and Endowments	3.1	3.2

All endowments are held as cash.

8 Staff Costs

	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
Staff costs				
Salaries and other payments to employees	279.8	251.4	275.5	247.2
Social security costs	25.8	22.7	25.4	22.2
Pension costs	51.4	46.0	50.7	45.3
Movement on USS provision – see Note 26	(1.8)	(63.5)	(2.0)	(62.3)
	355.2	256.6	349.6	252.4
Other staff costs, including casual staff	10.4	9.5	10.4	9.5
Early retirement and voluntary severance	0.8	6.3	0.8	6.3
Total Staff Costs	366.4	272.4	360.8	268.2

Included within Staff costs is £12.1 million of restructuring and strategic change.

	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
Staff numbers expressed as monthly average Full-Time Equivalents (FTEs) during the year (including higher paid staff)				
Full-time and part-time staff at Milton Keynes, Wellingborough, national and regional centres	4,911	4,484	4,834	4,406
Associate Lecturers and residential school staff	1,490	1,149	1,490	1,149
	6,401	5,633	6,324	5,555

Compensation for loss of office

The total amount of compensation for loss of office payable across the University was £0.8 million for 66 staff (year ended 31 July 2020, £6.3 million for 634 staff).

Remuneration of Higher Paid Employees**The Vice-Chancellor**

The Vice-Chancellor, Professor Tim Blackman, was appointed to the role beginning 1 October 2019.

Remuneration of the Vice-Chancellor	Year Ended 31 July 2021	Year Ended 31 July 2020	
	Vice-Chancellor Professor T Blackman	Vice-Chancellor Professor T Blackman 1/10/19 - 31/7/20	Vice-Chancellor Professor M Kellett 1/8/19 - 30/9/19
Basic salary	£270,000	£225,000	£45,000
Accommodation allowance	0	0	£4,500
Pension contributions (on substantive role only)	0	0	£9,000
Pension allowance	£36,700	£30,600	0
Taxable benefit (use of premises - Wednesden House) ¹	£8,300	£58,700	0
Other:			
Life assurance premium	£3,200	£2,300	0
Relocation costs	£20,000	0	0
Total	£338,200	£316,600	£58,500

Pay multiple – based on Full-Time Equivalent multiple of median for all staff:

Basic salary	6.7	6.7	6.7
Total remuneration	7.8	8.5	8.0

¹As part of assisting the current Vice-Chancellor with relocation, Wednesden House was made available for occupation as a licensee for a year to 1 October 2020. HMRC rules require this to be treated as an employee benefit and its value is calculated using a formula mainly based on the market value of the house. This is subject to tax and national insurance, which the University paid to HMRC. The total of the benefit in kind including the tax and national insurance paid to HMRC, for the period from 1 August 2020 to 30 September 2020 which falls in the financial year to 31 July 2021, was £8,300 (to 31 July 2020, £58,700). The Vice-Chancellor was personally responsible for utility bills and cleaning costs.

With effect from 1 October 2020, The University and Vice-Chancellor signed a Service Occupancy Agreement, under which the Vice-Chancellor is permitted to reside at the Property as a licensee, whilst the University reserves the right to continue to use the property for business events. Under the agreement the Vice-Chancellor pays a market rent, reflecting the University's permitted usage. This continued occupation will also be treated as an employee benefit and its value is calculated using the same formula mainly based on the market value of the house, less the value of rent paid by the Vice-Chancellor. In the period from 1 October 2020 to 31 July 2021, the value of the benefit in kind was nil.

Vice-Chancellor Pay Justification

	Professor T Blackman
Annual salary	£270,000
Performance-related pay	Eligible to be considered for discretionary merit award (based on previous year's performance)
Benefits	£36,700 pension allowance. Not in current pension scheme £8,300 Relocation accommodation (Benefit in kind amount) £3,200 Life Assurance Premium £20,000 Relocation costs
Salary benchmark against UCEA¹ data +£400m revenue higher education provider	Lower quartile
Salary benchmark against CUC² data +£400m revenue higher education provider	Lower quartile
Context	Start date October 2019 Not eligible for national cost of living award however eligible for an annual salary review. It is Remuneration Committee's intention to position the Vice-Chancellor closer to the median salary benchmarks over time.

Process for judging performance

Consideration is given to a number of factors in determining the Vice-Chancellor's pay. This includes the following:

- Pro-Chancellor's report – summary of performance against agreed Career Development and Staff Appraisal objectives. Pro-Chancellor seeks feedback from Council and Vice-Chancellor's Executive (VCE) members against delivery of personal objectives and institutional performance.
- Institutional performance report – institutional performance based on key performance indicators and metrics agreed by the Council is the second performance-related factor considered in reviewing the pay of the Vice-Chancellor annually. There are twelve success measures, aligned to the University's five key strategic objectives:
 - a. Student success
 - b. Excellent teaching and research
 - c. Growth and sustainability
 - d. Technology that enables success
 - e. Dynamic and inclusive culture.
- Comparative pay and market data – including pay multiples
Universities need to show that they are benchmarking against appropriate comparators. Given the distinct nature of The Open University, identifying appropriate comparators is not straightforward; the approach taken is to utilise the UCEA data for large institutions as this most accurately reflects the scale, complexity and reach of the Institution. Following further analysis during 2021 appropriate benchmark comparators now include Higher Education institutions whose turnover is £150m more or less than that of The Open University, along with the current benchmarking group (pre-92 institutions with income over £400.0m).

¹ UCEA: Universities and Colleges Employers Association

² CUC: Committee of University Chairs

• External market conditions

The Open University in Milton Keynes operates within a competitive local employment market with fierce competition from local high-quality employers as well as its proximity to the London labour market. In this context, the University's ability to attract and retain talented individuals in professional and commercial roles can prove challenging, but all remuneration packages where the salary is recommended above £100k are scrutinised by the Remuneration Committee to ensure that market data and internal comparators are fully considered before approval is given.

Higher paid employees*

The number of staff with a Full-Time Equivalent basic annual salary of over £100,000 per annum, including the Vice-Chancellor, who received salary in a full year broken down into bands of £5,000, for the Group and the Institution, were:

	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	Number	Number	Number	Number
£100,000 – £104,999	13	7	11	6
£105,000 – £109,999	0	2	0	2
£110,000 – £114,999	6	5	6	5
£115,000 – £119,999	1	0	1	0
£120,000 – £124,999	1	1	1	1
£130,000 – £134,999	0	1	0	1
£135,000 – £139,999	6	3	6	3
£145,000 – £149,999	1	1	1	1
£150,000 – £154,999	0	1	0	1
£165,000 – £169,999	1	0	1	0
£190,000 – £194,999	1	0	1	0
£195,000 – £199,999	1	0	1	0
£200,000 – £204,999	0	1	0	1
£270,000 – £274,999	1	1	1	1
	32	23	30	22

*The Full-Time Equivalent staff numbers above are based on the current OfS disclosure guidance for Full-Time equivalent basic salary for staff employed for the full year.

*The increase in the number of higher paid employees in 2021 is a result of the full year effect of employments which started in 2020, and the impact of cost of living pay rises on salaries which were formerly below the threshold.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the University. This comprises the 13 members of the Vice-Chancellor's Executive (year ended 31 July 2020, 14 members). The total compensation for key management personnel for the year ended 31 July 2021 (including any severance payments and employers' pension contributions) was £2.5 million (year ended 31 July 2020, £2.4 million).

9 Other Operating Expenses

	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
Teaching materials and expenses	11.5	14.5	11.4	14.4
Student recruitment	19.0	20.3	19.0	20.2
Financial assistance, bursaries and prizes	14.1	10.8	14.1	10.8
Grants to Open University Students Association	1.9	1.9	1.9	1.9
Provision for bad debts	(0.2)	0.0	(0.2)	0.0
Total Student-Related Other Operating Expenses	46.3	47.5	46.2	47.3
Staff support and consumables	55.4	54.2	54.8	53.5
Equipment purchase, rental and lease	13.1	12.9	13.1	12.9
Repairs and maintenance	8.0	5.4	8.0	5.4
Academic resources and subscriptions	8.8	7.2	8.8	7.2
Estate utilities and services	5.8	5.0	5.7	5.0
Rent and rates	2.0	2.3	2.0	2.3
Broadcast media production	2.7	3.1	2.7	3.1
Impairment on investment (Note 14)	0.0	0.0	22.0	0.0
Auditors' remuneration – audit fees	0.4	0.2	0.3	0.2
Other expenses	2.4	0.9	12.3	10.8
Total Non-Student-Related Other Operating Expenses	98.6	91.2	129.7	100.4
Total Other Operating Expenses	144.9	138.7	175.9	147.7

Included in the above are audit fees in respect of the University only of £0.3 million (year ended 31 July 2020, £0.2 million) and its subsidiaries of an aggregate of £0.04 million (year ended 31 July 2020, £0.03 million). Fees paid to the auditors for non-audit services totalled less than £0.01 million (year ended 31 July 2020, less than £0.01 million).

The total expenses paid to or on behalf of the members of Council in the year was £nil (year ended 31 July 2020, £0.02 million). This represents travel and subsistence expenses incurred in attending meetings in their official capacity and reflects the UK-wide distribution of the University's activities and distribution of its Council members. In the last year, these meetings have taken place remotely. No payments or other benefits for being a member of Council were paid to, or waived by, Council members. 10 members of staff served on Council; the expenses paid to these staff specifically for serving on Council are included in the figure above. No other supplementary payment was made to these staff in their capacity as members of Council.

Operating lease rentals included above are £1.5 million (year ended 31 July 2020, £1.7 million), comprising £1.3 million property leases (year ended 31 July 2020, £1.4 million) and £0.2 million plant and machinery (year ended 31 July 2020, £0.3 million).

Included within Other Operating Expenses is £28.7 million of restructuring and strategic change. Expenditure on some categories of expenditure continues to be reduced through the impact of the Covid-19 pandemic including repairs and maintenance, certain teaching expenses relating to face-to-face tuition and other expenses.

10 Interest Payable and Other Finance Costs

	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
Finance charge on USS deficit provision (Note 20)	0.8	2.7	0.8	2.6
On loans not wholly repayable within 5 years	0.1	0.3	0.1	0.4
Total Interest Payable and Other Finance Costs	0.9	3.0	0.9	3.0

11 Taxation

	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
Foreign taxes	0.0	0.0	0.0	0.0
Deferred tax	(0.1)	0.1	0.0	0.0
Total Taxation (credit)/charge	(0.1)	0.1	0.0	0.0

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. It is also a charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (charity no. SC038302). Therefore, the University is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 of the Corporation Tax Act 2009 (CTA 2009) and Sections 471, and 478-488 of the CTA 2010 (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)), or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax and VAT incurred is either expensed or capitalised according to the nature of the underlying expenditure.

Tax Reconciliation	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
Surplus before taxation	33.5	46.7	19.6	48.9
Taxation at 19% (2020: 19%)	6.3	8.9	3.7	9.3
Surplus/(Deficit) falling within charitable exemption	(6.3)	(8.9)	(3.7)	(9.3)
Deferred tax movement	(0.1)	0.1	0.0	0.0
Unrelieved overseas taxation	0.0	0.0	0.0	0.0
Tax charge/(credit) for the year	(0.1)	0.1	0.0	0.0

12 Intangible Assets: Consolidated and Institution

	Software £m	Asset under Construction £m	Total £m
Cost and valuation			
At 1 August 2020	0.0	19.9	19.9
Additions	0.9	5.6	6.5
Transfers	15.1	(15.1)	0.0
At 31 July 2021	16.0	10.4	26.4
Accumulated amortisation			
At 1 August 2020	0.0	0.0	0.0
Charge for the year	1.1	0.0	1.1
At 31 July 2021	1.1	0.0	1.1
Net book amount			
At 31 July 2021	14.9	10.4	25.3
At 31 July 2020	0.0	19.9	19.9

Intangible assets represent costs incurred in relation to the Core System Replacement programme, which is delivering finance, people services, payroll and student processes through a cloud-based system.

13 Tangible Assets: Consolidated and Institution

	Land and Buildings £m	Equipment £m	Asset under Construction £m	Total £m
Cost and valuation				
At 1 August 2020	272.3	15.7	0.2	288.2
Additions	0.5	1.7	0.6	2.8
Transfers	0.0	0.1	(0.1)	0.0
At 31 July 2021	272.8	17.5	0.7	291.0
Accumulated depreciation				
At 1 August 2020	37.1	15.4	0.0	52.5
Charge for the year	6.3	0.2	0.0	6.5
At 31 July 2021	43.4	15.6	0.0	59.0
Net book amount				
At 31 July 2021	229.4	1.9	0.7	232.0
At 31 July 2020	235.2	0.3	0.2	235.7

At 31 July 2021 land and buildings included £39.7 million (31 July 2020, £39.7 million) in respect of freehold land which is not depreciated.

The unamortised value of Office for Students capital grants amounted to £37.3 million (31 July 2020, £42.2 million). In the event that the related assets were either to be sold or ceased to be used for the provision of publicly funded higher education, the University would either have to surrender the proceeds to OfS or use them in accordance with the terms and conditions of funding for Higher Education Institutions issued by OfS.

14 Investments

	Consolidated		Institution	
	Year Ended 31 July 2021	Year Ended 31 July 2020	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m	£m	£m
(a) Investments in Subsidiaries				
Open University Student Budget Accounts Limited			1.0	1.0
Open University Worldwide Limited			0.3	0.3
Total ordinary shares in wholly owned subsidiary companies			1.3	1.3
Long-term loans				
Open University Worldwide Limited			0.0	0.2
Total long-term loans			0.0	0.2
Total Investments in Subsidiaries			1.3	1.5
(b) Investment in Joint Venture				
At 1 August 2020	15.8	22.6	30.0	30.0
Impairment of carrying value	0.0	0.0	(22.0)	0.0
Share of deficit of joint venture	(8.2)	(6.8)	0.0	0.0
Investment in Joint Venture at 31 July 2021	7.6	15.8	8.0	30.0
Total Investments	7.6	15.8	9.3	31.5

The University's investments are for its subsidiaries and joint venture.

The University's subsidiaries are: Open University Student Budget Accounts Limited (OUSBA) and Open University Worldwide Limited (OUW).

Open University Student Budget Accounts Limited is registered in England and Wales and was established to provide students with a deferred payment facility. Around 2.7% of tuition fees are funded in this way. The company operates under the Consumer Credit Act.

Open University Worldwide Limited is registered in England and Wales and is engaged in the commercial exploitation of the University's intellectual property assets through collaboration with partners overseas or direct sales of course materials. The company is also engaged in other trading activities and is partly financed by a long-term loan that carries interest at a fixed rate of 10% per annum.

The carrying value of the investments is supported by the subsidiaries' net assets.

On 29 April 2019, The Open University signed a deal with SEEK Ltd resulting in joint ownership of FutureLearn Limited, the University's previously wholly owned subsidiary. Following the deal, the University's investment in FutureLearn Limited has been accounted for as a joint venture. In the University's financial statements, this is shown at cost less impairment and in the consolidated financial statements this is accounted for using the equity method.

FutureLearn Limited, which is registered in England and Wales, provides a multi-institutional platform for short courses, microcredentials and online degrees on behalf of a number of leading international universities, including The Open University. The Open University's partnership with SEEK will take our mission to make education open for all into new parts of the world.

Based on management consideration of the carrying value of FutureLearn on the University's balance sheet we have reduced the valuation on a cautious basis to reflect the University's share of the underlying net asset value. The basis of this estimate is set out on page 67.

The Group financial statements include the University's share of the net assets of FutureLearn Limited.

15 Trade and Other Receivables

	Consolidated		Institution	
	As at 31 July 2021	As at 31 July 2020	As at 31 July 2021	As at 31 July 2020
	£m	£m	£m	£m
Amounts falling due within one year				
Student Loans Company	11.2	12.4	11.2	12.4
Students' loan accounts with Open University Student Budget Accounts Limited	6.2	5.9	0.0	0.0
Fee debtors	5.4	6.7	5.4	6.7
Amounts due from subsidiaries	0.0	0.0	1.1	0.8
Amounts due from joint venture	0.1	0.0	0.1	0.0
Other debtors and accrued income	13.7	11.4	12.1	9.8
Prepayments	13.3	10.2	13.1	10.1
Total due within one year	49.9	46.6	43.0	39.8
Amounts falling due after one year				
Amounts due from subsidiaries	0.0	0.0	5.9	8.1
Other debtors	0.1	0.1	0.1	0.1
Total falling due after one year	0.1	0.1	6.0	8.2

The Student Loans Company debtor reflects tuition fee income due to the University for students who have studied during 2020/21. During 2019/20 operational challenges in attending students as a result of the Covid-19 pandemic led to a higher debtor balance in that year.

16 Gilts, Equities and Term Deposits: Consolidated and Institution

	As at 31 July 2021	As at 31 July 2020
	£m	£m
Equity-based funds	198.5	119.0
UK gilt-edged stock	8.8	8.9
Fixed-term deposits maturing in one year or less	15.0	40.0
Total Gilts, Equities and Term Deposits	222.3	167.9

The market value of the equity-based investments at 31 July 2021 was £198.5 million (31 July 2020, £119.0 million), an increase of £79.5 million. This increase represents additional investment of £50.0 million, an increase in book cost of £0.9 million as a result of dividends received and £28.6 million net increase in fair value determined with reference to the quoted market price at 31 July 2021. The increase in value from reinvested dividends and market valuation is included in the income and expenditure account, and shown in Note 6.

The University holds tradeable Treasury gilts to maturity with a redemption date of less than five years. During the financial year, no gilt holdings matured. At 31 July 2021, the weighted average redemption yield was 0.61% (year ended 31 July 2020, 0.61%) and the weighted average period to maturity was 38 days (year ended 31 July 2020, 403 days).

Fixed-term deposits with more than three months to maturity at inception are held with banks and building societies operating in the London market and licensed by the Prudential Regulation Authority. The interest rates for these deposits are fixed for the duration of the deposit at time of placement. At 31 July 2021, the weighted average interest rate of these fixed-rate deposits was 0.40% per annum (31 July 2020, 0.45% per annum) and the remaining weighted average period for which the interest rate is fixed on these deposits was 95 days (31 July 2020, 95 days). The fair value of these deposits and gilts is not materially different from the book value.

Fixed-term deposits of three months or less to maturity at inception are recognised as 'Cash or Cash Equivalents' on the balance sheet.

The deposits shown in this Note exclude accrued interest, which is included in accrued income in Note 15.

17 Creditors: amounts falling due within one year

	Consolidated		Institution	
	As at 31 July 2021	As at 31 July 2020	As at 31 July 2021	As at 31 July 2020
	£m	£m	£m	£m
Student fee income in advance	33.9	22.7	33.9	22.7
Student fee income deferred	34.5	26.1	34.5	25.7
Grants and other contracts in advance	12.0	8.3	12.0	8.3
Trade creditors	13.1	2.1	13.1	2.1
Other creditors and accruals	52.5	39.1	51.5	39.5
Amounts due to subsidiaries and joint venture	0.0	0.0	1.4	1.6
Total amounts falling due within one year	146.0	98.3	146.4	99.9

Student fee income deferred refers to tuition fees for curriculum modules partially completed at 31 July.

A provision for fee debts of £0.6 million (31 July 2020, £0.6 million) in respect of student loans in the financial statements of Open University Student Budget Accounts Limited is included in other creditors and accruals in the University's balance sheet, as the University bears the ultimate liability for the company's bad debts. Debtors in the consolidated balance sheet are shown net of the provision for bad debts.

Amounts due to subsidiaries includes surplus funds lent by Open University Worldwide Limited to the University under the terms of the loan agreements referred to in Note 15.

There are no material creditors denominated in currencies other than sterling.

18 Creditors: amounts falling due after more than one year: Consolidated and Institution

	As at 31 July 2021	As at 31 July 2020
	£m	£m
Long-term loans	60.0	60.0
Salix revolving green fund	0.5	0.5
Total amounts falling due after more than one year	60.5	60.5

The Group has one long-term loan facility: A bank loan to the University of £60.0 million (31 July 2020, £60.0 million). This loan is secured on a part of the University's Walton Hall campus, denominated in sterling and repayable in October 2033. The interest margin of 0.2% over the London Inter-Bank Offered Rate is fixed over the life of the loan. At 31 July 2021, the interest rate on this loan was 0.25% per annum.

The Salix revolving green fund is an Office for Students-backed fund to encourage investment in energy-saving projects in the higher education sector. Funds will be repaid to Salix at the point when there are no more suitable eligible projects in which to invest.

19 Financial Instruments

	Note	Consolidated		Institution	
		As at 31 July 2021	As at 31 July 2020	As at 31 July 2021	As at 31 July 2020
		£m	£m	£m	£m
Financial Assets					
Financial Assets at fair value through Statement of Comprehensive Income					
Gilts, equities and term deposits	16	222.3	167.9	222.3	167.9
Financial Assets measured at cost less impairment					
Investments in subsidiaries	14	0.0	0.0	1.3	1.5
Financial Assets measured at undiscounted amount receivable					
Cash and cash equivalents		205.0	179.1	197.4	170.6
Long-term loans receivable	15	0.1	0.1	6.0	8.2
Trade and other receivables	15	36.5	36.4	29.8	29.7
Financial Liabilities					
Financial Liabilities measured at undiscounted amount payable					
Loan and Salix revolving green fund	18	60.5	60.5	60.5	60.5
Trade and other creditors	17	58.8	34.6	58.9	36.8

The carrying values of the Group's and University's financial assets and liabilities are summarised by category above.

20 Provisions for Liabilities

	Obligation to fund USS deficit	Restructuring	Total
	£m	£m	£m
Consolidated			
At 1 August 2020	107.0	4.2	111.2
Increase in provision	3.1	0.0	3.1
Unwind of finance charge	0.8	0.0	0.8
Utilised in year	(4.9)	(3.1)	(8.0)
Release of provision	0.0	(0.3)	(0.3)
At 31 July 2021	106.0	0.8	106.8
Institution			
At 1 August 2020	105.6	4.2	109.8
Increase in provision	2.8	0.0	2.8
Unwind of finance charge	0.8	0.0	0.8
Utilised in year	(4.8)	(3.1)	(7.9)
Release of provision	0.0	(0.3)	(0.3)
At 31 July 2021	104.4	0.8	105.2

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with USS to meet deficit payments in accordance with the deficit recovery plan. The provision has been calculated by estimating future employer pension payments and applying the deficit recovery contributions outlined in the USS deficit recovery plan published in September 2019. The weighted average discount factor that has been applied over the remainder of the deficit recovery plan is 0.87% (31 July 2020, 0.73%).

The restructuring provision relates to the employee-led voluntary severance scheme. The closing balance of £0.8 million represents the expected amount to be fully utilised by 31 July 2022 as noted in the 2019/20 published financial statements.

21 Endowment Funds: Consolidated and Institution

	Restricted Permanent	Restricted Expendable	2021 Total	2020 Total
	£m	£m	£m	£m
At 1 August				
Capital	0.1	2.3	2.4	2.3
Accumulated income	0.0	(0.5)	(0.5)	(0.3)
Total balance at 1 August 2020	0.1	1.8	1.9	2.0
Additions	0.0	0.2	0.2	0.1
Expenditure	0.0	(0.2)	(0.2)	(0.2)
	0.0	0.0	0.0	(0.1)
At 31 July	0.1	1.8	1.9	1.9
Balance at 31 July represented by:				
Capital	0.1	2.5	2.6	2.4
Accumulated income	0.0	(0.7)	(0.7)	(0.5)
Total	0.1	1.8	1.9	1.9

22 Reconciliation of Cash Flow to Statement of Financial Position: Consolidated

	At 1 August 2020	Cash Flows	Non-cash Movements	At 31 July 2021
	£m	£m	£m	£m
Cash at bank and in hand	179.1	26.3	(0.4)	205.0
Gilts, fixed-term deposits and equities	167.9	25.0	29.4	222.3
Loans	(60.5)	0.0	0.0	(60.5)
Total	286.5	51.3	29.0	366.8

Non-cash movements comprise the increase in value of equity investments of £29.6 million (Note 6), offset by the adjustment for the amortisation of gilt holdings of £0.2 million.

23 Access and Participation

This note is in response to the Office of Students Accounts Direction and sets out expenditure on activities that support the ambitions as set out in our 2020/21 to 2024/25 Access and Participation Plan for England approved by the Office for Students. Further information is on page 18 and this document is available at <https://www.open.ac.uk/about/wideningparticipation/>.

We are required to disclose expenditure on access activities; financial support provided to under-represented and disadvantaged groups of students; support for disabled students including the disabled students' premium; and the expenditure on research and evaluation related to access and participation activities in the financial year.

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m
Access investment	1.2	12.0
Financial support provided to under-represented and disadvantaged students	5.6	2.9
Support for disabled students in the financial year	2.5	2.5
Research and evaluation related to access and participation activities	0.6	0.2
Total Access and Participation Expenditure	9.9	17.6

£1.7 million of these costs are included in the overall staff costs figures included in the financial statements within Note 8.

As a four-nation University, certain of this expenditure is an attribution based on an estimate of England expenditure which is pro-rated by the numbers of England students meeting the criteria of widening participation as a percentage of total England students. For 2020/21, this is 58% (year ended 31 July 2020, 58%).

The 2020/21 Access and Participation Plan forecasted expenditure of £4.7 million but did not include expenditure on disabled students support, student hardship arising from the Covid-19 pandemic (one-off OfS funding announced in December 2020) and other scholarship and study cost financial support schemes funded from other sources. Alongside additional expenditure on Access activity and Research and Evaluation, this has the impact of increasing reported expenditure on Access and Participation by £5.2 million above the basis used for the plan. The reduced expenditure reported for Access for 2020/21 reflects the discussions with the Office for Students in developing the 2020/21 – 2024/25 plan to include only specific outreach/marketing activity for under-represented and disadvantaged students in the new plan rather than broader Widening Participation activities that had been reflected in previous plans.

24 Lease Obligations

During the year ended 31 July 2021, the Group recognised £1.5 million (year ended 31 July 2020, £1.7 million) in respect of operating leases on lease payments made during the year.

The Group has obligations for total lease payments due to end of lease under non-cancellable operating leases as follows:

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£m	£m
Payable during the year	1.5	1.7
Future minimum lease payments due:		
Not later than one year	1.3	1.3
Later than one year and not later than five years	5.1	4.6
Later than five years	1.2	2.0
Total lease payments due	7.6	7.9

25 Related Party Transactions

Due to the nature of the University's operations and the composition of the Council (being drawn from both public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions in which a member of Council may have an interest are conducted at arm's length, in accordance with the University's financial regulations and normal procurement procedures, and are not material to either party.

The Standing Orders of the University's Council specify that the President and one other member of the Open University Student's Association (OUSA) shall serve on Council. OUSA is a charity independent from the University that supports the University's students. The University provides funding to OUSA, which is shown in Note 9.

No other material transactions have taken place.

During the year, the Group entered into transactions in the ordinary course of business with other related parties. Transactions entered into and balances outstanding at 31 July 2021 are as follows:

	<u>Income from related party</u>	<u>Expenditure to related party</u>	<u>Balance due from related party</u>	<u>Balance due to related party</u>
	£m	£m	£m	£m
FutureLearn Limited	1.0	0.3	0.1	0.0
Total	1.0	0.3	0.1	0.0

The Institution has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other Group entities where it holds 100% of the voting rights.

26 Pension Schemes

The Universities Superannuation Scheme (USS) is the main scheme covering most of the University's staff and provides benefits based on final pensionable salary. The USS is a multi-employer-defined benefit scheme which is contracted out of the State Second Pension (S2P). A small number of employees are members of defined contribution schemes.

Defined contribution schemes

A small number of employees are members of the Federated Superannuation System for Universities (FSSU), which is administered by trustees and has assets independent of the University. A small number of employees in the Republic of Ireland are members of The Open University Retirement Solution Plan. It is established under irrevocable trusts, of which the University is a co-trustee.

Following the implementation of the auto-enrolment pension scheme, a small number of employees are members of the National Employment Savings Trust (NEST).

The total pension cost for all these defined contribution schemes was £0.02 million (year ended 31 July 2020, £0.03 million).

Defined benefit scheme

The University participates in the externally managed USS, a defined benefit scheme with a defined contribution element for earnings above a salary threshold (£58,589 in 2020/21). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The trustee's role is to set risk and return parameters that reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust higher education sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and boost the level of confidence in maintaining sufficient investment returns from the funds as a whole.

The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the expenditure account represents the contributions payable to the scheme in respect of the accounting period, along with the adjustment for the provision for the scheme deficit as discussed below.

The total pension cost for the University was £48.7 million (year ended 31 July 2020, £(17.0) million). This includes £4.3 million outstanding contributions as at 31 July 2021 (year ended 31 July 2020, £3.7 million). The total pension cost for year ended 31 July 2021 is after a £2.0 million adjustment related to the USS deficit provision.

USS actuarial valuation

The latest available complete actuarial valuation that is included in the Statement of Financial Position is as at 31 March 2018, which was carried out using the projected unit method. This is the fifth valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The value of the assets of the scheme as at 31 March 2018 (the valuation date) was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion, indicating a deficit of £3.6 billion and a funding level of 95%.

The Open University's share of the deficit has been modelled based on additional contribution rates along with an estimate of future staff costs, and a discount factor based on high-quality corporate bonds. The discount factor used to calculate the provision at 31 July 2021 was 0.87% (31 July 2020, 0.73%), and the total provision at 31 July 2021 was £106.0 million (31 July 2020, £107.0 million). The provision for the deficit is shown in Note 20.

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The key financial assumptions used in the 2018 valuation are described below:

Valuation rate of interest (discount rate)	Years 1-10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%
Pension increases	Term-dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Life expectancy at age 65 (currently aged 65)	Male: 24.4 years (2017 valuation 24.6 years) Female: 25.9 years (2017 valuation 26.1 years)
Life expectancy at age 65 (currently aged 45)	Male: 26.3 years (2017 valuation 26.6 years) Female: 27.7 years (2017 valuation 27.9 years)

Employer and employee contributions

As part of the 2018 valuation, the trustees determined, after consultation with employers, a revision to the existing recovery plan to pay off the revised shortfall by 31 March 2028; the previous (2017 valuation) recovery plan was for recovery by 30 June 2034. The changes required to fund both the deficit and ongoing future costs are collected through increased employer and employee contributions. The 2020 triennial review was completed on 1 October 2021, after the balance sheet date but before these financial statements were signed. This gives rise to a non-adjusting post-balance sheet disclosure which is explained below. Prior to the completion of the triennial review, the planned increase in contributions that were for October 2021 were amended as follows:

Period	Employers	Employees
To 30 September 2019	19.5%	8.8%
1 October 2019 to 30 September 2021	21.1%	9.6%
1 October 2021 onwards	23.7%	11.0%
1 October 2021 onwards (revised)	21.4%	9.8%

2020 USS actuarial valuation (not included in the Financial Statements)

The 2020 triennial review of the USS pension scheme was completed on 1 October 2021. This reported the scheme as at 31 March 2020. This showed assets of £66.5 billion, technical provisions of £80.6 billion and a scheme deficit of £14.1 billion. The technical provisions were based on scheme benefits being amended as well as changes to employer covenant support to the scheme. The changes to benefits are subject to formal consultation, which had not been completed before the financial statements were signed and therefore the valuation included an assessment of the technical provisions that would result should the scheme benefits not change. In this scenario, the technical provisions were £84.9 billion and the scheme deficit £18.4 billion.

The provision required to fund the deficit following the 2020 review has been modelled based on the scheme benefit changes being agreed. The provision at 31 July 2021 would have been affected as follows:

Status	New total provision	Change
Scheme benefit changes approved	£300.6 million	Increase of £194.6 million

The consultation is expected to be completed and the changes to benefits and contribution rates confirmed in 2022. The outcomes will be reported in the next set of financial statements. Any change in the provision will be reflected in the Statement of Comprehensive Income.

GLOSSARY

Acronyms used in the Financial Statements

APP	Access and Participation Plan
BAME	Black, Asian and Minority Ethnic
BUFDG	British Universities Finance Directors Group
CPI	Consumer Price Index
CUC	Committee of University Chairs
DfE	Department for the Economy (Northern Ireland)
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EDI	Equality, Diversity and Inclusion
FRS	Financial Reporting Standard
FSSU	Federated Superannuation System of Universities
FTE	Full-Time Equivalent
OfS	Office for Students
HEFCW	Higher Education Funding Council for Wales
HEI	Higher Education Institution
HMRC	Her Majesty's Revenue and Customs
IMD	Index of Multiple Deprivation
MSCHE	Middle States Commission on Higher Education
NEST	National Employment Savings Trust
OURSP	Open University Retirement Solution Plan
OUSA	Open University Students Association
OUSBA	Open University Student Budget Accounts Limited
OUW	Open University Worldwide Limited
POLAR	Participation of Local Areas
PSRB	Professional, Statutory and Regulatory Bodies
QAA	Quality Assurance Agency
QER	Quality Enhancement Review
QR	Quality-related Research
REC	Race Equality Charter
REDEFINE	Refugee Emergency: Defining and Implementing Novel Evidence-based psychological interventions
REF	Research Excellence Framework
SAAS	Student Awards Agency Scotland
SFC	Scottish Funding Council
SLC	Student Loans Company
SMILE	Solar wind Magnetosphere Ionosphere Link Explorer
SORP	Statement of Recommended Practice
SPRC	Strategic Planning and Resources Committee
UCEA	Universities and Colleges Employers Association
UCU	University and College Union
UKRPIF	UK Research Partnership Investment Fund
USS	Universities Superannuation Scheme

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