

# Financial Statements

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For the year ended 31 July 2015



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	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>Results, cash flows, assets and reserves</b>		
Funding body grants	134.3	149.0
Tuition fees and education contracts	241.0	213.1
Research grants and contracts	16.6	15.5
Other income	24.5	23.4
Endowment and investment income *	5.2	3.2
<b>Total income *</b>	<b>421.6</b>	404.2
<b>Total expenditure</b>	<b>428.8</b>	421.1
<b>Deficit for the year before taxation *</b>	<b>(7.2)</b>	(16.9)
* Excluding unrealised investment gains of £6.3m		
Net cash flow from operating activities	(18.7)	62.9
Net returns on investment and servicing of finance	2.6	5.4
<b>Net cash flow before investment activities and tax</b>	<b>(16.1)</b>	68.3
Fixed assets	136.3	145.7
Endowment assets	0.6	0.5
Net current assets	238.8	243.5
<b>Total assets less current liabilities</b>	<b>375.7</b>	389.7
<b>Total reserves</b>	<b>247.2</b>	254.7
<b>Other key statistics</b>		
Number of full-time equivalent students	68,378	73,528
Total number of students	173,889	187,338
Percentage of UK undergraduate students receiving at least some financial support for their tuition fees	59	56
Percentage of students satisfied with the quality of their course (taken from the respondents to the National Student Survey)	90	91
FutureLearn total course registrations	2,868,515	721,137
FutureLearn total OU course registrations	284,271	103,341

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The Open University has spent the last 46 years inspiring learning and creating higher educational opportunities with no barrier to entry. It has demonstrated excellence in research and teaching and confirmed its enormous reach through its use of open educational resources.

The austerity programmes of Western governments continue; on top of this the way in which universities in England are funded has changed significantly, requiring the University to increase expenditure on new systems and change programmes and which has resulted in small deficits in the last two years after several years of above target surpluses. However, the business model of The Open University remains very relevant to those who have a thirst for knowledge or are in mid-career and need to change direction. If the UK is to prosper in a competitive globalised economy it has to raise its game as a knowledge economy, or face declining relative standards of living. The Open University, which provides excellent cost effective higher education, will be an important contributor to this transformation and has maintained its strong financial position in this period of uncertainty. The University has performed well in difficult circumstances but the funding environment is expected to get even more challenging and so it will need to adapt further.

### Key achievements in the year included:

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#### Supporting our students

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##### We have supported student tuition fees

59% of our UK undergraduate students (as measured by full-time equivalent) received full or partial support for fees, either through The Open University or from UK government sources, including the Student Loans Company for eligible students in England and Wales.

##### We achieve excellent rankings in the National Students Survey

The Open University is one of only three Universities to score 90% or above in terms of overall satisfaction in every survey since 2007. In 2015 it was the top HEI in Wales and Scotland and second in Northern Ireland.

#### Extending our reach

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##### We are providing Massive Open Online Courses

Since its platform opened in September 2013, The Open University's subsidiary company, FutureLearn Limited, has received over three million course registrations from learners across the world to its free Massive Open Online Courses (MOOCs) from leading international universities and specialist education providers.

##### Our educational materials are open to all

The total visits to the University's open educational resource website, OpenLearn, launched in October 2006, reached 38.4 million.

##### We are using multiple media channels

The total downloads from The Open University iTunes U service that was launched in June 2008, reached 69.6 million. In addition, the total number of video views of Open University content on You Tube reached 29.3 million.

##### We commission television and radio programmes

There are more than 150 million views of OU commissioned television programmes every year, including Dementiaville, The Met: Policing London, The Secret Life of Books, and Life Story.

##### We have a global footprint

We work in partnership with international development agencies to deliver life-changing educational programmes across the world.

#### Impactful and open research

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##### We produce world-leading research

The 2014 Research Excellence Framework (REF) rated 72% of the University's research in the 'world leading' or 'internationally excellent' categories. The REF submission involved 18 units of assessment, more than 400 academic and research staff and 58 impact case studies.

##### We share our research

In 2014/15, 790 research reports were published on an open access basis.

## Scope of the Financial Statements

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The financial statements comprise the consolidated results of the University and its trading subsidiary undertakings, together the 'Group'. The subsidiaries are: Open University Student Budget Accounts Limited (OUSBA), Open University Worldwide Limited (OUW), and FutureLearn Limited. The subsidiaries donate the bulk of their taxable profits to the University.

OUSBA provides credit facilities to students to enable them to pay fees due to the University. OUW undertakes activities that, for legal and commercial reasons, are most appropriately channelled through a limited liability company: these relate mainly to the commercial exploitation of the University's course materials and its rights therein throughout the world. FutureLearn Limited was established in December 2012 to develop and operate a platform to host 'Massive Open Online Courses' (MOOCs) for leading universities both in the UK, including The Open University, and overseas.

## Constitution, Governance and Regulation

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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 on pages 32 to 41, and the members of the University Council during the year ended 31 July 2015, who are the charity trustees, are listed on page 33.

The Higher Education Funding Council for England (HEFCE) is the principal regulator of those higher education institutions (HEIs) in England that are exempt charities, including The Open University, on behalf of the Charity Commission. As a charity registered in Scotland, the University is registered with the Office of the Scottish Charity Regulator under number SC038302.

The University is regulated principally by HEFCE under a Memorandum of Assurance and Accountability, which defines the conditions under which the University receives public funds. The University complies with this Memorandum and with the conditions of grant set out in funding agreements with the relevant grantor.

The University's principal advisors are listed on page 79.

## Formal governance structure

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

**Council** The University's main governing body is the Council, supported by a number of sub-committees. 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. Further information appears in the Corporate Governance Statement on page 32.

**Senate** 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.



## Mission

### The Open University is open as to

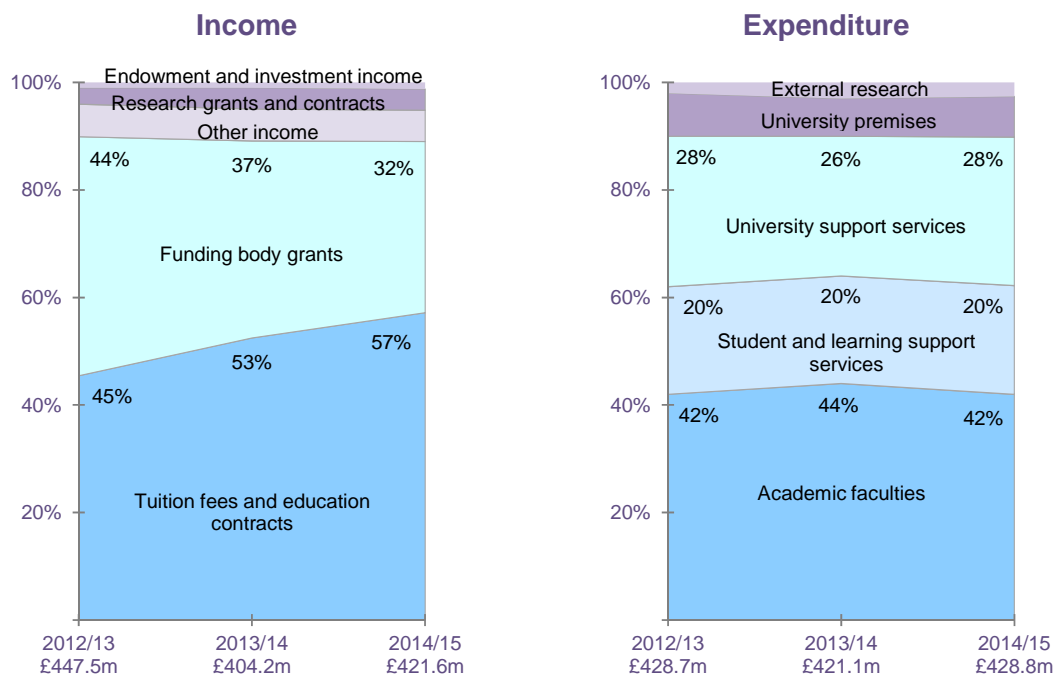
- People** Making university study available to a large and diverse body of students and providing learning opportunities that meet individuals' lifelong needs.
- Places** Providing learning opportunities in the home, workplace and community throughout the United Kingdom and selectively elsewhere, and serving an increasingly mobile population.
- Methods** Using and developing the most effective media and technologies for learning, teaching and assessment, whilst attaching central importance to the personal academic support given to students, and working collaboratively with others to extend and enrich lifelong learning.
- Ideas** Developing a vibrant academic community that reflects and supports the diversity of intellectual interests of all students and staff and that is dedicated to the advancement and sharing of knowledge through research and scholarship.

## The Open University Business Model

The Open University is a charity, regulated by HEFCE. As a charity, it does not have any shareholders and all of its surpluses are reinvested to further the charitable aims outlined in the section on public benefit and sources of funding on pages 10 to 14.

Both the income and the expenditure can be split into five main categories. The proportional split of sources of income has changed over the last few years, as described on pages 13 to 14, whereas the proportional split of expenditure has remained relatively stable. The following chart shows the proportional splits over the last three years; further information on income and expenditure can be found on pages 10 to 14 and 55 to 61.

### Proportional split of income and expenditure from 2012/13 to 2014/15



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## Strategic Objectives and Priorities

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The University's strategic intent for 2012-2017 is to:

### **Secure the mission and thrive as a University by delivering a step-change in how effectively we help students achieve their study goals**

The Strategic Plan was originally approved by Council in 2012 and has since been refreshed annually. The most significant change to the plan at the most recent update was Council's decision to extend the plan through to the end of 2016/17. The extension reflects the continuing relevance of the plan and its central strategic intent.

The strategic intent is being delivered by seven strategic priorities within two overarching themes, shown below and on the next page. Within this overarching institutional strategy the University also has defined strategies for the OU in Scotland, the OU in Ireland, and the OU in Wales, which includes a Welsh language version.

### **Delivering an outstanding student experience**

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#### **Market leading enquirer experience**

**What we want to achieve** To develop a market-leading enquirer experience that gets potential students efficiently and effectively onto the right course for them.

**The improvement we are seeking** Prospective students from the UK will be able to interact with us easily and seamlessly, using the devices and channels of their choice, and in ways that make sense to them. They will benefit from clear, informed and targeted support that leads them towards the right study choices for them through a process that moves as fast as they want to travel.

#### **Excellent study experience**

**What we want to achieve** A study experience that maximises student success whilst maintaining academic standards.

**The improvement we are seeking** Increased student satisfaction; improved rate of student retention from year one to year two; improved rate of degree completion within seven years amongst those progressing to year two; extended opportunities for success to those from disadvantaged backgrounds; and, increased employability of Open University students.

#### **Moving from informal to formal learning**

**What we want to achieve** World leadership in delivering journeys from informal to formal learning through open media.

**The improvement we are seeking** Our brand and reputation for openness will be known and respected by millions more people. The student experience will be enriched by increasing the amounts of Open Media (including the BBC archive) available in modules, enhancing the unique and rewarding features of studying with the OU. We will increase opportunities to generate additional income from new student enquiries, exploitation of media content sales, and new grants and gifts.



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## Strategic Objectives and Priorities (continued)

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### Enhancing the capabilities of the University

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#### Focused research and scholarship

**What we want to achieve** Research and scholarship that is externally recognised for excellence and impact.

**The improvement we are seeking** Sustainable improvements in the quality and impact of research and scholarship. We will demonstrate both peaks of excellence and universally high quality, in an improved environment for research and scholarship; we will be able to give evidence of major contributions to knowledge and of the application of our research and scholarship; we will attract and retain the best academics and offer students high standards of research and scholarship; our improved academic professional development activities will be aligned with external frameworks; we will focus investment on defined areas and attract the funding we need from diverse sources.

#### People and culture to deliver high performance

**What we want to achieve** People and culture that enable us to deliver high performance and respond flexibly and effectively to changes in our marketplace.

**The improvement we are seeking** Staff will have a clear understanding of the strategic direction of the Institution and their role in contributing to its success; they will have confidence in their managers and leaders, and in their own ability to meet rapidly changing circumstances; there will be a more positive solutions-focussed culture which continues to be passionate about supporting the mission but is even more outwardly orientated and focussed on delivering excellent service and outcomes for our students and customers.

#### Robust and flexible systems

**What we want to achieve** Flexible integrated and robust systems that support the University and its students.

**The improvement we are seeking** Increased business agility and speed of change through flexibility in systems allowing change to be affected directly by business units; increased business efficiency through improved functionality and user interfaces; reduced risk and improved sustainability by bringing underpinning technologies up to date.

#### Financially sustainable

**What we want to achieve** Enhanced financial sustainability through control of costs and greater diversification of net income.

**The improvement we are seeking** Strengthened reserves and liquidity; reduced University costs, increased contribution from non-core teaching net income (including business to business, international and development); and, income and costs managed appropriately and flexibly to provide value for money for tuition fees.

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## Risk and Risk Management

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The Open University is committed to the management of risk in order to achieve its strategic and operational objectives. It has identified four principal risks and one opportunity that may affect its ability to deliver its strategic priorities.

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### Risk of a significant decline in core UK market income

**Risk** A failure to implement an appropriate strategic response to the higher education funding environment (discussed on pages 11 to 14) along with increased competition from other providers, insufficient demand for The Open University offer and the enquirer experience not meeting expectations, will impact on the University's ability to sustain its breadth of mission and reach all of the UK markets. As a result, financial viability could be threatened.

**Mitigation** The University is seeking to influence governments in each of the nations of the UK, and will ensure it maintains a sustainable pricing strategy. It will promote the value of study, deliver an outstanding enquirer experience and target new students in priority segments including widening participation. Costs will be reduced in order to maintain financial sustainability whilst retaining the ability to acquire and effectively support students.

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### Risk of failure to plan, forecast & report student numbers accurately

**Risk** The failure to predict student behaviour or demand in response to market conditions and the failure to base expectations on adequate analysis of available data, could lead to divergence from student number plans with financial and operational consequences and loss of reputation. Business plans that depend on student numbers may become unrealistic.

**Mitigation** Student recruitment and retention data is reported with agreed thresholds and follow-up actions, and a student-based predictive model will be developed for forecasting. Agreed strategic and high level inputs will inform student number planning, and marketing objectives will be driven by priorities that are defined by appropriate data and information.

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### Risk of an inability to support students to achieve their study goals

**Risk** The lack of a coherent high quality, personal and targeted student experience, along with a curriculum that does not meet the needs of students could lead to a failure to meet national governments' policy requirements, and an inability to fulfil the mission. This in turn would lead to loss in reputation and of competitive advantage.

**Mitigation** The University is working to enhance the student experience and the model of student support, and ensure the curriculum remains relevant in a changing market. A widening access and success strategy which reflects all four UK nations will be implemented, along with a new framework for delivery of qualifications. Academic engagement with students will be enhanced, to ensure communication is personal and pro-active.

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## Risk and Risk Management (continued)

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### Risk of staff not engaged with strategic objectives

**Risk** An ineffective communication of strategic intent and lack of accountability, along with inability to identify skills needs, and staff perceiving their strengths and differences are not valued will lead to the success of major initiatives being threatened and failure to utilise all human resources.

**Mitigation** The University will build a high performance outcome based culture and develop future leadership, professional and academic capability. An engagement programme for staff will be developed and a strong student and customer focussed culture will be built. The University is promoting valued ways of working and improve staff commitment and engagement through diversity.

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### Opportunity to generate sustainable new streams of net income

**Opportunity** The University will seek to use its quality, scale and reach to diversify activities and revenue streams to generate new sources of net income. This will improve financial viability, enhance the ability to deliver the mission and enhance the University's reputation.

**Response** The University is developing innovative and versatile value propositions for business and government and will implement the international growth strategy. Philanthropic income is being secured and sustainable international development programmes are being developed.

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## Public Benefit and Sources of Funding

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The charitable aims of The Open University are set out in its Royal Charter: "...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". This falls within the Charities Act 2011 charitable purpose of the advancement of education and the University's Council has taken into account the Charity Commission's guidance on the reporting of public benefit. The charitable aims are expanded in the mission statement on page 5.

The University operates throughout the United Kingdom and has students from over 100 countries globally. The main beneficiaries are its undergraduate and postgraduate students and the recipients of its research, much of which is freely available to the general public. The benefits can be summarised in two strands:

**Learning** The University registered 173,889 students in 2014/15 and ranks highly in student satisfaction. A significant amount of learning material is made freely available through the internet using websites such as The Open University iTunes U service, 'YouTube', and the University's 'OpenLearn' resource, as well as through FutureLearn Limited.

**Research** The results of the vast majority of the research carried out by the University are published in the public domain and are freely available to all through Open Research Online – the University's Open Access repository of research publications and other research outputs. In 2014/15 790 research outputs were published.

The University is a fee charging charity. However, unlike other universities, all students study part-time and prior to 2012/13 the tuition fees were not subject to statutory regulation. Students who commenced their course of study before 2012/13 are only liable for the fees set on the basis of the fee regime then pertaining, which is typically £4,900 to complete an undergraduate degree at 2014/15 fee rates. Students in England who commenced their study after 2012/13 are liable for tuition fees of £5,264 per full-time equivalent, equating to £15,792 for an undergraduate degree, whilst students in Scotland, Wales and Northern Ireland are liable for tuition fees at the old, lower rates. Each UK nation has different arrangements in place for the provision of financial support to students, although there are some sources of assistance that are available across the UK:

**Disabled Students Allowance** These are available to UK residents to assist with the extra study costs associated with the disability, and can help to pay for specialist equipment and software, a study support helper, additional travel costs and other extra costs. As well as this government-funded financial support, the University also provides additional services for students with disabilities, long-term health conditions, mental health difficulty or specific learning difficulty.

**Access modules** Access modules are an ideal starting point to develop study skills and build confidence prior to embarking on an undergraduate qualification. Students across the UK may be eligible to study an access module for free if their household income is less than £25,000.

**Deferred payment of tuition fees** 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. Students from all four UK nations are eligible to apply for an account and around 7% of all students, or 23% of those paying their own fees, take advantage of this facility, including some students not eligible for loans from the Student Loans Company (SLC).

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## Public Benefit and Sources of Funding (continued)

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The sources of teaching funding and the financial support available to students in each UK nation are summarised in the table below.

### University's Sources of Funding

### Financial Support for Students

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#### England

In England, the balance between grant funding to universities and fees charged to students entering higher education changed in 2012/13 from being directed largely towards the former to largely the latter. Students studying at an intensity of at least 25% of the full-time equivalent, and who have not studied at an equivalent or higher level before, are eligible for a loan from the SLC to meet the cost of their fees. In 2014/15 approximately 36% of undergraduate full-time equivalent students (FTEs) in England were funded by the SLC under the new regime.

Student loans are available only to those studying at a level higher than they already have, and are repayable in instalments only when earning over the income threshold – currently £21,000. Financial support for study-related costs is available to those earning less than £25,000 or those on benefits.

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#### Scotland

In Scotland, higher education remains free for full-time students from Scotland and other European Union countries outside the UK. The cost of teaching part-time students is met largely by the direct teaching grant to universities for part-time students, but also through fees payable either by students or their employers to the extent that fees cannot be funded by the newly increased grants to individuals.

Many students benefit from the Part-Time Fee Grant to help towards the cost of their tuition fees. If personal income is £25,000 or less, or on certain benefits, students could qualify for this grant to cover 100% of course tuition fees.

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#### Wales

In Wales, up to 2013/14, funding was largely by grant; with effect from 2014/15, tuition fees were funded by a mixture of grant and student loans from the SLC. Students studying at an intensity of at least 25% of the full-time equivalent and who have not studied at an equivalent or higher level before, are eligible for a loan from the SLC. Approximately 28% of the Open University's undergraduate full-time equivalent students (FTEs) in Wales were funded by the SLC in 2014/15.

Student loans are available only to those studying at a level higher than they already have, and are repayable in instalments only when earning over the income threshold – currently £21,000. Students may also be eligible for a course grant between £50 and £1,155 if household income is up to £28,180. A Course Grant can help pay for course-related costs such as a laptop, internet access or travel to tutorials.

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#### Northern Ireland

In Northern Ireland there is currently no provision for loans for part-time students, although a consultation on the possibility of introducing loans in the future in Northern Ireland has recently been undertaken.

Many students benefit from a means-tested fee grant of up to £1,230 to help towards the cost of their tuition fees. Course grants for other study-related costs are also available.

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## Public Benefit and Sources of Funding (continued)

Universities set their own targets for recruitment of students by subject area and by level of study; their income from the national funding bodies is determined by the aggregate student numbers completing their specified studies in the year, which, with the exception of England, will be restricted to previously allocated student numbers. Similarly, fee instalments are payable by SLC only if a student remains in active study at the date each instalment is due. The Open University is better placed than traditional universities in managing the operational implications of additional student numbers because it is not constrained by physical accommodation when recruiting students in particular disciplines.

Other UK universities charge high fees to overseas students who study in the UK, The Open University teaches overseas students 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.

The differing type and level of fees and financial support has inevitably influenced the sources of tuition fee funding since the major changes were made in 2012/13. However, since students in England make up such a significant proportion of total students, the profile in England has a big influence on the University as a whole. The sources of funding of undergraduate student tuition fees in terms of full-time equivalents in 2014/15 is shown in the table below.

### Sources of funding of tuition fees for full-time equivalent (FTE) UK undergraduate students in 2014/15

		Full financial support	Partial financial support	Loan from Student Loans Company	Sponsored	Students paying their own fees	Total
<b>England</b>	FTEs	4,100	1,626	24,183	1,590	21,761	<b>53,260</b>
	Proportion	8%	3%	45%	3%	41%	100%
<b>Scotland</b>	FTEs	16	3,760	0	332	2,412	<b>6,520</b>
	Proportion	1%	58%	0%	5%	36%	100%
<b>Wales</b>	FTEs	872	227	792	246	1,444	<b>3,581</b>
	Proportion	25%	6%	22%	7%	40%	100%
<b>Northern Ireland</b>	FTEs	674	163	0	66	902	<b>1,805</b>
	Proportion	37%	9%	0%	4%	50%	100%
<b>Total 2014/15</b>	FTEs	<b>5,662</b>	<b>5,776</b>	<b>24,975</b>	<b>2,234</b>	<b>26,519</b>	<b>65,166</b>
	Proportion	9%	9%	38%	3%	41%	100%
<b>Total 2013/14</b>	FTEs	9,607	6,032	17,684	2,752	28,527	64,602
	Proportion	15%	9%	28%	4%	44%	100%

*Full support* The full cost of fees is covered by financial support assessed on household income

*Part support* Part of the fees are covered by financial support assessed on household income (individual income for Individual Learning Accounts in Scotland)

*Student Loans Company* Some or all of the fee is funded by a loan from the SLC. Some of these students may also receive partial financial support or pay some of their own fee but are only included in this column

*Sponsored* The full fee is funded by a sponsor

*Student paying* The student pays the course fee with no direct financial support or sponsorship

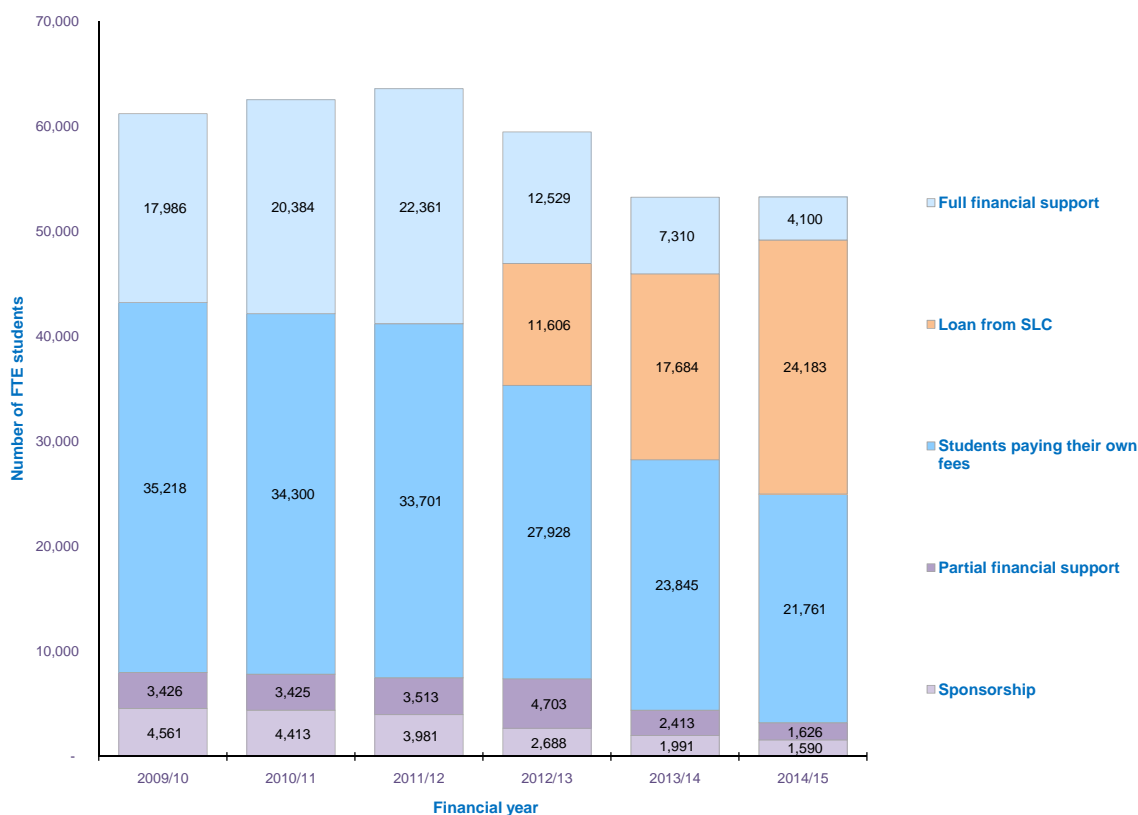


### Public Benefit and Sources of Funding (continued)

The University spent £9.2 million providing financial assistance to students in addition to the £1.5 million of funding bodies' access funds and bursaries disbursed to eligible students (shown on page 74), and the £82.4 million of tuition fees funded by the SLC. These sources of assistance are included in the table above. Unlike other universities, students study from home and often whilst in full-time employment, thereby diminishing the financial burden of their studies.

The changes in funding since 2012 have led to significant changes in the funding sources for undergraduate students in England. The chart below shows how the sources of funding of students in England has changed since 2009/10 in absolute terms.

Number of full-time equivalent undergraduate students in England by tuition fee funding source



The number of students funded by full financial support had been growing in the years leading up to 2011/12. From 2012/13 new students were subject to higher tuition fees, and were able to fund their studies using student loans. As students who started their studies before 2012/13 complete their qualifications, and are replaced by new students, the number of students funded by student loans has increased, and 2014/15 is the first year where a student loan is the most common source of funding.

As discussed above, there have also been changes to sources of tuition fees in the other UK nations, the most significant of which are the switch from full to partial financial support in Scotland in 2013/14, and the introduction of student loans in Wales in 2014/15. The proportions of sources of tuition fee funding for undergraduate students by UK nation are shown in the charts on the next page.

## Public Benefit and Sources of Funding (continued)

### Relative proportions of sources of tuition fee funding for undergraduate students in the UK



The nature and scale of The Open University's teaching activities dominate its income profile, split into funding body grants and tuition fees. However, UK Universities report their income under three further categories as indicated by the following table showing the level and proportion of income received in 2013/14 and 2014/15.

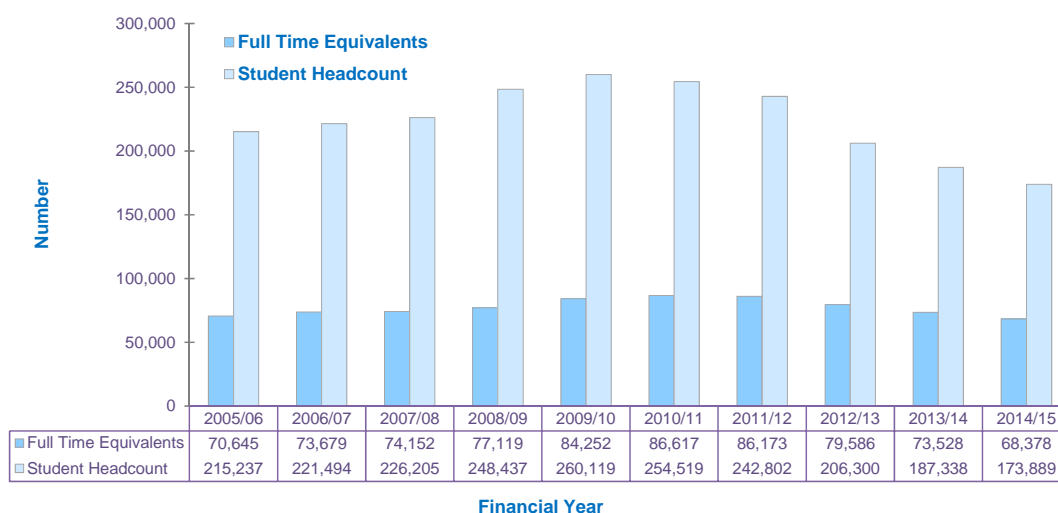
	2014/15	2013/14	
<b>Tuition fees and education contracts</b>	<b>£241.0m</b> <b>57%</b>	£213.1m 52%	From UK students, as discussed above, and overseas.
<b>Funding body grants</b>	<b>£134.3m</b> <b>32%</b>	£149.0m 37%	The Open University is unique amongst UK universities in operating across the whole of the UK and so is funded for its teaching activities by all the national higher education funding bodies.
<b>Other income</b>	<b>£24.5m</b> <b>6%</b>	£23.4m 6%	This comes from a wide variety of sources, including grants from the European Union and charitable bodies.
<b>Research grants and contracts</b>	<b>£16.6m</b> <b>4%</b>	£15.5m 4%	These arise from competitive bids for funding from a range of public and private funders. The total funding for research comprises this figure plus £9.7 million of the funding body grants, above.
<b>Endowment and investment income</b>	<b>£5.2m</b> <b>1%</b>	£3.2m 1%	This comprises interest received from bank deposits, fixed interest government bonds ("gilts"), equity dividends and student loan accounts managed by Open University Student Budget Accounts Limited.

## Student Numbers

The key statistics on page 2 show that over the year student numbers decreased by 13,449 or 7% to 173,889 and full-time equivalents fell by 5,150 or 7% to 68,378. Over the ten years since 2005, the decrease in full-time equivalents was 3,424 or 5%, whilst individual students decreased by 26,982 or 13%. The decrease in student numbers compared to 2013/14 is almost entirely attributable to students in England and was an expected result of the significant changes in the funding regime discussed on pages 10 to 14, including the ineligibility for SLC loans of students studying an equivalent or lower qualification (ELQ) to one they already hold.

In terms of full-time equivalents, the latest available data from the Higher Education Statistics Agency shows that The Open University share of the UK part-time undergraduate market increased to 46%.

### Full Time Equivalent (FTE) students and Student Headcount



## Student Satisfaction

The Open University is committed to creating a curriculum that is fully attuned to student needs and aspirations, that reaches out to new groups of potential learners who seek career and personal advancement and that enables them to achieve success. We aim to provide the best possible learning experience for students, and so it is particularly pleasing that The Open University continues to rank as one of the top Universities in respect of the overall satisfaction of its students. In 2015 The Open University was the university ranked top in Northern Ireland, top in Wales, second in Scotland and tenth in England.

In the 2015 survey over 15,000 Open University students took part and 90% said they were satisfied overall. This year 317 institutions were surveyed, including further education colleges that offer higher education courses. The Open University has been at the forefront of the rankings since they were introduced in 2005: it is both gratifying that it maintains such a commanding position and a source of pride to achieve consistently outstanding results when operating at such a large scale.

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## Research Outputs

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The Open University is unique among UK universities in combining a mission to widen access to higher education with research excellence. Research and knowledge exchange is fundamental to The Open University's founding principle: to be 'open to people, places, methods and ideas'. Our vision is for OU research to: transform lives by meeting the challenges of the 21st Century and promoting social justice; be ranked among the UK's top 40 universities for research excellence; achieve global influence through open and innovative forms of knowledge sharing; continue to inform our curriculum and underpin an outstanding learning experience for our students; and, support, develop and value all of our research community in a sustainable environment that fosters creativity and collaboration.

In 2014 the University had a successful submission to the Research Excellence Framework (REF2014), considerably improving the quality profile of its research since it was last assessed in RAE2008 (Research Assessment Exercise 2008). Overall, 72% of Open University research was assessed as being 4 or 3 star quality, indicating that the research is 'world-leading' or 'internationally excellent'. This compares to an equivalent figure of 51% in RAE2008. Whilst the results demonstrate that research excellence can sit alongside open access to higher education, it is notable that research excellence across the sector has improved significantly and this will impact on the University's share of HEFCE research grant funding from 2015/16. For 2014/15 the HEFCE research grant was £9.7 million, the same as 2013/14.

Income from external research grants has increased from £15.5 million in 2013/14 to £16.6 million in 2014/15. The increase includes a one-off central government tax credit and reflects an on-going strategic focus to consolidate and increase performance in a competitive funding environment, which has resulted in improved outcomes from the University's research grant bidding activity and the subsequent grant income flow in the following years. Although competition for funds in the current economic climate remains high, the University is continuing to concentrate on further funder diversification and growth of external income.

The decline over the last few years in research student numbers appears to have reversed and the number of registrations has increased by approximately 20% from last year, largely due to the Doctoral Training Partnerships and self-funded part time students. Completion rates continue to meet HEFCE benchmarks. Initial findings from the 2015 Postgraduate Research Student Survey indicate that student satisfaction has increased from 81% to 86%, meeting our internal target of 85%.

## Equality and Diversity

For more than 40 years, the Open University has been promoting social justice and equality of opportunity. It is core to our mission and is as important today as it was when we were founded, and we have published nine institution-wide equality objectives. There are objectives for both students and staff and relate to the individual equality characteristics of age, disability, ethnicity, gender, religion or belief, sexual orientation, pregnancy and maternity, caring responsibilities, gender identity and, in Northern Ireland, community background. Further information is available on the University's equality and diversity website: [www.open.ac.uk/equality-diversity/](http://www.open.ac.uk/equality-diversity/).

At 31 July 2015, the gender breakdown of Council members, senior managers (comprising the University's extended leadership team and directors of subsidiary companies), and of staff was as follows:

	Employees		External		Total	
	Male	Female	Male	Female	Male	Female
<b>Council Members</b>	8	2	9	5	17	7
<b>Senior Managers (excluding Council Members)</b>	14	5	4	1	18	6
<b>All Other Employees</b>	4,272	6,366	n/a	n/a	4,272	6,366

*The staff numbers above are based on staff in-post as at 31 July 2015, whereas the staff numbers in note 6 on page 58 are the average numbers over the entire financial year.*

The Open University places considerable value on the involvement of its employees and on good communication with them. Staff are informed through regular meetings, the extensive University intranet, open fora, staff newsletters, and other means. Staff are encouraged to participate in formal and informal consultation at University and Unit level, through membership of formal committees and informal working groups. The University provides technical and general training to all levels of staff and helps to build leadership capacity.

## Institutional Quality Review

The Quality Assurance Agency for Higher Education (QAA) did not conduct any reviews of The Open University in this year. The most recent institutional quality reviews were in 2009 (Institutional Audit) and 2011 (Collaborative Provision Audit). Both reviews resulted in positive outcomes in the form of judgements of confidence in the University's management of quality and standards. The next QAA review, now known as 'Higher Education Review', will take place in December 2015 and will cover all provision for students, including collaborative arrangements.

In addition to QAA review outcomes, the University uses other external benchmarks and accreditations to evaluate the quality of its provision. It is accredited by the US Middle States Commission on Higher Education and was most recently re-accredited in 2010 for a period of ten years. The University submitted its periodic review report to the Commission in May 2015. Professional, statutory and regulatory bodies which approved or reapproved Open University programmes in this financial year include the College of Social Work, the Association to Advance Collegiate Schools of Business and the British Psychological Society.

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

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## Treasury and Investment Management

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The financing and liquidity of the Group and its exposure to financial risk are managed through the central treasury function of the Finance Division. The Group's financial strategy, discussed on pages 24 to 25, sets minimum liquidity levels in order to ensure that sufficient financial flexibility is retained. Each year, as part of its normal planning processes, rolling five year financial forecasts are prepared: this process incorporates a review of capital expenditure and cash generation and so should enable any necessary future borrowing requirements to be negotiated well in advance of need.

**Foreign currency earnings are small** The Group's foreign currency earnings form a very small proportion of total income and hence the overall exposure to exchange rate risk is small. Even when indirect foreign currency earnings, i.e. amounts invoiced in sterling to customers based outside the UK, are taken into account, the exposure to exchange rate risk remains small. It is therefore not appropriate to adopt particular strategies to reduce this risk, although this policy is kept under review.

The University's Finance and Investment Committees keep the Group's treasury and investment policies under close review and have amended these policies as financial markets have reacted to changing economic conditions. All deposits are currently placed for up to three months with a small number of the largest UK banks and building societies, in money market liquidity and sterling government funds or invested in managed equity based funds and UK gilt-edged stocks of less than five years to maturity.

Since January 2014 the University has split its liquid resources into two separate elements managed on two basis:

**Short-term basis** This fund continues the historic practice of viewing capital protection as paramount and the returns as a secondary objective.

**Long-term basis** 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 an accepted price of this objective.

The Group is potentially vulnerable to changing interest rates on its short-term fund, which is invested in interest bearing deposits with financial institutions, in two money market liquidity funds, and in UK gilt-edged stocks ('gilts') having a maturity within five years of the acquisition date. The cornerstone of the Group's treasury policy in very uncertain markets, when the timing of cash flows is changing, remains the minimisation of risk: it limits and monitors the level of funds that may be placed in fixed term deposits, money market or invested in equity based investment funds and UK gilts. Policies, incorporating clearly defined controls and reporting requirements, are in place to monitor credit and market risk, ensure sufficient liquidity, as well as to maintain the operating financial flexibility of the Group. Interest income is, however, a small proportion of total income and so, overall, the Group has low vulnerability to changing interest rates. The investment return from the short-term fund is viewed as satisfactory in such a low interest environment.

On creation of the fund, managed on a long-term basis, capital of £80 million was split equally between two funds selected for their contrasting investment approach, albeit with the same long-term investment return target. This split is designed to provide a measure of capital protection in different market conditions. Both managers were chosen for their high conviction styles: neither follow particular indices, as would be the case for more passive investment managers; this can provide some protection at times of high market volatility (as has been the case both immediately before and after the end of the University's financial year). Both managers invest on behalf of a wide range of charitable clients and have well developed mechanisms to invest in a socially responsible manner and support strong corporate governance in the companies in which they invest. The first fund is managed by Baillie Gifford and the second fund is managed by Ruffer. Whilst returns on the long-term funds need to be viewed over a five year horizon, during the past twelve months both funds have produced returns above target in difficult market conditions.



### Treasury and Investment Management (continued)

The broad composition of the equity based funds comprising the long-term fund at 31 July 2015 is as follows:

	Baillie Gifford	Ruffer
International equities	76%	48%
International bonds	15%	0%
International index-linked bonds	0%	38%
Cash, gold and short-term bonds	9%	14%
	<b>100%</b>	<b>100%</b>

The fund and counterparty profile of the University's gilts, equity based investment funds, and term deposits as at 31 July 2015 is set out in Note 14 on the basis of book cost. It is summarised below on the basis of market value, along with the profile of cash balances.

	As at 31 July 2015		As at 31 July 2014	
	£m	% of grand total	£m	% of grand total
Gilts – Direct Holdings	125.7	32%	88.7	23%
Equity Based Investment Funds at market value	87.9	23%	80.1	20%
Money Market Funds - escrow for VAT refund	53.2	14%	52.7	13%
Banks – Term Deposits	35.2	9%	50.1	13%
<b>Total Gilts, Equities and Term Deposits</b>	<b>302.0</b>	<b>78%</b>	271.6	69%
Money Market Funds - other	46.0	12%	70.0	18%
Banks – Overnight Deposits	37.3	10%	50.7	13%
<b>Total Cash Balances</b>	<b>83.3</b>	<b>22%</b>	120.7	31%
<b>Grand Total</b>	<b>385.3</b>	<b>100%</b>	392.3	100%

## **Long-Term Borrowing Facility**

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The University has a committed long-term borrowing facility with Royal Bank of Scotland of £60.0 million for a period of 25 years from October 2008. The loan was fully drawn down in April 2011 and is secured on a part of the University's Walton Hall campus.

## **Creditor Payment Policy**

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It is The Open University Group's 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.

## **Accounting Policies**

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The Group financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 46 to 49, 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 Financial Reporting Council issued FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* in March 2013; the first year that the University will report under the new standard will be 2015/16. The new Statement of Recommended Practice for Further and Higher Education was published in March 2014 in response to FRS 102 and the University's accounting policies will subsequently be revised accordingly. The new SORP does not permit early adoption and so the material changes discussed in the section on Future Developments on page 30 have not been incorporated in these financial statements.

## Pensions

The University has only one defined benefit pension scheme available to its UK based staff, the national Universities Superannuation Scheme (USS). USS is completely independent of the University, which has no control over its policies or decisions. A full actuarial valuation of the USS is undertaken every three years, with interim estimates being carried out in the other two years.

The disclosures in Note 29 in respect of USS refer to the latest actuarial valuation, as at 31 March 2014. The funding level under the scheme-specific funding regime introduced by the Pensions Act was 89%. The actuary also valued the scheme using a number of other methods, including the basis set out in Financial Reporting Standard 17, Retirement Benefits; under this method, the funding level at 31 March 2015 was 72%. Under both measures, the scheme deficit had increased significantly since the last full valuation and the USS introduced changes to the pension scheme to address the deficit.

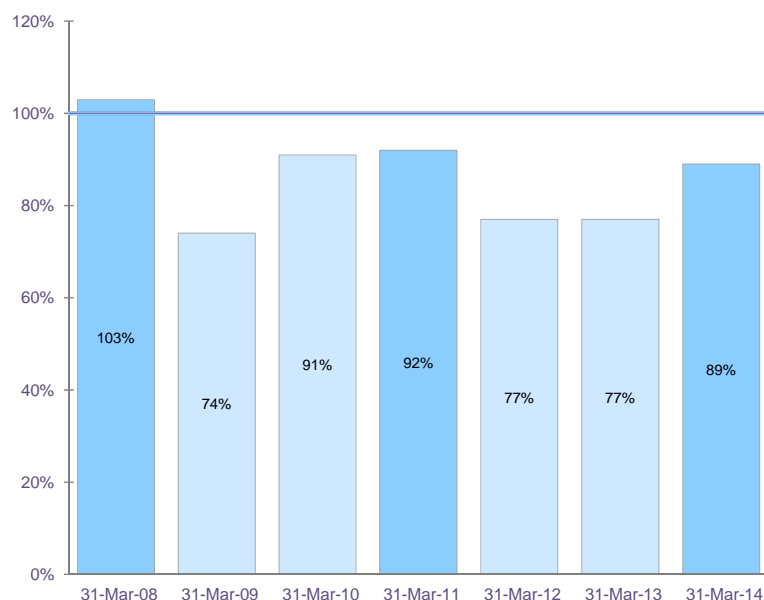
The trustees of the USS, after obtaining the advice of the actuary, had already put in place a ten year recovery plan to address the scheme shortfall measured at the valuation in 2011. For the first 6 years of this plan, up to 31 March 2017, the employer contribution rate would remain at 16% and for the remaining four years of the plan employers would pay an additional contribution of 2% above the level of the then blended future service contribution rate. The plan was expected to eliminate the shortfall by the end of the ten year period, but the actuarial valuation carried out in 2014 has led to both a new deficit recovery plan and some changes to the scheme benefits.

The main changes to the scheme benefits are that after 31 March 2016 benefits will be accrued annually for all members rather than on final salary but only up to a salary threshold, currently £55,000 per annum, benefits will accrue on the basis of 1/75<sup>th</sup> instead of 1/80<sup>th</sup> and by 1 October 2016 there will be a new defined contribution benefit for those whose salary is in excess of the salary threshold. Any benefits that have been built up by 31 March 2016 will be preserved. In tandem with the benefit changes, a revised deficit recovery plan will be implemented with the aim of eliminating the deficit by 2031. The plan will increase member contributions to 8%, and employer contributions to 18%.

Further information on the scheme changes, the deficit recovery plan and the assumptions made in the actuarial valuation can be found in note 29 on page 75.

### Funding Level of USS

The funding levels since 2008 are shown in the following graph. The bars in bold show the results of full actuarial valuations and the other bars show the results of interim actuarial estimates.



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## Results for the Year

This year is the third year under the new funding regime in England. Since students in England comprise more than 80% of all students, the continuing effects of the changes can be seen in the result for the year, most notably in the anticipated reduction in student numbers, further increase in tuition fee income and decrease in funding body grants.

The Group's results are summarised in the Financial Highlights on page 2.

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<b>Income</b>	Income increased by £17.4 million or 4% to £421.6 million
<b>Funding body grants</b>	Funding body grants decreased by £14.7 million or 10% to £134.3 million largely as a result of the reduction in recurrent grant from HEFCE; this decreased by £13.5 million or 14% to £82.8 million but still represents 70% of all recurrent grants from the various funding bodies. Total recurrent grants from other funding bodies decreased by £0.5 million to £36.1 million. Specific grants decreased by £0.6 million to £9.9 million due largely to a decrease in grants received from HEFCE.
<b>Fee income</b>	Fee income increased by £27.9 million or 13% to £241.0 million. The majority of the increase was in respect of fees paid by students, or on their behalf by their employers or the SLC, in England, which increased by £28.2 million or 17% to £196.0 million. This increase is a result of the changes in funding regime discussed in the section on Public Benefit and Sources of Funding on pages 10 to 14. The combined decrease in fee income outside England was £0.3 million.
<b>Research grants and contracts</b>	Income from research grants and contracts increased by £1.1 million or 7% to £16.6 million, due to increased work funded from Research Councils.
<b>Other income</b>	Other income increased by £1.1 million to £24.5 million.
<b>Endowment and investment income</b>	Endowment and investment income increased by £2.0 million or 63% to £5.2 million. This was due largely to dividends received in respect of equity based investment funds.
<b>Expenditure</b>	Expenditure increased by £7.7 million or 2% to £428.8 million
<b>Staff costs</b>	Total staff costs increased by £5.3 million or 2% to £286.9 million. An increase of £4.1 million resulted from annual pay awards and progression of staff up incremental pay scales and £1.6 million from an increase in the number of full-time equivalent staff in the University and in FutureLearn Limited; there was a decrease in pension and national insurance costs of £0.7 million and savings of £1.5 million as a result of a change in the mix of full time and temporary staff and £2.1 million as a result of reductions in student numbers and tutor groups. An increase of £3.9 million is due to costs of early retirement and severance.
<b>Other (non-pay) operating expenses</b>	Other (non-pay) operating expenses, excluding depreciation and interest, increased by £3.1 million or 2% to £132.6 million.
<b>Deficit</b>	Deficit before tax of £7.2 million compared to a deficit of £16.9 million last year.

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## Results for the Year (continued)

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The deficit of £7.2 million is an improvement of £9.7 million since 2013/14. The deficit represents 2% of income; the deficit would have been lower if not for the imposition of a £1.8 million funding cut from HEFCE a few days before the end of the financial year. The improvement over 2013/14 is due to the increase in income of £17.4 million outpacing the increase in expenditure of £7.7 million. The major cause of the increase in income was the £27.9 million (13%) increase in tuition fee income, offset by a decrease of funding body grants of £14.7 million (10%). There was an unrealised increase in the market value of equity based funds of £6.3 million that was not recognised in the income and expenditure statement in accordance with the existing SORP, although it will be recognised on the basis of accounting that will be required from 2015/16.

Expenditure in the year included £22.8 million on strategic projects, including £7.0 million on systems developments and £5.4 million on the set-up phase of FutureLearn Limited; the underlying position excluding these items would be an EBITDA in excess of the University's financial strategy.

## Cash Flow

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The Financial Highlights on page 2 show a Group net cash outflow of £18.7 million from operating activities, a reduction in cash inflows of £81.6 million compared to the previous year. This change is due mainly to the VAT refund of £52.7 million received in 2013/14, discussed below. The balance of £28.9 million is due to the ongoing transition of funding from funding body grants (which are received during the financial year) to tuition fees (which are received from the SLC in instalments over the length of each module), the large increase in income from equity investments, and various smaller changes. The cash outflow before management of liquid resources shown on page 54 was £15.1 million (2013/14, net cash inflow of £68.1 million).

## Capital Projects

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During the year there were only minor additions to land and buildings totalling £0.1 million (2013/14, nil). The Estates Committee monitors the condition of the University's buildings; the latest building condition review concluded that 99% were in the top two categories, either 'as new' or 'sound, operationally safe and exhibiting only minor deterioration'.

## Balance Sheet

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Tangible assets totalled £136.3 million at 31 July 2015, a decrease of £9.4 million since 31 July 2014 that reflects the end of a lengthy period of capital investment in 2010, with the result that depreciation is now exceeding the value of additions.

With the exception of those funded by the SLC, the University's tuition fees are payable in advance of modules starting. This results in the University holding cash at the balance sheet date due to modules partially completed at 31 July (£28.2 million as shown in Note 15 on page 68) and in respect of modules starting in the following financial year (£33.3 million as shown in Note 15 on page 68).

2014/15 is the third year that some tuition fees in England were payable by students via the SLC and the amount outstanding at 31 July 2015 was £8.2 million (a decrease of £2.5 million since 2013/14), as shown in Note 13 on page 66.

For several years, the University's financial statements have disclosed the existence of a claim for the repayment of VAT incurred over the period 1973 to 1994. The period from 1973 to 1978 was settled in 2011. A favourable judgement of the First-tier Tribunal in respect of the remaining period was received in June 2013 and the payment of £52.7 million was received from Her Majesty's Revenue and Customs (HMRC) during 2013/14. HMRC subsequently appealed the decision and has now appealed the Upper Tribunal's judgement in favour of the University in May 2015; pending the outcome of that appeal it is uncertain whether any or all of the sum will need to be repaid and accordingly a liability for £52.7 million has been included in Note 15.

## Financial Strategy

The University's financial strategy is designed to maintain financial flexibility at all times. The University's Finance Committee reviewed the financial strategy during 2013/14 and the University's Council accepted the recommendations that: the target of a surplus of 5% of income should be reduced to 2%; and, the surplus target should be re-expressed to be Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) as a percentage of income rather than surplus as a percentage of income. An analysis of recent performance revealed that EBITDA as a percentage of income is approximately 1% higher than surplus as a percentage of income, and the financial strategy target was therefore changed to be EBITDA of 3% of income.

The University's financial strategy is expressed through three parameters:

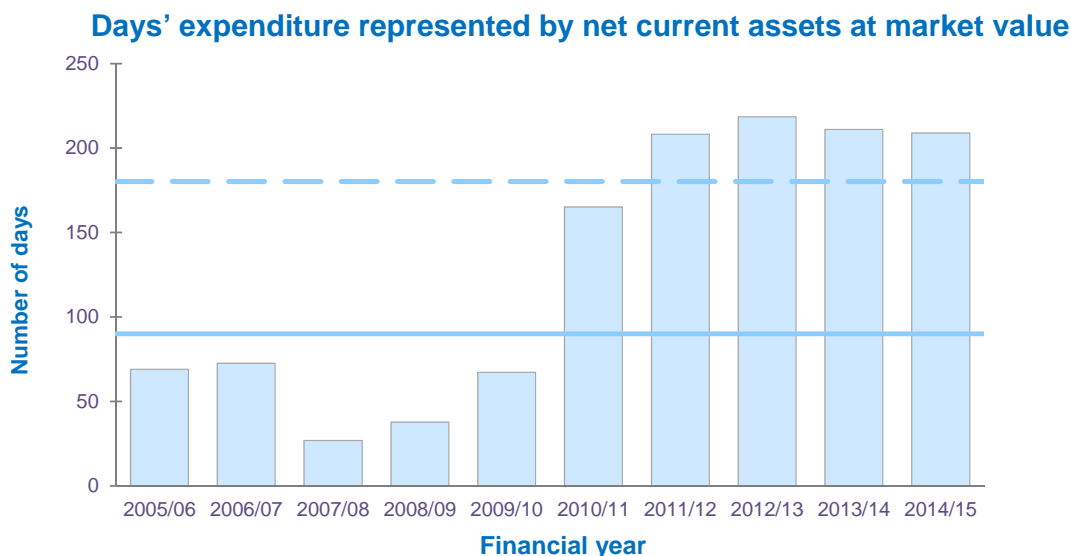
<b>Net Current Assets</b>	To maintain net current assets at a minimum of 90 days' expenditure, with a medium-term target of 180 days expenditure.
<b>Income and Expenditure</b>	To at least balance normal recurring income with normal recurring expenditure, taking one year with another, over the medium-term and to aim for EBITDA of 3% of income.
<b>Borrowings</b>	To restrict the maximum level of borrowings to the value of £62 million.

These parameters are considered in the development and implementation of the Group's treasury management policy, its normal planning, budgeting and medium-term forecasting cycle, and in the planning and execution of its capital building programme.

### Net Current Assets

For the purposes of the parameter relating to net current assets, committed bank facilities are treated as being equivalent to net current assets. In October 2008 the University repaid the entire long-term loan of £60.0 million leaving in place the underlying committed facility, in order to reduce its exposure to counterparty default in respect of its deposits. As a result of this decision, the amount repaid was reclassified from long-term liabilities to current liabilities as at 31 July 2008. This reduced reported net current assets at 31 July 2008 to 27 days' worth of expenditure, as shown in the chart below. The committed facility of £60.0 million was subsequently drawn down in April 2011.

At 31 July 2015, net current assets on the basis of market value were £245.1 million, an increase of £1.6 million (less than 1%) from the previous year's figure of £243.5 million. The 2015 figure represented 209 days of expenditure; this includes the impact of the draw-down of the committed loan facility of £60.0 million, in itself equivalent to 51 days of expenditure. The history of the University's financial performance against its target to maintain net current assets at a minimum of 90 days' expenditure, with a medium-term target of 180 days expenditure, is summarised in the following graph.





## Financial Strategy (continued)

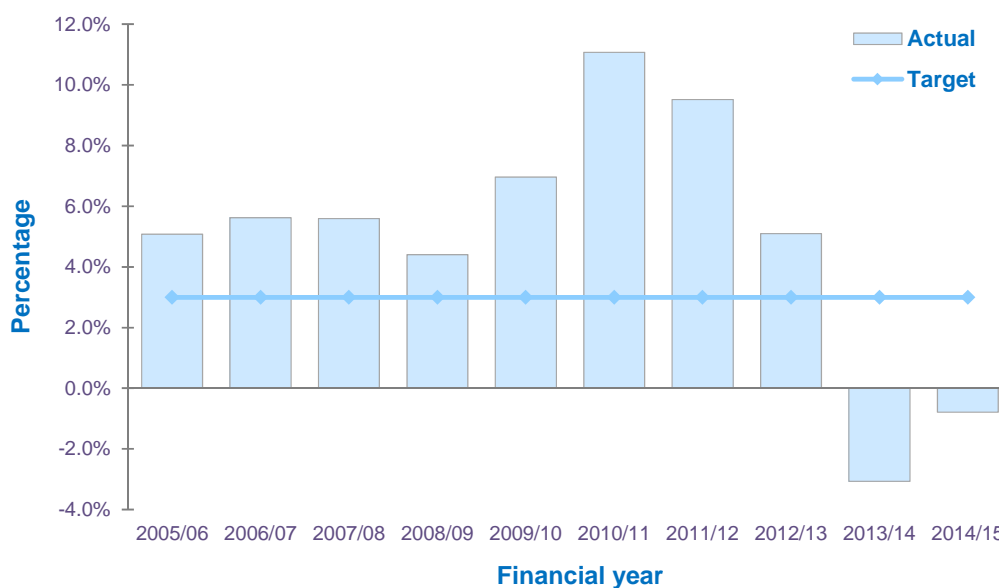
### Income and Expenditure

EBITDA for 2014/15 as a percentage of income was -1%. This compares to the target of 3%, discussed on page 24.

Expenditure during the year included spend on strategic projects, discussed on page 23. The underlying position remains in line with the target EBITDA in the University's financial strategy. The aggregate of the results over the past four years is in line with the target, even after incurring an aggregate spend of £87.6 million on strategic projects.

The chart below provides a comparison between the target EBITDA as a percentage of income, against the actual results (after including the expenditure on strategic projects and excluding unrealised investment gains).

### EBITDA as a percentage of income



### Borrowings

The Group has one long term loan in place – a bank loan of £60.0 million secured on part of the University's Walton Hall campus and repayable in 2033.

### Post Balance Sheet Event

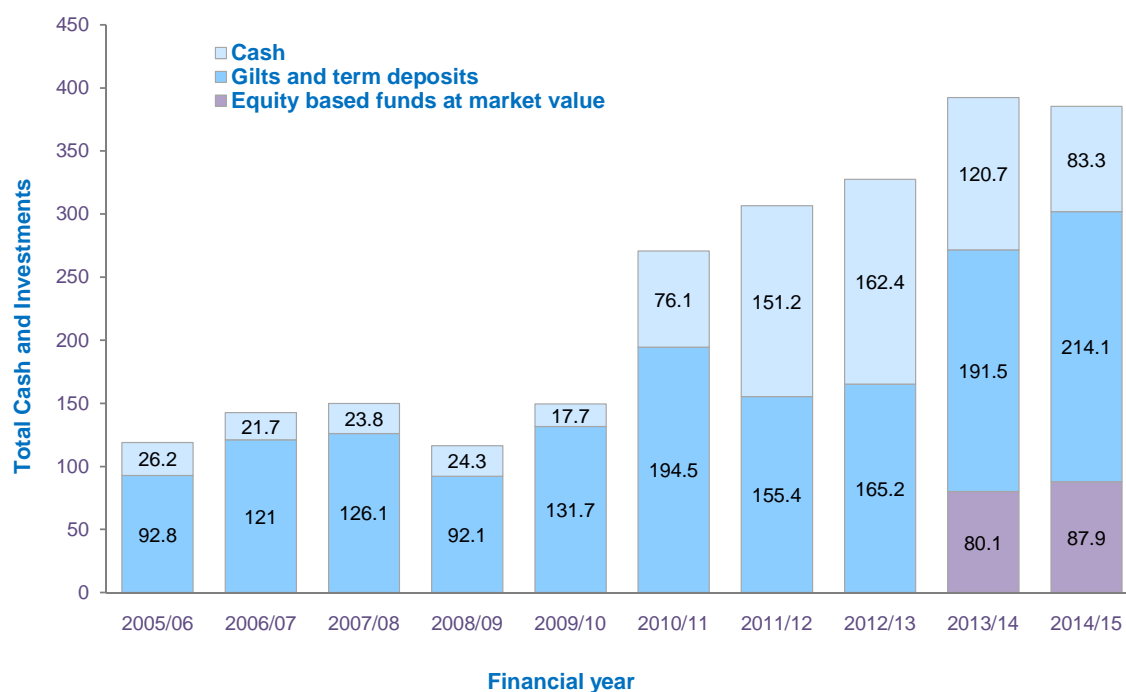
Note 26 on page 74 refers to the decision of the University's Council to accept the recommendation of the Vice-Chancellor's Executive that there should be a restructuring of the University's physical locations in England in order to better meet the needs of its students. This post balance sheet event does not require any adjustment to the financial statements.

## Going Concern and Long-Term Sustainability

The University's activities and major risks can be found on pages 6 to 9; financial information, including performance against the financial strategy can be found on pages 22 to 25, and the factors likely to affect future developments, performance and position are set out in the following section on pages 28 to 31.

In 2011 the University revised its business strategy, as outlined on pages 6 and 7. The primary risks, shown on pages 8 and 9, are reviewed on a regular basis, and the University Council receives regular updates on the University's financial position. An annual accountability return is also prepared for HEFCE, as the University's principal regulator. This includes an assessment of financial sustainability, management and mitigation of key risks and a review of the assumptions underlying the financial forecasts.

In late 2012 the University entered a time of uncertainty across the entire UK higher education sector with considerable financial resources at its disposal. Action was taken over three years to increase the level of cash and investments by £190.2 million, from £116.4 million at 31 July 2009 to £306.6 million at 31 July 2012. This was achieved through a combination of the drawdown of the £60 million loan facility in April 2011, which is repayable in 2033, a targeted cost reduction programme and the maintenance of student number levels. The changes to funding described on pages 10 to 14 led to the deficits in 2013/14 and 2014/15 and the cash outflow from operating activities of £18.7 million in 2014/15, which related largely to refunds to SLC made in this year but which related to the previous years. After the exceptional cash inflow of £52.7 million in 2013/14 relating to the VAT refund discussed in Note 24 on page 73, the levels of cash and investments based on market value remain at healthy levels; the £385.3 million at 31 July 2015 compares well with the historic figures, as shown in the chart below and discussed in more detail on pages 18 and 19.

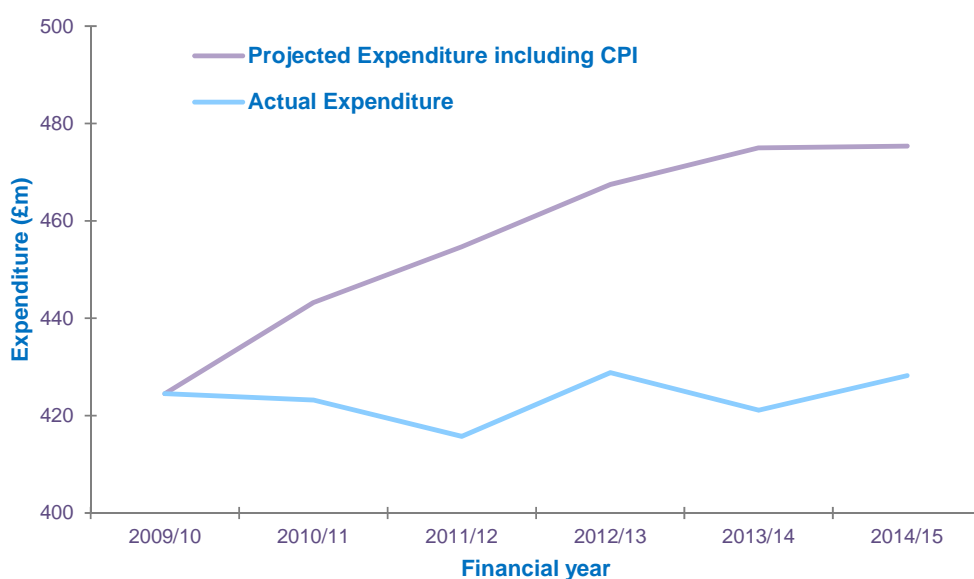


The only known contingency that could result in significant cash outflows relates to the VAT matter, discussed on page 73, and this has been fully provided for as shown in note 15 on page 68 and in the calculation of net current assets discussed on page 24.

The chart on page 25, showing EBITDA as a percentage of income, demonstrates that the University exceeded the target in the years leading up to 2012/13; whilst the chart on page 24, showing the days expenditure represented by net current assets, confirms that the medium term target of 180 days was achieved by 31 July 2012 and has been maintained thereafter, at 209 days at 31 July 2015. The third element of the financial strategy, to restrict the maximum level of borrowings to the value of £62.0 million, continues to be within the target.

## Going Concern and Long-Term Sustainability (continued)

The Open University is in the midst of a period of considerable change in its funding environment, as described in the section on the sources of funding on pages 10 to 14, and described in previous financial statements over a number of years. The University undertook extensive market research to prepare for these changes and implemented a UK market strategy, including pricing levels designed to support the University's mission to widen access whilst maintaining financial sustainability over the long-term. A comprehensive cost control strategy has also been implemented over the last five years, the effect of which has broadly been to maintain expenditure in cash terms, eliminating the effects of inflation. The chart below compares actual expenditure with projected expenditure including the effects of the annual consumer price index increase at 31 July every year, using actual expenditure in 2009/10 as a baseline. The cumulative difference between this CPI-adjusted projected expenditure and actual expenditure over the five years is £198.9 million.



This tight control of costs has enabled the University to manage the reductions in student numbers discussed on pages 13 and 15 whilst minimising the fees charged to students. A comparison of the University's fees with those charged by many other Universities in England appears on page 29. The action to control costs has supported the University's mission by providing cost-effective higher education for its students, thereby maximising student numbers within the constraints of the funding environment in which the University operates (as described on pages 10 and 11).

The deficits reported in 2013/14 and 2014/15, whilst disappointing, were therefore not entirely unexpected, and as discussed above the University had put plans in place to absorb these results. The latest financial modelling shows that surpluses are expected in the next two years and the most recent student recruitment information supports the forecasts on which the 2015/16 budget was based. The University's underlying financial health remains robust.

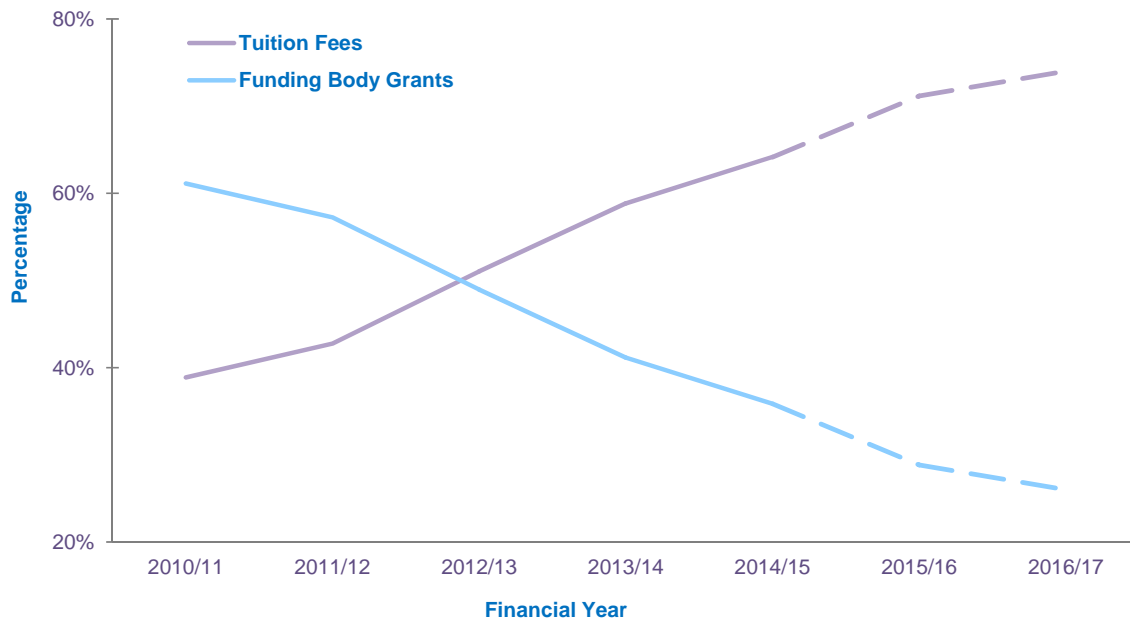
The Council also reviews its performance against its key measures of success in an institutional performance report. This provides Council with the opportunity to track a selection of measures that are key to the University's success, and to ensure that the University's management team have effective processes in place to make any improvements necessary. The measures include information on student recruitment, student retention, student experience, human resource-related measures and financial measures, including monthly and annual cash flow forecasts.

The University's forecasts and projections to 2017/18, taking account of the future developments discussed on pages 28 to 31 and reasonable sensitivities in relation to the key risks, indicate that the University should be able to operate within its current facilities and available headroom. The Council considers that the University has adequate resources to continue in operational existence for the foreseeable future and to be sustainable in the long-term. Accordingly, it continues to adopt the going concern basis in preparing the University's financial statements.

## Future Developments

The way in which universities in the UK are funded has changed significantly in recent years and is discussed on pages 11 to 14. Despite the changes in funding around the UK, since the number of Open University students in England comprises more than 80% of the total number of students, it is possible to provide a broad view of how the University's mix of grant funding and tuition fees is likely to change over the next few years, as shown by the chart below.

### The Relative Proportion of Funding Received from Funding Body Grants and Tuition Fees



### Sources of funding should stabilise by 2017/18

The relative proportion of funding received from funding bodies and tuition fees had been stable for many years up to 2011/12, the final year under the old, mainly grant-funded, regime. As transitional teaching grants from HEFCE reduce the proportions will change. Current expectations are that the relative mix from the two sources of funding should stabilise by 2017/18, although it is clear that this is subject to changes in policy enacted in any of the four UK nations. In addition, there are no plans to move away from the grant-funded regime in Scotland, and the University also receives some Funding Body Grants for specific projects. There will therefore continue to be a proportion of Funding Body Grant Income in the longer term.

Undergraduate pricing for the other UK nations and postgraduate courses for all areas has been kept at similar levels to those presently charged, after allowing for inflation.

Teaching grants are receivable from UK funding bodies only for those students that complete their specified studies in the year; similarly fee instalments are payable by SLC only if a student remains in active study at the date each instalment is due. Thus a student's personal objectives and the University's educational and financial objectives are aligned: this is reflected in the University's strategic objective to deliver an outstanding student experience (as set out on page 6) and is reflected in the principal risk of an inability to support students to achieve their study goals (as described on page 8).

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## Future Developments (continued)

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### Global events influence university funding

The significant changes to higher education funding, particularly for part-time students, have to be seen in the context of the global economic conditions. Following the recession that began in 2008 economic recovery world-wide had faltered since summer 2011, compounded by indebtedness in Europe and the United States of America. In the UK, unemployment has decreased, although the full impact of public spending cuts has yet to be felt.

### There is pressure on UK Government funding for Universities

In June 2015 the UK Government announced measures to reduce the public deficit in the government financial year (April 2015 to March 2016), which resulted in a total of £150 million reductions in HEFCE grants to Universities. This has impacted on The Open University results for 2014/15 and will also have an effect on 2015/16. In addition, the government has embarked on a comprehensive spending review, seeking to save £20 billion over four years; this will have an impact on the Department for Business Innovation and Skills, and in turn HEFCE, the University sector in general, and The Open University.

### The part-time market in the UK has declined

In April 2014 HEFCE published a report on the economic and policy influences on part-time higher education. The key finding was that part-time UK and EU undergraduate entrants in 2013/14 almost halved compared to 2010/11. The key contributors to this decline were identified as: the rise in part-time fees even though they are lower than full-time fees; entrants with financial backing from their employers almost halving; falls in employment – particularly in the public sector; part-time study appearing to be more likely to suffer in a recession – but this is not inevitable; and, wider comparisons among the UK nations showed that part-time declines in England appear to have been affected by a range of policy changes alongside economic effects.

### The Open University remains an attractive proposition

There is potential for universities, and especially for The Open University, to provide an attractive solution for those who need to retrain for new careers or to protect current jobs. Part-time study whilst in work may be particularly attractive in the face of the increased tuition fees that all English universities have had to levy from 2012, although in the short-term the increase in part-time fees seems to be a significant deterrent to study – particularly for those not eligible for a loan from the SLC. Not only does The Open University offer the ability to study whilst in full time employment, but its 2013/14 fee of £5,124 per full time equivalent compared favourably with other universities in England, many of which have charged the maximum £9,000. The Open University's share of the UK undergraduate part-time market continues to grow despite the overall declining market.

The Open University has considerable strengths to help it weather the changes in Government policy and the uncertain economic climate and to help it take advantage of the opportunities that will be presented in this new environment. It is the leader in the UK part-time higher education market, with a growing market share, and is the only university that can operate at scale throughout the UK, thus having the capability of fulfilling a national role. With its open access policy, it promotes fair access for all who want to study higher education courses and so has a substantial and unique contribution to make to widening participation in the UK. The Open University has earned a world-wide reputation for the quality of its teaching. It is rated amongst the best in the UK for the excellence of its materials and for its approach to supported open learning, which uses methods and technologies that are appropriate to the students and their learning needs. This has been confirmed by the University's very high placings for its students' overall satisfaction in the National Student Survey for ten years.

Demand and registrations for the 2015/16 academic year are meeting planning expectations and a small operating surplus approaching the target EBITDA is planned for 2015/16.

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## Future Developments (continued)

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### International Activities

On the international front, the University has maintained its direct teaching activities in Europe and its partnership activities in the rest of the world. Through these activities some 44,000 students in more than 25 countries benefit from the University's materials and pedagogy. The University is boosting its involvement in teaching in Africa and Asia by working with a variety of public and private organisations. The University is putting its international activities on a more commercial footing, except where they can be funded from philanthropic donations, in view of the loss of UK public funding over the next few years.

In September 2013 a subsidiary of the University, FutureLearn Limited, launched the UK's first massive open online courses in partnerships with twenty-one UK and two overseas universities. FutureLearn now has more than forty partners from across the world, including a number of internationally renowned cultural institutions. The courses are free to users, who may choose to pay for additional services. Out of nearly 2.8 million course registrations with FutureLearn, more than 280,000 learners registered on Open University MOOCs during the year. As with the University's other extensive open educational resources, the FutureLearn courses are expected to create interest in its core credit bearing curriculum.

### Financial Reporting

These financial statements are the last to be prepared using the 2007 (SORP), which is based on accounting standards that are being replaced by Financial Reporting Standard 102 (FRS 102). The SORP has recently been rewritten in response to this. In the next financial statements, for 2015/16, the results for 2014/15 will be reported as a comparative but will be restated using the 2015 SORP.

The majority of the financial statements will be unchanged under the 2015 SORP; however, there will be some material changes, all of which will first be seen in the 2015/16 financial statements, as follows:

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<b>Tangible assets</b>	The University has taken advantage of the opportunity to undertake a one-off revaluation of its estate as at 31 July 2014.
<b>Current asset investments</b>	These will be valued at market value rather than cost and so unrealised gains will be treated as income.
<b>USS Pension Deficit</b>	As discussed on page 21, Accounting Policy 6 on page 47, and in Note 29, there is a deficit in the USS pension scheme. The Group's commitment to fund the deficit recovery contributions will be included as a liability for the first time. The liability is likely to be volatile even though the recovery contributions themselves are expected to be at a fixed proportion of salary costs for at least six years.
<b>Revenue from grants</b>	Revenue and capital grants will be recognised on entitlement, meaning that grants awarded with no performance conditions will be recognised in full up front. This will not affect most grants but there are likely to be some that are recognised immediately, when previously they may have been spread over the project life, impacting on the volatility of reported results.
<b>Reclassifications</b>	There will be some minor reclassifications within the balance sheet.
<b>Disclosures</b>	There will be additional disclosures within the financial statements.
<b>Income and expenditure</b>	The changes above will lead to increased volatility in the results reported from year to year, over and above any variations that result from operational factors.

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The notes to the financial statements in 2015/16 will also include a comprehensive section to explain the transition adjustments to the balance sheet (known as the 'Statement of Financial Position' in the 2015 SORP) and the Income and Expenditure Statement ('Statement of Comprehensive Income' in the 2015 SORP).



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## Future Developments (continued)

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### Research

The funding climate for research through UK public sources is likely to remain under pressure as the UK Government follows the strategy of reducing the deficit. Consequently there is unlikely to be any reversal in the real-term reduction that the UK science budget has seen over the last few years. In addition there is a continued drive to concentrate research funding in fewer larger organisations, nationally and internationally. The first year of European Union Horizon 2020, the largest source of funding for research in the EU, has seen a considerable increase in funding applications, leading to greater competition and lower success rates.

The University has recently approved a new strategic plan for its research: 'Research Shaping the Future', which presents an ambitious vision for its research. It outlines three priorities for research that aim to strengthen the University's reputation and secure its sustainability by: building its position for the next Research Excellence Framework exercise; focussing on strategic research areas; and, improving the environment for research. Planning for the next REF has now commenced and the University will be aiming to both increase the size of its submission and build on the existing improvement to its quality profile, in particular to increase the proportion of research assessed as world leading (4 star). As part of this plan, a Graduate School will be established to facilitate further work to market research degrees and increase student numbers.

The University will be using its Higher Education Innovation Funding (HEIF) to support the Research Plan, and specifically the strategic research areas, to diversify and increase external funding and increasing the numbers of large collaborative bids. This HEIF funding will also include building on the University's growing role in the regional and local economy to target collaborations that include capitalising on opportunities emerging from the £16 million HEFCE Catalyst funded MK:Smart project, as well as seeking strategic engagement with the European Regional Development Funding (ERDF). The University will also actively build strategic relations with UK Catapults to provide opportunities to promote and source funding for research from commercial users.

### People

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The University's consistently excellent performance in the National Student Survey and its sound financial position are down to the professionalism and commitment of its 9,000 employees. The Council thanks each one for their hard work over the past year in a challenging environment to position the University so strongly for the future.

The following members of Council retired from office in the last year: Mr J Miller and Ms R McCool. The Council wishes to express its gratitude for their contribution. The previous Vice-Chancellor, Mr M G Bean, left the University at the end of December 2014 and his successor, Mr P J G Horrocks, commenced his appointment in May 2015. The Pro-Chancellor, Lord Haskins of Skidby, retired at the end of December 2014 and was succeeded by Mr R Gillingwater CBE. The University Secretary, Mr A F Woodburn, will retire at the end of December 2015 and has been succeeded by Mr K Zimmerman.

It was with great sadness that we learnt of the death of Mr R Delbridge just before the end of the financial year. Mr Delbridge was Treasurer of The Open University from 2001 to 2009, an honorary Doctor of the University and a benefactor. He managed perfectly to balance support for the Finance Director and his team with robust challenge, delivered always in his quiet and polite manner, and the financial strength of the University now is due in no small part to his wise advice and guidance. He will be sorely missed by those who had the privilege and pleasure of working with him.

The Council wishes to express its congratulations to those members of staff, students and alumni who were awarded honours during the last year, including Mr Bean (CBE) and Mr Horrocks (CBE).

The Council also wishes to express its appreciation to the alumni and supporters of the University who made donations and bequests in the year. The total received in the year from these sources was £3.4 million.

Approved by Council on 24 November 2015 and signed on its behalf by:

**R W SPEDDING**  
Chair of Audit Committee

**M S HEDGES**  
Finance Director

**P J G HORROCKS**  
Vice-Chancellor

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## Corporate Governance and Accountability Arrangements

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The Open University is a body incorporated by Royal Charter. Although the University does not have shareholders and is not a listed company, the University's Council is committed to achieving high standards of corporate governance in line with accepted best practice. Accordingly, the University's Council believes it is appropriate to report on compliance, as far as is practicable, with the appropriate provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014.

Throughout the year ended 31 July 2015, and up to the date of approval of the financial statements, the University has been in compliance with all the Code provisions set out in the UK Corporate Governance Code insofar as they relate to universities.

In December 2014 the Committee of University Chairs (CUC) issued The Higher Education Code of Governance. This replaced the previous Governance Code of Practice, issued in 2009. This code is voluntary and is intended to reflect good practice in a sector that comprises a large number of very diverse institutions. In addition, in July 2013 the Scottish Code of Good HE Governance was published. With respect to both codes, institutions should state that they have had regard to the code, and where an institution's practices are not consistent with particular provisions of this code, an explanation should be published in the corporate governance statement of the annual audited financial statements.

In respect of the year ended 31 July 2015, the University's Council can report that there was no element of either Code with which the University's practice was not consistent.

## The University Council

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The membership of the Council is set out in the University Statutes. At the date of approval of these financial statements there are 25 members comprising: ex officio and co-opted external members; the Vice-Chancellor; the President of the Open University Students Association (OUSA) and a student and staff employees appointed after election. 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 OU 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 union. It also outlines the Council's regulatory powers and its delegation of powers.

The Statement of Responsibilities of the University's Council on pages 42 and 43 describes its responsibilities in respect of maintaining accounting records, preparing financial statements and accountability arrangements. It also summarises the University's system of internal control and its system of risk identification and management.

The Council has the following committees: an Audit Committee; a Development Committee; an Estates Committee; a Finance Committee; an Investment Committee (a subcommittee of Finance Committee), a Membership Committee; a Remuneration Committee; a Staff Strategy 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 Membership 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.

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## The University Council (continued)

The Council met five times during the year, including an extraordinary meeting to approve the recommendation of the Joint Committee of the Council and the Senate for the appointment of the new Vice-Chancellor. The members of the University's Council during the year ended 31 July 2015, and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

### Ex-officio members who are also officers of the University

Pro-Chancellor & Chair of the Council	Lord Haskins (to 31 December 2014) (2/2) Mr R Gillingwater (from 1 January 2015) (3/3)
Treasurer	Mr H R Brown (4/5)
Vice-Chancellor (Employee)	Mr M G Bean (to 31 December 2014) (1/2) Professor T Blackman (from 1 January 2015 to 4 May 2015) (1/1) Mr P J G Horrocks (from 5 May 2015) (2/2)

### Ex officio members

President, Open University Students Association	Mrs R Tudor (5/5)
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### Elected members

Members of Senate (Employees)	Dr J Baxter (from 1 August 2015) Mr J Miller (to 31 July 2015) (5/5) Dr T O'Neil (5/5) Professor H Rymer (3/5) Professor J Wolffe (5/5) Mr J M Yeo (5/5)
Associate Lecturers (Employees)	Mr B Heil (5/5) Dr C Spencer (from 15 September 2014) (4/5)
Open University Students Association	Mr C Shaw (5/5)
Non-academic Staff (Employee)	Mrs S Dutton (5/5)

### External members co-opted by Council

Mrs R Girardet (5/5)	Mr J Newman (3/5)
Mr P Greenwood (from 10 December 2014) (3/3)	Mr R W Spedding (5/5)
Mr B S Larkman (4/5)	Mrs R Spellman (2/5)
Mrs S Macpherson (5/5)	Professor W Stevely, Vice-Chair of Council (5/5)
Ms R McCool (to 3 February 2015) (0/2)	Mrs S Unerman (3/5)
Mr W Monk (4/5)	Dr G Walker (5/5)

### Members of the Vice-Chancellor's Executive in attendance at Council meetings

University Secretary	Mr A F Woodburn (to 4 October 2015) Mr K Zimmerman (from 5 October 2015)
Finance Director	Mr M S Hedges
Director, Students	Mr K Zimmerman (to 4 October 2015)
Pro-Vice-Chancellors	Professor T Blackman (to 31 December 2014 ) Professor A Bassindale (from 1 January 2015) Professor M J A Mihsein Professor B R Tynan
Commercial Director	Mr S Hill

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## Membership Committee

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The Membership Committee brings forward recommendations for the appointment or re-appointment of co-opted members of the Council, including recommendations on periods of office. It also makes recommendations to the Council for the appointment of Council members to committees of the Council and committees of the University to which Council members are appointed. Its recommendations to Council take into account the balance of skills, knowledge and experience of Council members and are based on assessment against objective criteria. It also considers issues of succession planning within the Council. It provides the Council with an annual review of attendance at meetings of the Council and its committees and monitors the attendance of members on a regular basis.

The Membership Committee met five times during the year. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

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<b>External members of Council</b>	Lord Haskins (to 31 December 2014) (0/1) – Chair Mr R Gillingwater (from 1 January 2015) (4/4) - Chair Ms R Spellman (5/5) Professor W Stevely (5/5) Mrs R Tudor (from 1 August 2015)
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<b>Employees</b>	Mr M G Bean (to 31 December 2014) (1/1) – Vice-Chancellor Professor T Blackman (from 1 January 2015 to 4 May 2015) (2/2) – Vice-Chancellor (acting) Mr P J G Horrocks (from 5 May 2015) (2/2) – Vice-Chancellor Mr J Miller (to 31 July 2015) (5/5) Professor H Rymer (5/5)
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## Estates Committee

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The Estates Committee reviews and develops the University's estates strategy and related strategies for recommendation to Council. It reviews and recommends the rolling capital programme and monitors progress and expenditure thereon. It recommends expenditure proposals for individual capital development schemes and acquisitions to Finance Committee and Council.

The Estates Committee met twice during the year. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

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<b>External member of Council</b>	Mr W Monk (2/2) – Chair
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<b>Employees</b>	Mr M S Hedges (2/2) – Finance Director Mr N Holt (1/2) Professor S Kelley (2/2) Dr C K Lloyd (2/2) Mr J Roche (0/2) Mrs N Whitsed (0/2) Mr A F Woodburn (1/2) – University Secretary
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## Staff Strategy Committee

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The Staff Strategy Committee advises the Council, subject to the powers of the Senate in respect of academic staff, on the human resources implications of the strategies of the University. It contributes to the development of the University's policies and strategies relating to human resources and monitors their implementation. It also satisfies itself and provides assurance to the Council of the effectiveness of policies in respect of human resources matters.

The Staff Strategy Committee met twice during the year. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

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<b>External members of Council</b>	Ms R McCool (to 31 January 2015) (1/1) – Chair Mrs R Spellman (from 19 February 2015) (2/2) – Chair
<b>Other external members</b>	Mr J Potts (2/2)
<b>Employees</b>	Mr A Burrell (2/2) Professor T Blackman (to 31 December 2014) (1/1) Professor A Bassindale (from 1 January 2015) (1/1) Dr C K Lloyd (2/2) Mr A F Woodburn (2/2) – University Secretary

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## Remuneration Committee

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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 for all universities.

The Remuneration Committee met twice during the year. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

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<b>External members of Council</b>	Lord Haskins (to 31 December 2014) (2/2) – Chair Mr R Gillingwater (from 1 January 2015) (0/0) – Chair Mr H R Brown (2/2) Ms R McCool (1/2) Mrs R Spellman (from 10 March 2015) (0/0) Professor W Stevely (2/2)
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External members of the Council receive no remuneration for their services although expenses incurred in attending meetings are met by the University. Members of the Council who are employees of the University receive no additional remuneration for their services to the Council, although expenses incurred in attending meetings are met by the University. The aggregate expenses paid to or on behalf of members of Council in this capacity is disclosed in Note 7 on page 60.

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## Strategic Planning and Resources Committee

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In respect of its strategic and development responsibilities, the Council receives recommendations and advice from the Strategic Planning and Resources Committee, a joint committee of the Council and of the Senate, the body responsible for the University's academic affairs.

The Strategic Planning and Resources Committee met four times during the year. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

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<b>External members of Council</b>	Lord Haskins (to 31 December 2014) (1/1) – Chair Mr R Gillingwater (from 1 January 2015) (3/3) Mr H R Brown (4/4) Professor W Stevely (4/4) Ms S Unerman (2/4)
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<b>Employees</b>	Mr M G Bean (to 31 December 2014) (1/1) – Vice-Chancellor Professor T Blackman (from 1 January 2015 to 4 May 2015) (2/2) – Vice-Chancellor (acting) Mr P J G Horrocks (from 5 May 2015) (1/1) – Vice-Chancellor - Chair Professor M Grady (3/4) Mr R O Humphreys (from 1 September 2014) (4/4) Professor H Rymer (3/4) Mr M Staples (from 1 September 2014) (3/4)
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## Development Committee

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The Development Committee is responsible to the Council for strategies and policies relating to activities to raise donations in support of the University's strategic objective to broaden its funding.

The Development Committee met three times during the year. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

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<b>External members of Council</b>	Ms R Girardet (3/3) – Chair Lord Haskins (to 31 December 2014) (1/1) Mr R Gillingwater (from 1 January 2015) (2/2) Mr H R Brown (3/3)
<b>Employees</b>	Mr M G Bean (to 31 December 2014) (0/1) – Vice-Chancellor Professor T Blackman (from 1 January 2015 to 4 May 2015) (1/1) – Vice-Chancellor (acting) Mr P J G Horrocks (from 5 May 2015) (1/1) – Vice-Chancellor Professor A De Roeck (3/3) Mr K Zimmerman (from 10 March 2015) (1/2)
<b>Officers in attendance</b>	Mr M S Hedges (3/3) – Finance Director Mr A F Woodburn (3/3) – University Secretary Mrs J Johnson (2/2) Ms E Prak (3/3) – Development Director

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## Finance Committee

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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.

The Finance Committee met five times during the year. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year (of whom the Chair and three others have recent and relevant financial experience), together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

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<b>External members of Council</b>	Mr H R Brown (5/5) – Chair Lord Haskins (to 31 December 2014) (1/2) Mr R Gillingwater (from 1 January 2015) (2/3) Mr B S Larkman (4/5) Mr J Newman (4/5)
<b>Other external members</b>	Mr J Gollan (to 1 July 2015) (4/5) Ms N Advani (5/5) Mr R McCracken (from 14 July 2015) (0/0)
<b>Employees</b>	Mr M G Bean (to 31 December 2014) (2/2) – Vice-Chancellor Professor T Blackman (from 1 January 2015 to 4 May 2015) (2/2) – Vice-Chancellor (acting) Mr P J G Horrocks (from 5 May 2015) (1/1) – Vice-Chancellor
<b>Officers in attendance</b>	Mr M S Hedges (5/5) – Finance Director Mr A F Woodburn (5/5) – University Secretary

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## Investment Committee

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The Investment Committee advises Finance Committee on the University's investment strategy, recommends appropriate fund and investment managers and monitors their performance.

The Investment Committee met twice during the year. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2015 and up to the date on which the financial statements were approved, were:

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<b>External members of Council</b>	Lord Haskins (to 31 December 2014) (1/1) – Chair Mr R Gillingwater (from 1 January 2015) (1/1) - Chair Mr H R Brown (2/2) Mr B S Larkman (2/2)
<b>Other external members</b>	Mr J Gollan (from 17 February 2015 to 1 July 2015 ) (0/1) Mr M B Moule (2/2) Mr C A Wood (from 1 April 2015) (0/0)
<b>Employee</b>	Mr M S Hedges (2/2) – Finance Director
<b>Officer in attendance</b>	Mr B Cheyne (2/2)

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## Audit Committee

The Audit Committee comprises wholly external members, drawn from both within and outwith the Council, and so has no executive responsibility. During the year ended 31 July 2015 the Audit Committee met three times. The members during the year ended 31 July 2015 and their attendance at the meetings held during their membership in that year and up to the date on which the financial statements were approved, were:

<b>External members of Council</b>	Mr R W Spedding (3/3) – Chair Mrs S Macpherson (3/3)	Dr G Walker (2/3)
<b>Other external members</b>	Mr C Hughes (3/3) Mr C Juman (3/3)	Mr N Poulter (3/3)

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.

### Audit Committee remit

<b>Risk management</b>	Reviewing the effectiveness of the Group's arrangements for risk management, control and governance.
<b>Financial statements</b>	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.
<b>Value for money and data quality</b>	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.
<b>Internal Audit</b>	Reviewing and approving the terms of reference of the Internal Audit function and monitoring its performance and effectiveness.
<b>External Audit</b>	Advising the Council on the appointment, in accordance with the HEFCE Audit Code of Practice, 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.
<b>Regulatory Compliance</b>	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 relating to the HEFCE Audit Code of Practice.

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## Audit Committee (continued)

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### Review of Financial Statements

In accordance with the decision taken in 2013/14 the Committee has assumed its enhanced responsibility in respect of the review and approval of the University's accounting policies and financial statements for 2014/15.

It has reviewed the accounting policies and arrangements for the preparation of the financial statements and sought assurances over the areas of key accounting judgment.

It has discussed with the external auditors and management the key financial risks and uncertainties impacting on the preparation of the financial statements and the financial position of the University and sought specific assurance on these risks through the work of the external auditors. These related to:

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<b>Fee income</b>	The control over and receipt of fee income from or on behalf of students, which comprises the University's main source of income. Audit Committee is satisfied from a review of the controls relied upon by management and the computer assisted auditing techniques used by the external auditors that the income recorded shows a true and fair view of the University's income from this source.
<b>Historic VAT repayment</b>	The extent to which the historic VAT repayment could be recognised. Audit Committee is satisfied with the accounting treatment adopted.
<b>Long-term investment fund</b>	Confirming the accounting treatment on an historical basis, recognising that the changes for the new SORP will mean the fund being stated at market value and any unrealised gain arising being treated as income. Audit Committee is satisfied with the accounting treatment adopted.
<b>Post balance sheet event</b>	The non-adjusting post balance sheet event in respect of recommendations to rationalise the University's locations in England. Audit Committee is satisfied with the accounting treatment adopted.

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It has reviewed the content of the financial statements, including the primary statements, supporting notes, strategic review and corporate governance statements, and reviewed the external auditor's report and opinion. On the basis of the work summarised above, Audit Committee has been able to recommend approval of the University's financial statements to Council on the basis that, taken as a whole, they are fair, balanced and understandable and provide the information necessary to understand the University's performance, business model and strategy.

### External Audit Operation

PricewaterhouseCoopers LLP (PwC) or their predecessor firms have been the University's auditors since inception. The University's external audit is tendered every seven years in accordance with the requirements of the HEFCE Memorandum of Assurance and Accountability and the PwC partners responsible for the audit are rotated regularly in accordance with PwC's own policies. The Audit Committee keeps under review the independence and objectivity of the external auditors, who were reappointed in November 2013 for a seven year period (subject to an annual review) following a competitive tender exercise. In addition to the tender exercise, the Committee has kept the effectiveness of the external auditors under review through consideration of their plans and reports and their attendance at all Committee meetings during the year; holding a private session with the Committee after each meeting and formally once a year supplemented with feedback received from management.

The external auditors have a standing arrangement to meet the Audit Committee members regularly without staff present. The external auditors also attend meetings with management and internal audit staff to consider the items listed above and to review plans for the audit process.

The Committee has expressed its satisfaction with the work of External Audit during the year.

In 2006 the decision was taken to segregate as far as possible the provision of audit related services from non-audit services in order to further enhance the independence of the external auditors. A protocol to preserve ongoing independence has been agreed with the external auditors in respect of situations whereby they provide services to the University.

## Audit Committee (continued)

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### Internal Audit Operation

The University's Internal Audit function is responsible for providing an objective and independent appraisal and assurance on all the University's activities, financial and otherwise. In particular, assurance on the arrangements for risk management, control, governance and value for money is delivered to the Council and the Vice-Chancellor, through the Audit Committee. All reviews undertaken by Internal Audit are considered with the management in the relevant operational unit. The reviews are also considered by the Vice-Chancellor, University Secretary and Finance Director and appropriate action confirmed to the Audit Committee. All Internal Audit reports are shared with the external auditors. The Chief Auditor has unfettered access to the Audit Committee.

The Internal Audit work programme is risk-focused, aligned with the University's Strategic Objectives and Institutional Risks and remains dynamic and is updated regularly to reflect changes in the University's risk profile. Internal Audit monitors the progress made by units in implementing agreed actions to ensure that they are addressed in a timely and effective manner, and reports regularly thereon to the Audit Committee.

The Committee keep the performance and effectiveness of Internal Audit under review through their attendance at each meeting; private sessions after each meeting; feedback received from management and the external auditors, and reviewing the outcome of quality review self-assessments reported in the Chief Auditor's annual report. A formal external quality assessment of Internal Audit effectiveness has been undertaken during the year that has concluded that the Open University Internal Audit function is within the upper quartile of external quality assessment reviews undertaken by the assessor, and was one of the best internal audit functions the assessor had seen.

The Committee has also expressed its satisfaction with the work of Internal Audit during the year.

## Performance Evaluation of Council and its Committees

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The Council evaluated its performance in 2014/15 through an effectiveness review, which included reviews of the year's business against the terms of reference, members' attendance, role and responsibilities, and current practice against the Higher Education (HE) Code of Governance and the Scottish Code of Good HE Governance. This year's review did not include independent evaluations from each member of the way in which the Council had operated during the year, as these are sought biennially and had been received in 2013/14. Each Council Committee conducted a similar effectiveness review. As a result of the review, the Council approved changes to its Statement of Primary Responsibilities and its Standing Orders in order to meet the requirements of the new Codes or to clarify responsibilities.

A review of individual members of the Council was undertaken, based on a short self-assessment questionnaire. Such reviews are conducted on an annual basis, with any concerns and recommendations being reported to the Council through the Membership Committee. The Council also reflected on its effectiveness at the end of each meeting.

A Council Induction and Development Day was held in September 2014, which introduced new members of the Council and its Committees to their role and responsibilities, and provided a refresher for longer serving members. All members are provided with information on the governor development events and resources offered by the Leadership Foundation in Higher Education (LFHE).

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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 Higher Education Funding Council for England (HEFCE) and the University's Council and the HEFCE 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.

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**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 26 and 27 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.

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**The Council has taken reasonable steps to:**

- Use funds properly** Ensure that funds from HEFCE, the Scottish Funding Council (SFC), the Higher Education Funding Council for Wales (HEFCW), the Department of Employment and Learning (Northern Ireland) (DELNI) and the National College for Teaching and Leadership (NCTL) are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with HEFCE and the Funding Agreements with SFC, HEFCW, DELNI and NCTL and any other conditions which 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 fraud.
  - Manage resources** Secure the economical, efficient and effective management of the University's resources and expenditure.
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## Risk Management

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:

<b>Links to objectives</b>	Linking the identification and management of risk to the achievement of institutional objectives through the annual planning process.
<b>Evaluation of likelihood and impact</b>	Evaluating the likelihood and impact of risks becoming a reality as part of that same process and establishing mitigating controls.
<b>Review of procedures</b>	Having review procedures that cover business, operational, compliance and financial risk.
<b>Embedding the risk process</b>	Embedding risk assessment and internal control processes in the ongoing operations of all units.
<b>Reporting</b>	Reporting regularly to 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.

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.

## Internal Control

The key elements of the University's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

<b>Defining responsibilities</b>	Definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative units.
<b>Medium and short-term planning</b>	A medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
<b>Performance review</b>	Regular reviews of academic performance and quarterly financial reviews involving variance reporting and updates of forecast outturns.
<b>Expenditure and investment appraisal</b>	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.
<b>Financial regulations</b>	Financial Regulations, including financial controls and procedures, are approved by Finance Committee and their application monitored.
<b>Audit</b>	A professional Internal Audit team whose annual programme is approved by Audit Committee.

Key internal controls are reviewed annually and no significant issues have arisen in the year.

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## Report on the financial statements

### Our opinion

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

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2015 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education; and,
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended)).

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The financial statements comprise:

- the consolidated and University Balance Sheets as at 31 July 2015;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Total Recognised Gains and Losses for the year then ended;
- the consolidated Statement of Cash Flows for the year then ended;
- the Statement of Principal Accounting Policies; and,
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Council has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

## Opinions on other matters prescribed in the HEFCE Audit Code of Practices issued under the Further and Higher Education Act 1992 and in accordance with other regulatory requirements

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the University's statutes; and,
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability, and any other terms and conditions attached to them, with the Funding Agreement with the Scottish Funding Council, with the Funding letter with the Higher Education Funding Council for Wales, with the Funding Agreement with the Department of Employment and Learning (Northern Ireland) and with the Funding Agreement with the National College for Teaching and Leadership

## Other matters on which we are required to report by exception

### Internal Control

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion the statement of internal control included as part of the Responsibilities of the University's Council is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report from this responsibility.



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### Adequacy of accounting records and information and explanations received

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- sufficient accounting records have not been kept by the parent institution; or
- the parent 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.

### Other information in the Annual Report

Under the 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

### Respective responsibilities of the Council and auditors

As explained more fully in the Responsibilities of the University's Council set out on page 42 the Council (whose members are also the charitable trustee for the purposes of charity law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under the Act.

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 University and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and 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.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Council; and,
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Council judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Milton Keynes  
24 November 2015

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## 1 Basis of Preparation

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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 the Statement of Recommended Practice, Accounting for Further and Higher Education Institutions, (SORP) published in July 2007 and in accordance with applicable United Kingdom Accounting Standards. The accounting policies have been applied consistently throughout the year.

## 2 Basis of Consolidation

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The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertakings for the financial year ended 31 July 2015.

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.

## 3 Recognition of Income

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- a. Fee income is credited to income over the period in which the students are studying. This is achieved by using a time apportionment basis over the period of the relevant module. 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 debtors. 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.

- b. Recurrent grants from Funding Bodies are credited to income in the period in which they are receivable.
- c. Non-recurrent grants received in respect of the acquisition or construction of buildings and equipment are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Non-recurrent grants received in respect of the acquisition of freehold land are treated as income in the period in which all conditions of the grants have been met.
- d. Income for specific purposes, such purposes being designated by the grant-making body or donor under a specific agreement or contract and which can only be applied for those specific purposes, is credited to income over the life of the agreement or contract when the conditions attaching to its receipt have been met, such as incurring the appropriate expenditure, including expenditure on indirect costs.
- 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.
- f. Interest receivable is credited to income on a daily basis.
- g. 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.
- h. Research and Development Expenditure Credits are included in Research Grants and Contracts.

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## 4 Recognition of Expenditure

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- a. Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms.
- b. 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.
- c. 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.
- d. Module development costs are charged to expenditure as they are incurred.
- e. 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.
- f. Loan interest and / or facility fees are charged to expenditure on a daily basis.

## 5 Foreign Currencies

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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 either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## 6 Pension Schemes

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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). In the Republic of Ireland a small number of employees are members of the defined contribution Open University Retirement Solution Plan (OURSP). A small number of overseas based employees are members of defined contribution schemes.

### 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 hypothecated 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 in full in USS on a consistent and reasonable basis and therefore, as required by FRS 17, *Retirement Benefits*, the University accounts for the scheme as if it were a defined contribution scheme. 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.

### Defined contribution schemes (FSSU, OURSP and others)

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

## 7 Leasing Costs

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

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## 8 Stocks of Finished Goods

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- 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.

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## 9 Investments

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- a. Investments in subsidiaries are shown at cost.
- b. Current asset investments, comprising funds held on deposit, in money market funds, in equity investment funds, and in short-date UK government stocks (gilts), are recognised at the lower of cost or net realisable value. Interest is accrued on a daily basis.

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## 10 Land and Buildings

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Land and buildings held at 31 July 1998 are shown in the balance sheet at the valuation on that date; land and buildings acquired after 31 July 1998 are shown at cost. The revaluation at 31 July 1998 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 Chesterton plc, International Property Consultants.

On adoption of FRS 15, *Tangible Fixed Assets*, the Group adopted the transitional provisions to retain the book value of land and buildings, many of which were last revalued in 1998, and has not adopted a policy of annual revaluations for the future. However, these values are subject to impairment reviews as set out in FRS 11, *Impairment of Fixed Assets and Goodwill*.

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.

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Where land is acquired with the aid of specific grants it is capitalised as above. The related grants are treated as income in the period in which all conditions of grant have been met.

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## 11 Equipment

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Equipment, including computers, costing less than £50,000 per individual item or group of related items is written off in the year of acquisition; in-house software development costs are charged to expenditure as incurred. All other equipment is capitalised.

Capitalised equipment is stated at cost and 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

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## 11 Equipment (continued)

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment, which is the period of the grant in respect of equipment acquired for specific research projects.

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## 12 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.

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## 13 Taxation Status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. The University is also a charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and as such is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (charity no. SC038302). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 Corporation Tax Act 2009 (CTA 2009) and Sections 471, and 478-488 of 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 any tax incurred is either expensed or capitalised according to the nature of the underlying expenditure.

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## 14 Accounting for Donations

### a. Unrestricted 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.

### b. Endowment funds

Where donations are to be retained to the benefit of the University for purposes specified by the donors, other than the purchase or construction of tangible fixed assets, they are accounted for as expendable endowments.

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## 15 Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. 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. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as readily disposable store of value. They include term deposits and other instruments held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

	Note	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>Income</b>			
Funding body grants	1	134.3	149.0
Tuition fees and education contracts	2	241.0	213.1
Research grants and contracts	3	16.6	15.5
Other income	4	24.5	23.4
Endowment and investment income *	5	5.2	3.2
<b>Total income *</b>		<b>421.6</b>	404.2
<b>Expenditure</b>			
Staff costs	6	286.9	281.6
Other operating expenses	7	132.6	129.5
Depreciation		9.1	9.6
Interest and other finance costs	8	0.2	0.4
<b>Total expenditure</b>		<b>428.8</b>	421.1
<b>Deficit after depreciation and before tax *</b>		<b>(7.2)</b>	(16.9)
Taxation	9	(0.3)	(0.1)
<b>Deficit after depreciation and tax *</b>		<b>(7.5)</b>	(17.0)
Surplus for the year transferred to endowment funds		0.0	0.1
<b>Deficit for the year retained within reserves *</b>		<b>(7.5)</b>	(16.9)
* Excluding unrealised investment gains of £6.3m			
<b>Consolidated Note of Historical Cost Surplus and Deficit</b>			
Deficit after depreciation of assets at valuation and tax		(7.5)	(17.0)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	20	0.7	0.9
<b>Historical cost deficit after tax</b>		<b>(6.8)</b>	(16.1)

The income and expenditure account has been prepared on an historical basis as modified by the revaluation of land and buildings and is solely in respect of continuing activities.

The accounting policies on pages 46 to 49 and the notes on pages 55 to 77 form an integral part of these financial statements.

	Note	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
Deficit on continuing operations after depreciation of assets at valuation, and tax		(7.5)	(17.0)
New expendable endowments	19	0.1	0.0
<b>Total recognised losses relating to the year</b>		<b>(7.4)</b>	(17.0)

The accounting policies on pages 46 to 49 and the notes on pages 55 to 77 form an integral part of these financial statements.



	Note	Consolidated		University	
		As At 31 July 2015 £m	As At 31 July 2014 £m	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>Fixed Assets</b>					
Tangible assets	10	136.3	145.7	136.4	145.8
Investments	11	0.0	0.0	12.6	8.0
<b>Total Fixed Assets</b>		<b>136.3</b>	145.7	<b>149.0</b>	153.8
<b>Endowment Assets</b>					
	12	0.6	0.5	0.6	0.5
<b>Current Assets</b>					
Stock		4.2	7.0	4.2	7.0
Debtors due within one year	13	39.6	37.9	31.1	26.3
Debtors due after more than one year	13	0.0	0.0	62.9	62.9
Gilts, equities and term deposits	14	295.7	271.6	295.7	271.6
Cash at bank and in hand		83.3	120.7	78.4	117.0
<b>Total Current Assets</b>		<b>422.8</b>	437.2	<b>472.3</b>	484.8
<b>Less: Creditors - amounts falling due within one year</b>	15	<b>184.0</b>	193.7	<b>235.6</b>	243.3
<b>Net Current Assets</b>		<b>238.8</b>	243.5	<b>236.7</b>	241.5
<b>Total Assets Less Current Liabilities</b>		<b>375.7</b>	389.7	<b>386.3</b>	395.8
<b>Less: Creditors - amounts falling due after more than one year</b>	16	<b>60.5</b>	60.5	<b>60.5</b>	60.5
<b>Less: Provisions for liabilities</b>	17	<b>0.0</b>	1.4	<b>0.0</b>	1.4
<b>Total Net Assets</b>		<b>315.2</b>	327.8	<b>325.8</b>	333.9

	Note	Consolidated		University	
		As At 31 July 2015 £m	As At 31 July 2014 £m	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>Deferred Capital Grants</b>	18	<b>67.4</b>	72.6	<b>67.4</b>	72.6
<b>Expendable Endowment Funds</b>	19	<b>0.6</b>	0.5	<b>0.6</b>	0.5
<b>Reserves</b>					
Revaluation reserve	20	<b>0.0</b>	0.7	<b>0.0</b>	0.7
General funds	20	<b>247.2</b>	254.0	<b>257.8</b>	260.1
<b>Total Reserves</b>		<b>247.2</b>	254.7	<b>257.8</b>	260.8
<b>Total Funds</b>		<b>315.2</b>	327.8	<b>325.8</b>	333.9

The accounting policies on pages 46 to 49 and the notes on pages 55 to 77 form an integral part of these financial statements, which were approved by Council on 24 November 2015 and signed on its behalf by:

The financial statements on pages 46 to 77 were approved by Council on 24 November 2015 and signed on its behalf by:

**R W SPEDDING**  
Chair of Audit Committee

**M S HEDGES**  
Finance Director

**P J G HORROCKS**  
Vice-Chancellor

	Note	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>Net cash (outflow) / inflow from operating activities</b>	21	<b>(18.7)</b>	62.9
<b>Return on investment and servicing of finance</b>			
Interest received		3.0	5.8
Interest paid		(0.4)	(0.4)
<b>Net cash inflow from returns on investment and servicing of finance</b>		<b>2.6</b>	5.4
<b>Tax paid</b>		<b>(0.1)</b>	(0.1)
<b>Capital expenditure</b>			
Payments to acquire tangible assets		(0.4)	(0.9)
Deferred capital grants received		0.4	0.8
Proceeds of sale of fixed assets		1.1	0.0
<b>Net cash inflow / (outflow) from capital expenditure</b>		<b>1.1</b>	(0.1)
<b>Cash (outflow) / inflow before management of liquid resources</b>		<b>(15.1)</b>	68.1
<b>Management of liquid resources</b>			
Cash transferred to term deposits or gilts		(22.3)	(108.2)
<b>Financing</b>			
Loan repayment in the year		0.0	(1.6)
<b>Decrease in cash in the year</b>	22,23	<b>(37.4)</b>	(41.7)

The accounting policies on pages 46 to 49 and the notes on pages 55 to 77 form an integral part of these financial statements.

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>1 Funding Body Grants</b>		
<b>Recurrent grants</b>		
Higher Education Funding Council for England	82.8	96.3
Scottish Funding Council	21.8	21.0
Higher Education Funding Council for Wales	9.5	9.4
National College for Teaching and Leadership	0.1	0.1
Department of Employment and Learning (Northern Ireland)	4.7	6.1
<b>Total Recurrent grants</b>	<b>118.9</b>	132.9
<b>Specific grants</b>		
Higher Education Funding Council for England	7.1	8.1
Scottish Funding Council	1.9	1.4
Higher Education Funding Council for Wales	0.9	1.0
<b>Total Specific grants</b>	<b>9.9</b>	10.5
<b>Deferred capital grants released in year – see Note 18</b>		
Higher Education Funding Council for England		
Buildings	4.6	4.7
Equipment	0.9	0.9
<b>Total Deferred capital grants released in year</b>	<b>5.5</b>	5.6
<b>Total Funding Body Grants</b>	<b>134.3</b>	149.0

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>2 Tuition Fees and Education Contracts</b>		
<b>Student fees – United Kingdom</b>		
Taught Degrees		
England	196.0	167.8
Northern Ireland	3.8	3.9
Scotland	12.6	11.8
Wales	6.5	6.6
Research Degrees	2.4	2.4
<b>Total Student Fees – United Kingdom</b>	<b>221.3</b>	192.5
Student Fees - Overseas	18.4	19.2
Research training support grants	1.3	1.4
<b>Total Tuition Fees and Education Contracts</b>	<b>241.0</b>	213.1

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>3 Research Grants and Contracts</b>		
Research Councils	7.2	7.5
Other sources, including industrial companies	9.4	8.0
<b>Total Research Grants and Contracts</b>	<b>16.6</b>	15.5

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>4 Other Income</b>		
Other grants and contracts	12.3	12.1
Royalties received	0.2	0.2
Sub-tenants' rental and services	0.2	0.2
Validation fees	3.0	2.9
Other income	8.8	8.0
<b>Total Other Income</b>	<b>24.5</b>	23.4

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>5 Endowment and Investment Income</b>		
Dividends received from equity based funds	1.5	0.2
Interest receivable on gilts, bank deposits and money market funds	3.4	2.5
Interest on student loans	0.3	0.5
<b>Total Endowment and Investment Income</b>	<b>5.2</b>	3.2

Total endowment and investment income excludes unrealised gains on the equity based funds of £6.3 million (2013/14, £nil) that would have resulted had the carrying value been at market value rather than the lower of cost and net realisable value.

## 6 Staff Costs

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>Staff costs analysed by type</b>		
Salaries and other payments to employees	237.6	232.8
Social security costs	16.1	15.9
Pension costs - see Note 29	33.2	32.9
	<b>286.9</b>	281.6
<b>Staff costs analysed by category of staff</b>		
Full-time staff categories	211.1	206.6
Associate lecturers, residential school staff and examination marking	59.6	61.3
Other staff costs, including casual staff	8.3	10.0
Early retirement and voluntary severance	7.9	3.7
	<b>286.9</b>	281.6
<b>Total Staff Costs</b>	<b>286.9</b>	281.6

	Year Ended 31 July 2015	Year Ended 31 July 2014
<b>Average staff numbers (including higher paid staff)</b>		
Full-time and part-time staff at Milton Keynes, Wellingborough, national and regional centres	4,833	4,838
Associate lecturers and residential school staff	4,491	4,891
	<b>9,324</b>	9,729



## 6 Staff Costs (continued)

### Remuneration of Higher Paid Employees

The emoluments of Mr M G Bean, the Vice-Chancellor from 1 August 2014 to 31 December 2014, included in the above costs are £154,000 (year ended 31 July 2014, £354,000). The University's pension contributions to USS in respect of the Vice-Chancellor were paid at the same rates as for other academic staff and amounted to £25,000 (year ended 31 July 2014, £58,000). The aggregate of these sums is £179,000 (year ended 31 July 2014, £412,000).

The emoluments of Professor T Blackman, the acting Vice-Chancellor from 1 January 2015 to 4 May 2015, included in the above costs are £86,000. The University's pension contributions to USS in respect of the acting Vice-Chancellor were paid at the same rates as for other academic staff and amounted to £7,000. The aggregate of these sums is £93,000.

The emoluments of Mr P J G Horrocks, the Vice-Chancellor from 5 May 2015, included in the above costs comprised salary of £79,000 and taxable benefits of £3,000, which totalled £82,000 (an equivalent annual salary of £325,000, taxable benefits of £14,000, and total £339,000). The University is making no pension contributions in respect of Mr Horrocks.

Compensation for loss of office paid to UK based employees earning in excess of £100,000 and funded from general income was £nil (year ended 31 July 2014, £30,000).

The remuneration of other higher paid employees, excluding the University's pension contributions, was:

	Staff Numbers	
	Year Ended 31 July 2015	Year Ended 31 July 2014
* £100,000 - £109,999	9	7
* £110,000 - £119,999	5	4
£120,000 - £129,999	2	3
£130,000 - £139,999	1	2
* £140,000 - £149,999	2	2
£150,000 - £159,999	3	0
£160,000 - £169,999	2	1
* £170,000 - £179,999	0	2
£180,000 - £189,999	1	0
* £240,000 - £249,999	1	0
	<b>26</b>	21

\* These categories include employees of FutureLearn Limited, who are paid on commercial terms, in the following bands:

£100,000 - £109,999	1	0
£110,000 - £119,999	2	0
£140,000 - £149,999	1	0
£170,000 - £179,999	0	1
£240,000 - £249,999	1	0
	<b>5</b>	1

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m (re-presented)
<b>7 Other Operating Expenses</b>		
Teaching materials and expenses	26.5	27.0
Student Recruitment	20.5	17.4
Financial assistance, bursaries and prizes	9.2	6.5
Grants to Open University Students' Association	0.8	0.9
Provision for bad debts	(0.2)	0.0
<b>Total Student Related Other Operating Expenses</b>	<b>56.8</b>	51.8
Staff support and consumables	36.6	40.5
Equipment purchase, rental and lease	10.0	9.4
Repairs and maintenance	6.5	6.5
Estate utilities and services	6.2	5.7
Academic resources and subscriptions	5.9	5.5
Broadcast media production	3.6	4.1
Rent and rates	3.6	3.7
Auditors' remuneration - Group audit fees	0.1	0.1
Other expenses	3.3	2.2
<b>Total Non-Student Related Other Operating Expenses</b>	<b>75.8</b>	77.7
<b>Total Other Operating Expenses</b>	<b>132.6</b>	129.5

The analysis within this note has been revised to better reflect the breakdown of other expenses; the prior year figures have been re-presented so as to provide a comparison with the current year. The grand total of £129.5 million for the year ended 31 July 2014 is unchanged.

Included in the above are audit fees in respect of the University only of £0.10 million (year ended 31 July 2014, £0.10 million) and its subsidiaries of an aggregate of £0.02 million (year ended 31 July 2014, £0.03 million). Fees paid to the auditors for non-audit services totalled £Nil (year ended 31 July 2014, £Nil).

The total expenses paid to or on behalf of the members of Council in the year was £0.02 million (year ended 31 July 2014, £0.01 million). This represents travel and subsistence expenses incurred in attending Council meetings in their official capacity and reflects the UK-wide distribution of the University's activities and distribution of its Council members. No payments or other benefits for being a member of Council were paid to, or waived by, Council members. Ten 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 £2.7 million (year ended 31 July 2014, £2.5 million), comprising £2.6 million property leases (2013/14: £2.5 million) and £0.1 million plant and machinery (2013/14: £nil)

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>8 Interest Payable and Other Finance Costs</b>		
On loans not wholly repayable within 5 years	0.4	0.4
Impairment on deposits	(0.2)	0.0
<b>Total Interest Payable and Other Finance Costs</b>	<b>0.2</b>	0.4

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>9 Taxation</b>		
UK Corporation Tax at 20.67% (2013/14: 22.33%)	0.3	0.0
Foreign taxes	0.0	0.1
<b>Total Taxation</b>	<b>0.3</b>	0.1

As an exempt charity the University is potentially exempt from taxation in respect of income or capital gains in the United Kingdom. The UK Corporation tax is solely in respect of Research and Development Expenditure Credit grants receivable by The Open University and by FutureLearn Limited for the first time in 2014/15.

The tax assessed for the year is higher (2013/14: higher) than the standard rate of corporation tax in the UK (21%).

**Tax Reconciliation**

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
Deficit before taxation	(7.2)	(16.9)
Taxation at 20.67% (2013/14: 22.33%)	(1.5)	(3.7)
Loss falling within charitable exemption	1.8	3.7
Unrelieved overseas taxation	0.0	0.1
<b>Tax charge for the year</b>	<b>0.3</b>	0.1

## 10 Tangible Assets : Consolidated

	Land and Buildings £m	Equipment £m	Total £m
<b>Cost and valuation</b>			
At 1 August 2014	240.2	16.9	<b>257.1</b>
Additions	0.1	0.3	<b>0.4</b>
Disposals	(1.0)	(0.8)	<b>(1.8)</b>
<b>At 31 July 2015</b>	<b>239.3</b>	<b>16.4</b>	<b>255.7</b>
<b>Accumulated Depreciation</b>			
At 1 August 2014	95.5	15.9	<b>111.4</b>
Charge for the year	8.4	0.7	<b>9.1</b>
Disposals	(0.3)	(0.8)	<b>(1.1)</b>
<b>At 31 July 2015</b>	<b>103.6</b>	<b>15.8</b>	<b>119.4</b>
<b>Net book amount</b>			
<b>At 31 July 2015</b>	<b>135.7</b>	<b>0.6</b>	<b>136.3</b>
At 31 July 2014	144.7	1.0	145.7
Financed by capital grants – see Note 18	67.0	0.4	<b>67.4</b>
Financed from other sources	68.7	0.2	<b>68.9</b>
<b>Net book amount at 31 July 2015</b>	<b>135.7</b>	<b>0.6</b>	<b>136.3</b>

If the land and buildings held at 31 July 1998 had not been revalued, the total value of land and buildings, including buildings in the course of construction, would have been included at the following amounts:

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
Cost	<b>233.6</b>	234.5
Aggregate depreciation	<b>97.8</b>	90.2
<b>Net book amount</b>	<b>135.8</b>	144.3

	Land and Buildings £m	Equipment £m	Total £m
<b>10 Tangible Assets : University</b>			
<b>Cost and valuation</b>			
At 1 August 2014	237.6	16.8	<b>254.4</b>
Additions	0.1	0.3	<b>0.4</b>
Disposals	(1.0)	(0.8)	<b>(1.8)</b>
<b>At 31 July 2015</b>	<b>236.7</b>	<b>16.3</b>	<b>253.0</b>
<b>Accumulated Depreciation</b>			
At 1 August 2014	92.7	15.9	<b>108.6</b>
Charge for the year	8.4	0.7	<b>9.1</b>
Disposals	(0.3)	(0.8)	<b>(1.1)</b>
<b>At 31 July 2015</b>	<b>100.8</b>	<b>15.8</b>	<b>116.6</b>
<b>Net book amount</b>			
<b>At 31 July 2015</b>	<b>135.9</b>	<b>0.5</b>	<b>136.4</b>
At 31 July 2014	144.9	0.9	145.8
Financed by capital grants – see Note 18	67.0	0.4	<b>67.4</b>
Financed from other sources	68.9	0.1	<b>69.0</b>
<b>Net book amount at 31 July 2015</b>	<b>135.9</b>	<b>0.5</b>	<b>136.4</b>

The unamortised value of HEFCE capital grants amounted to £66.6 million (31 July 2014, £72.5 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 HEFCE or use them in accordance with the Memorandum of Assurance and Accountability with HEFCE.

	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>11 Investments : University</b>		
<b>Ordinary shares in wholly owned subsidiary companies</b>		
FutureLearn Limited	11.6	7.0
Open University Student Budget Accounts Limited	0.5	0.5
Open University Worldwide Limited	0.3	0.3
<b>Total ordinary shares in wholly owned subsidiary companies</b>	<b>12.4</b>	7.8
<b>Long term loans</b>		
Open University Worldwide Limited	0.2	0.2
<b>Total long term loans</b>	<b>0.2</b>	0.2
<b>Total Investments</b>	<b>12.6</b>	8.0

FutureLearn Limited is registered in England and Wales and provides a multi-institutional platform for free, massive open online courses on behalf of a number of leading international universities, including The Open University. The increase in share capital reflects the funding of the operational losses incurred during the start-up phase of this business; on the basis of the business plan prepared by the Company, the University expects to receive donations of profits in the future.

Open University Student Budget Accounts Limited is registered in England and Wales and was established to provide students with a deferred payment facility. Around 7% of the students use this facility. 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 and/or business plans.

#### Connected Charitable Entities

The University has links with two exempt charities that fall within paragraph 28 of Schedule 3 of the Charities Act 2011, Bookhire Limited and Open University Enterprises Limited. Both are 100% owned subsidiaries of the University, registered in England and Wales, and are dormant companies.

	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>12 Endowment Assets : Consolidated and University</b>		
Balance at 1 August	0.5	0.6
Additions	0.1	0.0
Decrease in cash balances held for endowment funds	0.0	(0.1)
<b>Balance at 31 July</b>	<b>0.6</b>	0.5
<b>Represented by:</b>		
Cash at bank held for endowment funds	0.6	0.5
<b>Total Endowment Assets</b>	<b>0.6</b>	0.5

	Consolidated		University	
	As At 31 July 2015 £m	As At 31 July 2014 £m	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>13 Debtors</b>				
<b>Amounts falling due within one year</b>				
Student Loans Company	8.2	10.7	8.2	10.7
Students' loan accounts with Open University Student Budget Accounts Limited	9.9	10.9	0.0	0.0
Fee debtors	0.7	0.5	0.7	0.5
Amounts due from subsidiaries	0.0	0.0	2.8	0.6
Other debtors	17.2	11.9	15.9	10.9
<b>Total debtors falling due within one year</b>	<b>36.0</b>	34.0	<b>27.6</b>	22.7
Prepayments and accrued income	3.6	3.9	3.5	3.6
<b>Total due within one year</b>	<b>39.6</b>	37.9	<b>31.1</b>	26.3
<b>Amounts falling due after more than one year</b>	<b>0.0</b>	0.0	<b>62.9</b>	62.9

The Student Loans Company pays students' loans for their fees directly to the University in three instalments.

Students' loan accounts represent amounts due from students paying instalments under credit terms with The Open University's subsidiary company, Open University Student Budget Accounts Limited.

The University finances Open University Student Budget Accounts Limited and Open University Worldwide Limited, through long-term loans that are due for repayment or review in 2017. As at 31 July 2015, the former subsidiary had an outstanding loan amount of £60.0 million at an interest rate equal to base rate (31 July 2014, £60.0 million). As at 31 July 2015, the latter subsidiary has an outstanding loan amount of £2.9 million at an interest rate equal to 1% over base rate (31 July 2014, £2.9 million). Under the loan agreement between the University and each subsidiary, the subsidiaries are required to lend back to the University at the same interest rate any surplus funds, as disclosed in Note 15.

There are no material debtors and prepayments denominated in currencies other than sterling.



	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>14 Gilts, Equities and Term Deposits : Consolidated and University</b>		
UK gilt edged stock	125.7	88.7
Equity Based Funds	81.6	80.1
Money Market Funds - escrow for VAT refund	53.2	52.7
Fixed term deposits maturing in one year or less	35.2	50.1
<b>Total Gilts, Equities and Term Deposits</b>	<b>295.7</b>	271.6

The University holds tradable Treasury gilts with a redemption date of less than five years. At 31 July 2015 the weighted average redemption yield was 1.52% (year ended 31 July 2014, 1.63%) and the weighted average period to maturity was 933 days (year ended 31 July 2014, 630 days).

In January 2014 an initial investment of £40.0m was made in each of two funds that invest largely in equities. The market value of the equity based investments at 31 July 2015 was £87.9 million (31 July 2014, £80.1 million), an increase of £7.8 million. This comprises an increase in book cost of £1.5 million as a result of dividends received, included above and in the income and expenditure account and shown in Note 5; and, an increase in fair value determined with reference to the quoted market price at 31 July 2015 of £6.3 million, not included above, nor in the income and expenditure account. The nature of the underlying investments is discussed in the Strategic Report on pages 18 and 19.

Fixed term deposits with more than 24 hours maturity at the balance sheet date are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority. The interest rates for these deposits are fixed for the duration of the deposit at time of placement. At 31 July 2015 the weighted average interest rate of these fixed rate deposits was 0.77% per annum (31 July 2014, 0.70% per annum) and the remaining weighted average period for which the interest rate is fixed on these deposits was 93 days (31 July 2014, 86 days). The fair value of these deposits and gilts was not materially different from the book value.

The deposits shown in this note exclude accrued interest, which is included in prepayments and accrued income in Note 13.

	Consolidated		University	
	As At 31 July 2015 £m	As At 31 July 2014 £m	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>15 Creditors</b>				
<b>Amounts falling due within one year</b>				
Student fee income in advance	33.3	29.1	33.3	29.1
Student fee income deferred	28.2	42.1	27.7	41.8
Grants and other contracts in advance	15.1	12.9	15.2	12.9
Trade Creditors	12.2	11.7	12.1	10.3
Other creditors and accruals	42.5	45.2	42.4	46.2
Value Added Tax refund	52.7	52.7	52.7	52.7
Amounts due to subsidiaries	0.0	0.0	52.2	50.3
<b>Total amounts falling due within one year</b>	<b>184.0</b>	193.7	<b>235.6</b>	243.3

A provision for fee debts of £1.2 million (31 July 2014, £1.2 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.

There is uncertainty as to whether the Value Added Tax and interest refund will be retained and a liability has therefore been included for the full amount. HM Revenue and Customs (HMRC) has confirmed that no interest liability will arise on this amount should it become payable as a result of a future court ruling in favour of HMRC. The case is referred to in Note 24 on page 73.

Amounts due to subsidiaries includes surplus funds lent by the subsidiaries to the University under the terms of the loan agreements referred to in Note 13.

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

	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>16 Creditors</b>		
<b>Amounts falling due after more than one year : Consolidated and University</b>		
Long-term loans	60.0	60.0
Salix revolving green fund	0.5	0.5
<b>Total amounts falling due after more than one year</b>	<b>60.5</b>	60.5

The Group has one long-term loan facility:

A bank loan to the University of £60.0 million (31 July 2014, £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 2015 the interest rate on this loan was 0.71% per annum.

The Salix revolving green fund is a HEFCE 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.

	As At 31 July 2015 £m	As At 31 July 2014 £m
<b>17 Provisions for Liabilities : Consolidated and University</b>		
<b>Restructuring</b>		
Balance at 1 August	1.4	0.0
Increase in provision	0.0	1.4
Utilised in year	(1.4)	0.0
<b>Balance at 31 July</b>	<b>0.0</b>	1.4

The restructuring provision relates to the costs of restructuring the University's operations in the UK.

	Funding Bodies £m	Other £m	Total £m
<b>18 Deferred Capital Grants: Consolidated and University</b>			
<b>At 1 August 2014</b>			
Buildings	71.5	0.1	<b>71.6</b>
Equipment	0.9	0.1	<b>1.0</b>
<b>Total</b>	<b>72.4</b>	<b>0.2</b>	<b>72.6</b>
<b>Cash Receivable</b>			
Buildings	0.1	0.0	<b>0.1</b>
Equipment	0.3	0.0	<b>0.3</b>
<b>Total</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>
<b>Released to Income and Expenditure</b>			
Buildings	(4.6)	(0.1)	<b>(4.7)</b>
Equipment	(0.9)	0.0	<b>(0.9)</b>
<b>Total</b>	<b>(5.5)</b>	<b>(0.1)</b>	<b>(5.6)</b>
<b>At 31 July 2015</b>			
Buildings	67.0	0.0	<b>67.0</b>
Equipment	0.3	0.1	<b>0.4</b>
<b>Total – see Note 10</b>	<b>67.3</b>	<b>0.1</b>	<b>67.4</b>

	2015 Total £m	2014 Total £m
<b>19 Expendable Endowment Funds : Consolidated and University</b>		
<b>Balance at 1 August</b>		
Capital	0.5	0.6
<b>Total balance at 1 August</b>	<b>0.5</b>	0.6
Additions	0.0	0.0
Expenditure	0.0	(0.1)
<b>Balance at 31 July</b>	<b>0.6</b>	0.5
<b>Balance at 31 July represented by:</b>		
Capital	0.6	0.5
<b>Total</b>	<b>0.6</b>	0.5

	Consolidated £m	University £m
<b>20 Reserves</b>		
<b>Revaluation reserve</b>		
At 1 August 2014	0.7	0.7
Transfer to general funds in respect of contributions to depreciation released in the year	(0.7)	(0.7)
<b>At 31 July 2015</b>	<b>0.0</b>	<b>0.0</b>
<b>General funds</b>		
At 1 August 2014	254.0	260.1
Deficit for the year	(7.5)	(3.0)
Transfers from revaluation reserve	0.7	0.7
<b>At 31 July 2015</b>	<b>247.2</b>	<b>257.8</b>

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>21 Reconciliation of Deficit Before Tax to Net Cash Inflow From Operating Activities</b>		
Deficit for the year before tax	(7.2)	(16.9)
Depreciation	9.1	9.6
Profit on disposal of fixed assets	(0.3)	0.0
Deferred capital grant released to income	(5.6)	(5.6)
Endowment and investment income	(5.2)	(3.2)
Interest payable and other financial costs	0.2	0.4
Decrease / (Increase) in stock	2.8	(2.8)
(Increase) / Decrease in debtors	(1.2)	65.5
(Decrease) / Increase in creditors	(9.9)	14.5
(Decrease) / Increase in provisions	(1.4)	1.4
<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	<b>(18.7)</b>	62.9

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>22 Reconciliation to Net Funds</b>		
Decrease in cash in the year	(37.4)	(41.7)
Movement in deposits	24.1	106.4
Movement in endowments	0.1	(0.1)
Movement in bank debt	0.0	1.6
<b>Change in net funds</b>	<b>(13.2)</b>	66.2
Net funds at 1 August	332.3	266.1
<b>Net Funds at 31 July</b>	<b>319.1</b>	332.3

**23 Analysis of Changes in Net Funds**

	At 1 August 2014 £m	Cash Flows £m	Non cash Movements £m	At 31 July 2015 £m
Cash at bank and in hand	120.7	(37.4)	0.0	<b>83.3</b>
Endowment assets	0.5	0.1	0.0	<b>0.6</b>
Gilts, fixed term deposits and equities	271.6	22.3	1.8	<b>295.7</b>
Loans	(60.5)	0.0	0.0	<b>(60.5)</b>
<b>Total</b>	<b>332.3</b>	<b>(15.0)</b>	<b>1.8</b>	<b>319.1</b>

## 24 Contingencies

### VAT Case

Following the decision of the House of Lords in the Conde Nast/Fleming case, and in common with many other organisations, a claim was submitted on behalf of the University for the repayment of VAT incurred over the period 1973 to 1994, along with associated interest. In July 2011, Her Majesty's Revenue and Customs agreed the claim for the period 1973 to 1974. The amount of £0.7 million was received in October 2011 and was treated as an exceptional item in 2010/11. In June 2013 the First Tier Tribunal found in favour of the University in respect of the remaining period at issue, 1978 to 1994. The VAT refund of £21.0 million along with related interest calculated on a simple basis of £31.7 million was paid by HM Revenue & Customs to the supplier in October 2013 and was paid to the University in December 2013. Following an appeal by HMRC the Upper Tribunal found in favour of the University in May 2015. However, HMRC has lodged an appeal against the judgement and the University considers that there are too many uncertainties for these amounts to be recognised as income; an equivalent amount is therefore included in creditors in Note 15. The University has also lodged an appeal for interest to be paid on a compound basis rather than a simple basis.

### Universities Superannuation Scheme

A contingent liability exists in relation to the pension scheme recovery plan, since the University is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet.

## 25 Commitments

During the year ended 31 July 2015 the Group paid £2.7 million (year ended 31 July 2014, £2.5 million) in respect of operating leases.

The Group has obligations for annual payments under non-cancellable operating leases as follows:

	Land and Buildings £m	Equipment £m	Year ended 31 July 2015	Year ended 31 July 2014
			Total £m	Total £m
<b>Payable during the year</b>	2.6	0.1	<b>2.7</b>	2.5
<b>Annual commitment under operating leases:</b>				
Expiring:				
Within one year	0.3	0.0	<b>0.3</b>	0.1
Between 2 and 5 years	1.3	0.1	<b>1.4</b>	1.5
Over 5 years	0.9	0.0	<b>0.9</b>	0.9
<b>Total lease payments due</b>	<b>2.5</b>	<b>0.1</b>	<b>2.6</b>	2.5

A number of the property leases are subject to periodic rent reviews.

## 26 Post Balance Sheet Event

On 15 September 2015 the Vice-Chancellor's Executive announced that, following a review of the University's locations in England, it would be recommending to Council that seven regional offices should be closed and that three other locations expanded in order to better meet the needs of the University's students. The recommendation has been the subject of widespread consultation and review by the relevant University Committees and was approved by Council on 24 November 2015. This post balance sheet event does not require any adjustment to these financial statements.

## 27 Amounts Disbursed as Agent

The Funding Council and National College for Teaching and Leadership (NCTL) grants and bursaries set out below are available solely for students: the University acts only as paying agent. The grants and bursaries and related disbursements are therefore 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 and so there is no effect on net current assets. The separate HEFCE, SFC and NCTL grants for the costs of administering the above items are included in the Income and Expenditure Account.

	Year Ended 31 July 2015 £m	Year Ended 31 July 2014 £m
<b>HEFCE Access for Learning</b>		
Balance brought forward	0.5	0.3
Funding Body Grants	0.0	4.0
Disbursed to Students	(0.5)	(3.8)
<b>Balance carried forward</b>	<b>0.0</b>	<b>0.5</b>
<b>SFC Access Funds</b>		
Balance brought forward	0.0	0.1
Funding Body Grants	0.0	(0.1)
Disbursed to Students	0.0	0.0
<b>Balance carried forward</b>	<b>0.0</b>	<b>0.0</b>
<b>NCTL Training Bursaries</b>		
Balance brought forward	(0.6)	1.4
NCTL Grants	0.1	(0.8)
Disbursed to Students	(1.0)	(1.2)
<b>Balance carried forward</b>	<b>(1.5)</b>	<b>(0.6)</b>



## 28 Related Party Transactions

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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 one member shall be drawn from the Open University Student's Association (OUSA), a charity independent from the University that supports the University's students, in addition to the President of OUSA. The University provides funding to OUSA, which is shown in Note 7 on page 60.

No other material transactions have taken place.

## 29 Pension Schemes

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The University participates in the defined benefit scheme, the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. 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.

A small number of overseas based employees are members of defined contribution schemes in the countries in which they are employed.

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 £0.1 million (year ended 31 July 2014, £0.1 million).

### Defined Benefit Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). 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, each employer is required to contribute a specified percentage of gross pay to fund the benefits payable to their employees determined by the trustee, acting on actuarial advice. In the year ended 31 July 2015 the percentage was 16% (year ended 31 July 2014, 16%).

The University is unable to identify its share of the underlying assets and liabilities of the scheme in full on a consistent and reasonable basis and therefore, as required by FRS 17, Retirement Benefits, 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.

## 29 Pension Schemes (continued)

The latest triennial actuarial valuation of the scheme was at 31 March 2014. This was the third 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 triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by making a deduction from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum). The deduction was 0.2% in year one, decreasing to 0.1% over the subsequent 20 years.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 5.2% per annum in the first year, decreasing to 4.7% over the subsequent 20 years; salary increases would be CPI in year one, CPI plus 1% in year two and RPI plus 1% thereafter; and, pensions would increase annually by CPI.

Standard mortality tables were used as follows:

<b>Male members' mortality</b>	S1NA ("light") YoB tables – no age rating
<b>Female members' mortality</b>	S1NA ("light") YoB tables – rated down one year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates.

The assumed life expectations on retirement at age 65 are:

<b>Males / females currently aged 65</b>	24.2 / 26.3 years
<b>Males / females currently aged 45</b>	26.2 / 28.6 years

<b>Scheme specific valuation results</b>	At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a deficit of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.
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The actuary also valued the scheme on a number of other bases as at the valuation date. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 83% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 54% of the amount necessary to secure all the USS benefits with an insurance company; and, using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 3.3% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2015 was 72%.

As part of the valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2031. In 2015 the actuary estimated that if experience remained in line with the assumptions made, 50% of the shortfall will be recovered by 31 March 2025.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

## 29 Pension Schemes (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in Assumption	Impact on scheme liabilities
Initial discount rate	Decrease by 0.25%	Increase by £0.8 billion
Discount rate in 20 years' time	Decrease by 0.25%	Increase by £1.1 billion
RPI	Increase by 0.1%	Increase by £0.8 billion
Members live longer than Assumed	1 year longer	Increase by 0.5 billion

In response to the worsening of the deficit since 2011, some changes to the scheme benefits and to employer and employee contributions were agreed. The majority of the changes take effect from 31 March 2016, and have been incorporated into the actuarial valuation discussed above. The changes include:

<b>Accrued benefits</b>	For final salary section members, accrued entitlement upto 31 March 2016 will be calculated based on salary and service immediately prior to that date; subsequently these benefits will increase in line with CPI.
<b>Future benefits</b>	The defined benefit accrual after 31 March 2016 will be on a CARE basis with an accrual rate of 1/75 <sup>th</sup> and a cash lump sum of 3/75ths of salary, up to a salary threshold of initially £55,000.
<b>Member contributions</b>	Member contributions will be 8% of salary for all members.
<b>Employer contributions</b>	Employer contributions will be 18% of salary for all members.
<b>Defined contribution</b>	A new defined contribution benefit for salary in excess of the salary threshold will be introduced by 1 October 2016.

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 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, taken together with the anticipated returns form the basis of the trustee's funding strategy. 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 investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

The total pension cost for the University was £33.2 million (year ended 31 July 2014, £32.9 million). This includes £2.5 million outstanding contributions as at 31 July 2014 (year ended 31 July 2014, £2.5 million). Of the total pension cost, £1.8 million (year ended 31 July 2014, £1.9 million) related to costs in respect of early retirement.

<b>CARE</b>	Career Average Revalued Earnings
<b>CPI</b>	Consumer Price Index
<b>CUC</b>	Committee of University Chairs
<b>DELNI</b>	Department of Employment and Learning (Northern Ireland)
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Ammortisation
<b>ERDF</b>	European Regional Development Funding
<b>FRS</b>	Financial Reporting Standard
<b>FSSU</b>	Federated Superannuation System of Universities
<b>FTE</b>	Full-Time Equivalent
<b>HEFCE</b>	Higher Education Funding Council for England
<b>HEFCW</b>	Higher Education Funding Council for Wales
<b>HEI</b>	Higher Education Institution
<b>HEIF</b>	Higher Education Innovation Fund
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>IELTS</b>	International English Language Testing System
<b>ISA</b>	International Standards on Accounting
<b>MOOCs</b>	Massive Open Online Courses
<b>NCTL</b>	National College for Teaching and Leadership
<b>NEST</b>	National Employment Savings Trust
<b>OURSP</b>	Open University Retirement Solution Plan
<b>OUSA</b>	Open University Students Association
<b>OUSBA</b>	Open University Student Budget Accounts Limited
<b>OUW</b>	Open University Worldwide Limited
<b>QAA</b>	Quality Assurance Agency
<b>RAE</b>	Research Assessment Exercise
<b>REF</b>	Research Excellence Framework
<b>RPI</b>	Retail Price Index
<b>S2P</b>	State Second Pension
<b>SFC</b>	Scottish Funding Council
<b>SLC</b>	Student Loans Company
<b>SORP</b>	Statement of Recommended Practice
<b>USS</b>	Universities Superannuation Scheme

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