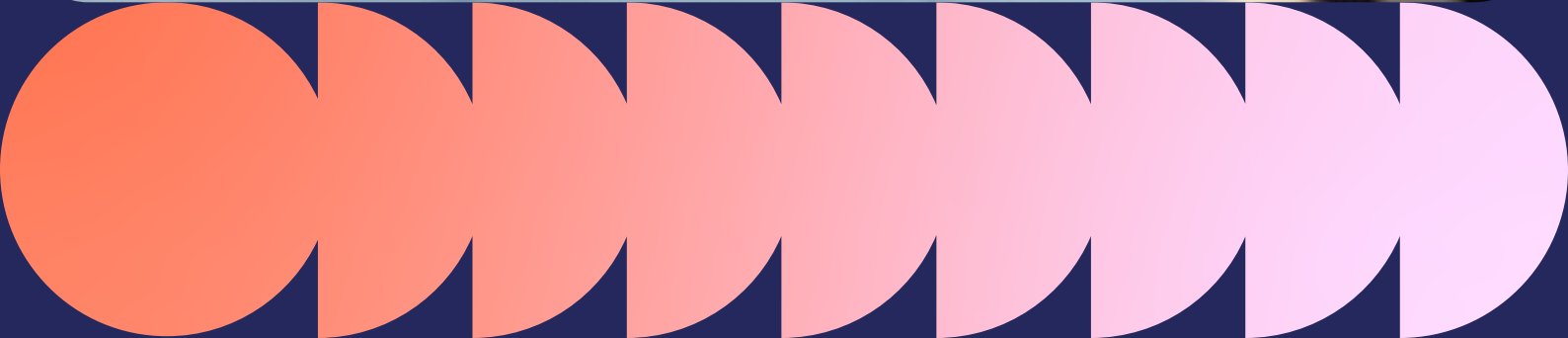


# Financial Statements

For the year ended 31 July 2022



# Contents







<b>01</b>	<b>Financial Highlights</b>	<b>pg 04</b>
<b>02</b>	<b>University Highlights</b>	<b>pg 06</b>
<b>03</b>	<b>Foreword by the Vice-Chancellor</b>	<b>pg 08</b>
<b>04</b>	<b>Strategic Report</b>	<b>pg 10</b>
<b>05</b>	<b>Corporate Governance Statement</b>	<b>pg 46</b>
<b>06</b>	<b>Independent Auditors' Report</b>	<b>pg 52</b>
<b>07</b>	<b>Statement of Principal Accounting Policies</b>	<b>pg 56</b>
<b>08</b>	<b>Statements of Comprehensive Income</b>	<b>pg 64</b>
<b>09</b>	<b>Statements of Changes in Reserves</b>	<b>pg 65</b>
<b>10</b>	<b>Statements of Financial Position</b>	<b>pg 66</b>
<b>11</b>	<b>Consolidated Statement of Cash Flows</b>	<b>pg 67</b>
<b>12</b>	<b>Notes to the Financial Statements</b>	<b>pg 68</b>
<b>13</b>	<b>Council and Committee Membership and Attendance</b>	<b>pg 91</b>
<b>14</b>	<b>Principal Advisors</b>	<b>pg 93</b>
<b>15</b>	<b>Glossary</b>	<b>pg 94</b>

# Financial Highlights

Our financial results for the year reflect the continuing impact of the pandemic; whilst new student numbers have returned to pre-pandemic levels, we continue to support the exceptional numbers of students recruited in 2020/21 as they progress through their studies. The accounting deficit is largely a result of the significant increase in the provision for our share of the funding deficit in the Universities Superannuation Scheme (USS). This is included in staff costs but is not cash expenditure and will reverse over the life of the deficit recovery plan.

Through our strategic change programme we continue to invest in systems, processes and staff to enhance our services and support to current and future students.

## Results, Assets and Reserves

	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
 <b>Total Income</b> <ul style="list-style-type: none"> <li>Tuition fees and education contracts</li> <li>Funding body grants</li> <li>Research grants and contracts</li> <li>Income from other sources</li> </ul>	<b>554.0</b> 423.1 113.8 14.6 2.5	<b>561.5</b> 393.2 104.5 13.8 50.0
 <b>Total Expenditure</b> <ul style="list-style-type: none"> <li>Expenditure before USS pension provision adjustment</li> <li>USS pension provision adjustment</li> </ul>	<b>777.5</b> 596.1 181.4	<b>519.8</b> 520.8 (1.0)
 <b>(Deficit) / Surplus for the Year After Taxation</b>	<b>(233.1)</b>	<b>33.6</b>
 <b>Adjusted Operating Surplus</b> (reconciliation of measure on page 28)	<b>23.0</b>	<b>52.1</b>
 <b>Net Current Assets</b>	<b>302.3</b>	<b>333.9</b>
 <b>Total Reserves</b>	<b>198.4</b>	<b>431.5</b>

## Other Key Statistics

 Total number of students Directly taught students Validated students Number of Full-Time Equivalent (FTE) students (Directly taught only)	208,300 160,011 48,289 88,060	205,420 162,264 43,156 87,960
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# University Highlights

2021/22 has seen a return to in-person graduation ceremonies, and what a joy these have been to have students share their experience with fellow students, family and friends. It is just one of the many highlights as we emerge from the pandemic. Bringing this experience to more students and bringing opportunities for all is at the very heart of The Open University. Our newly launched student advertising campaign is the first visualisation of our refreshed brand, ensuring we stay in step with the environment in which we are working and with the upcoming launch of the refresh to staff in the new academic year, we can say to our students and staff, The Future is Open.

## Awards

We were a finalist for 'University of the Year' for 2021/22 at the UK Social Mobility Awards 2022.

In the Faculty of Business and Law, the Business School, with its prestigious triple accreditation, now has more than 28,000 MBA graduates. Fewer than 1% of business schools worldwide hold these prestigious awards from the world's three leading international management education associations.

Our freely available learning platform, OpenLearn, continued to grow in 2021/22 compared to pre-pandemic performance, celebrating 100 million all time visitors and 2 million Statements of Participation issued. The team were awarded Open Education Global's Open Resilience Award for OpenLearn's response to the COVID-19 pandemic, and continued to support global events including COP26, the Beijing Winter Olympics, support for Ukrainian refugees, and the UEFA Women's Euro Championships.



**OpenLearn celebrated 100 million all time visitors and issued 2 million Statements of Participation in 2021/22.**

## Recognition

The European Distance and e-Learning Network has honoured Professor Denise Whitelock with a lifetime fellowship in recognition of more than 25-years contribution to the research, design, and evaluation of online and computer-based learning in higher education.

Julia Barkans, Head of Laboratory Facilities, Faculty of Science, Technology, Engineering and Mathematics (STEM), was presented with an international award for Excellence in Lab Leadership in the Lab Managers Excellence Awards.

Natalia Kucirkova, Professor of Reading and Children's Development won the UK Literary Association Academic Book Award 2021 for her title 'How and Why to Read and Create Children's Digital Books: A Guide for Primary Practitioners'. Dr Donna Smith, Senior Lecturer in Politics, has been awarded the Jennie Lee Prize for Outstanding Teaching by the Political Studies Association.

## Research at the heart

The Research Excellence Framework (REF) 2021 is the only formal evaluation of research quality in Higher Education Institutions across the United Kingdom. It uses a 'star' ranking from 1 star to 4 star (1\* to 4\*). The impact of 82% of our research was assessed as 'world-leading' (4\*) or 'internationally excellent' (3\*) – up from 79% in 2014. The REF also rated 76% of our research as 4\* or 3\* for its overall academic quality and rigour, an increase from 72% in the last exercise. 83% of the University's research environment, in other words, how well we support research activity, was assessed as 4\* or 3\*.

The Faculty of Wellbeing, Education and Language Studies launched the Centre for the Study of Global Development a research centre that aims to advance human wellbeing through global development research.





## Students

In 2021/22, new student undergraduate and postgraduate registrations returned to pre-pandemic levels. Whilst a reduction on last year's exceptional numbers, over 17,000 new students registered to study with us.

We are delighted with the continued endorsement our students give us through the National Student Survey (NSS). Our overall satisfaction level in the 2022 NSS results remains well above the sector average at 86%, with a very strong performance across all four nations of the UK. In Northern Ireland we have retained our first-place ranking and in Scotland we have moved up to joint first place.

Our work in Apprenticeships continues to grow, with the 2020/21 DfE statistics confirming once again that we are the largest provider of degree apprenticeships in England.

2022 is the 50th Anniversary of the creation of the Open University Students Association (OUSA) which came into being just three years after the University received its Royal Charter. We were proud to celebrate this milestone with our students. As we say thank you to our retiring president, Sarah Jones, we say welcome and congratulations to the new president of OUSA, Margaret Greenaway.

## Ways of Working

This year we have continued to test and learn our Ways of Working as we emerge from the pandemic. Hybrid working has been the agreed approach to enable individuals and teams to work in the best way for them and the work they do. Focus across the three areas of People, Place and Technology is helping us to trial new approaches, keep and share what works well and learn from what doesn't work well, to make decisions and evolve while ensuring our attention remains on our customers and the student experience.

## Investing in the future of The Open University

Our new five-year University strategy 'Learn and Live' is now in place following consultation across the University. Founded on five goals, it has strong commitments to equality, diversity, inclusion and financial sustainability. It sets out a clear agenda for the next five years, capable of guiding major decisions and unit plans.

We are acquiring the Open College of the Arts (OCA). OCA colleagues, working closely with our Faculty of Arts and Social Sciences, will enable our curriculum in the arts, particularly in the fields of visual, applied, and graphic arts, to expand and develop a direct creative industry offering. The first OCA-taught students will enrol in August 2023.

In an Industry leading move, nearly 5,000 Associate Lecturers moved onto new terms and conditions as planned, as discussed on page 23.

Through our strategic change programme, the Student Systems Portfolio focuses on creating a coherent, seamless and personalised service to students. The Student Communications Platform is now live for some enquirers with significant progress across the Digital Student Experience and Exams and Assignments programmes. 2022/23 will see the start of the build of our Artificial Intelligence capability for enquirer and student interventions.

We launched a new digital brochure to showcase and promote our Microcredentials. New courses this year include: *Mentoring and Coaching in Professional Learning*, and *Developing Educational Leadership in Practice*, which take our total number of microcredentials to 26.



**In the 2022 NSS our results remains well above the sector average at 86% with a very strong performance across all four nations of the UK**



# Foreword

## Professor Tim Blackman, Vice-Chancellor

It has been another extraordinary year for The Open University. Our community responded to the pandemic not only in ways that put the wellbeing of our students and our colleagues first, but also reached out to other universities, colleges, schools and the wider public to offer help and support. We moved quickly to respond to the terrible situation in Ukraine, including new scholarships and fellowships for refugees and free courses on English, job skills and Ukrainian culture.

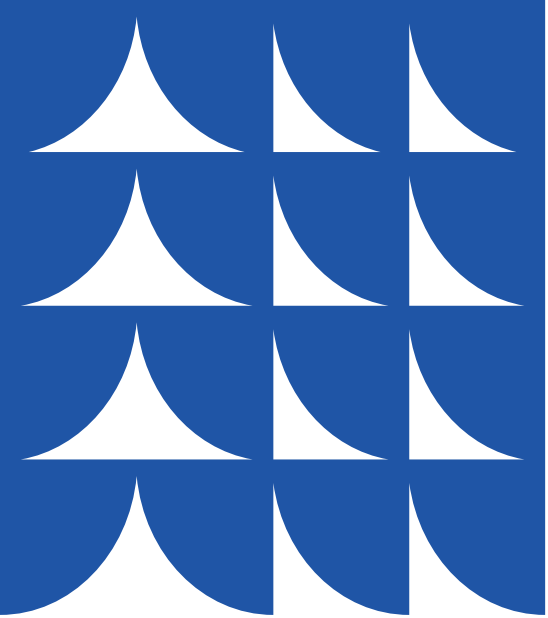
We adopted our new University strategy 'Learn and Live' in November 2021, alongside a powerful new branding and marketing campaign. We started to emerge from the COVID-19 crisis and absorb its lessons for future ways of working and use of space. We implemented, not without issues, new business-critical IT systems, and the first phase of the huge and complex Associate Lecturers contract change. We signed an exciting new co-production and partnership agreement with the BBC.

We embarked on a major national project to support higher education provision in further education colleges, funded by the Office for Students. Our free learning website, OpenLearn, reached 100 million visitors.

We also received our results from the national Research Excellence Framework exercise, confirming many areas of research excellence and the resources to underpin a new research plan that includes focusing on societal challenges of sustainability, living well and equality.

However, after the large increase in new students in 2020/21, we saw overall numbers fall back and started to enter a much less predictable market and policy environment. There continues to be some underlying growth driven by policies in Wales to support part-time learners, new courses and a trend for students to study at a higher intensity, but after four years of successive operating surpluses, including the year reported here, we know that the years ahead are going to be tough. We face this situation with a good level of reserves that will provide temporary support



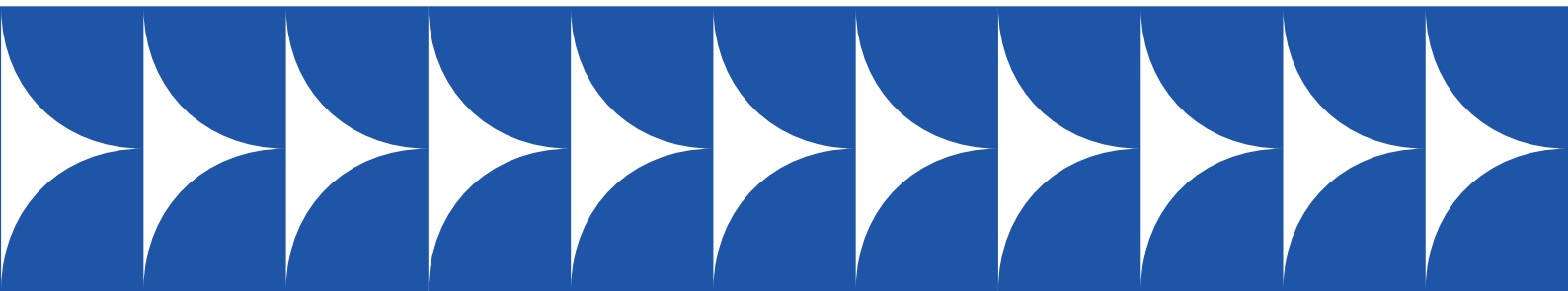


but not negate the need for measures to bring the University's spending into line with our income, which will be a focus of much work over the coming two to three years.

The importance of The Open University's mission and the wider role we play in all four nations of the UK and globally will be front and centre in how we adjust to the times ahead. We are a resilient university, not least because of everyone's strong belief in our mission. Everyone who works at The Open University has done a remarkable job over the past year, despite the impact of the pandemic and the pressures we have seen on pay and pensions. Staff survey results showed that job satisfaction has generally stayed high, and that The Open University is widely regarded to be a caring organisation. In other areas, principally how we plan and manage change, we know we need to do better.

Our students will also continue to be at the heart of all we do. They have continued to report high satisfaction, with the new National Student Survey results giving us a ranking for overall satisfaction of sixth in the UK and first in Northern Ireland and, jointly, in Scotland. In all sorts of ways, our unique four nation span of provision is a source of strength, enabling us to learn from each nation and work together, open to people, places, methods and ideas.

**Professor Tim Blackman**  
Vice-Chancellor



# Strategic Report

## Introduction

Our 2021/22 Strategic Report provides an overview of the strategy and operating context for The Open University and reports on our achievements and performance during the year. We explain our distinctive mission and how we deliver this through our strategic objectives. We look at our charitable status and operational performance with regard to students, staff and research activities. We consider our financial performance over the past year and compare this to the financial strategy and set out our approach to risk management. Finally, we look to the future as we consider the external environment and the opportunities and challenges posed by regulatory, economic, social and political change.

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

## About The Open University

The University was granted its Royal Charter on 23 April 1969. For over 53 years we have pioneered distance learning, bringing university to our students wherever they are and enabling students to fit study around their life.

We are the largest University in the UK and one of the largest Universities in Europe in terms of student numbers. Our distance learning model provides accessible study resources and expert tuition instruction, which means that our students have the flexibility to study when and where they want. We do not believe in barriers to Higher Education and most of our courses do not have entry requirements. We support our students to make informed decisions based on their determination to succeed and an understanding and preparation for the work required.

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

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



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

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

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

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

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

Whilst many activities are undertaken from the campus in Milton Keynes, our staff are geographically dispersed with centres in Edinburgh, Cardiff, Belfast, Dublin, Nottingham, and Manchester. As we emerged from the pandemic during 2021/22 hybrid working became the agreed approach to enable individuals and teams to work in the best way for them and the work they do.

## Ensuring academic quality

The University is regulated principally by the Office for Students (OfS). We also operate throughout the UK and as described above, we receive direct funding from SFC, HEFCW, and the DfE (Northern Ireland). We are subject to the external quality assessment requirements of our funders. This includes a 5 yearly cyclical quality assurance and enhancement review (with the next one scheduled for 2026) and an annual quality report to the SFC in October each year.

In addition, much of our academic provision is accredited or recognised by various Professional, Statutory and Regulatory Bodies. In 2021/22, there were a number of successful assessments of our provision including:

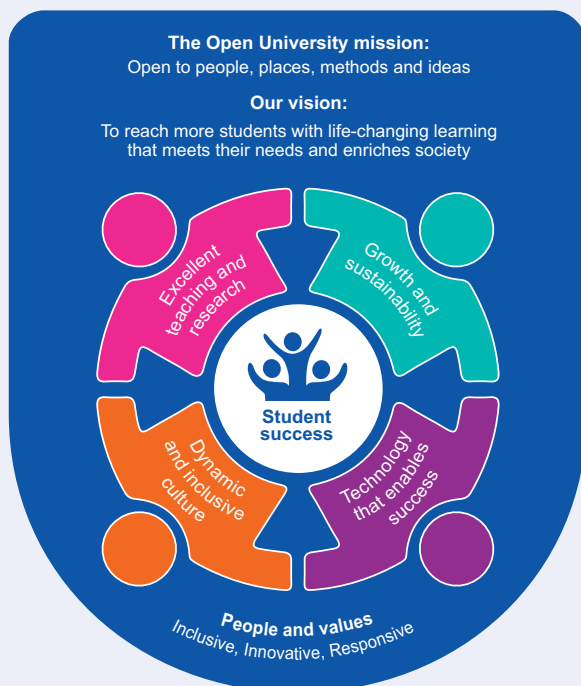
- re-accreditation for 3 years by the General Pharmaceutical Council and Health and Care Professional Council for the PG Cert in Non-Medical Prescribing.
- approval by the Nursing and Midwifery Council to deliver the non-Apprenticeship Nursing (Adult; Children and Young People) programme in a blended learning partnership with Oxford University Hospitals NHS Foundation Trust and Oxford Health NHS Foundation.
- continuing reaccreditation by the BCS (The Chartered Institute for IT) for computing qualifications.

We maintain our own quality assurance and quality enhancement through a programme of internal periodic reviews and the use of external examiners and advisors.

# Our strategy

In our final year of our current Strategic Plan we set out progress in building on our enduring history and track record delivering genuine social and economic benefit for students, employers, and society across all four nations of the UK and beyond.

Our new 'Learn and Live' strategy for 2022–2027 affirms the University's commitment to its distinctive mission and vision with the aim to bring flexible, high-quality university education to even more people, achieving even greater societal impact as a movement and not just a university.



## Our mission

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

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

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

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

## Strategic plan to 2021/22

Student success is identified as our key strategic priority. It is through our scale, reach and our ability to support students to succeed that we can achieve our positive impact on society and the economy. Our focus has been on:

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

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

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

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

The Strategic Plan to 2021/22, prioritised the following areas:

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

<b>Our progress</b>	<b>We have continued to make progress in 2021/22, as measured against our strategic success measures.</b>
<b>Student recruitment</b>	<ul style="list-style-type: none"> <li>• After the exceptional growth in student numbers in 2020/21, total student numbers have stabilised and in 2021/22 our directly taught student population was in excess of 160,000.</li> </ul>
<b>Student success</b>	<ul style="list-style-type: none"> <li>• We reported to the Higher Education Statistics Agency (HESA) that positive progress has been achieved in the proportion of students who succeed in their studies, and there has been an increase in the proportion of students continuing their studies.</li> </ul>
<b>Student satisfaction</b>	<p>With regard to student satisfaction:</p> <ul style="list-style-type: none"> <li>• We achieved an overall satisfaction rate of 86% in the 2022 National Student Survey (NSS), remaining above the sector average of 74%.</li> <li>• We retained our first place ranking in Northern Ireland and moved to joint first place in Scotland.</li> <li>• Our ranking for overall satisfaction places us sixth in the UK for student satisfaction.</li> </ul>
<b>Associate Lecturer contracts</b>	<ul style="list-style-type: none"> <li>• Towards the end of the financial year, we achieved our goal of introducing new terms and conditions for our Associate Lecturers, as discussed on page 23. The work to operationalise what has been agreed and prepare all areas of the University for changes to systems and processes is underway.</li> </ul>
<b>Strategic change</b>	<ul style="list-style-type: none"> <li>• Our strategic change programme spanning several years underpins the Strategic Plan. The benefits of the programme are being delivered progressively, building a platform for future growth. This will enhance our financial sustainability and ensure that we are able to remain responsive to our students' needs and have the headroom to continue to innovate.</li> </ul>
<b>Core systems replacement</b>	<p>The programme was split into two parts during 2021:</p> <ul style="list-style-type: none"> <li>• Enterprise Resource Planning – the systems that support Finance and People Services processes.</li> <li>• The Student Services Portfolio – representing several programmes that are working to enhance the student journey, including Student Management, Curriculum Management, the Digital Student Experience, Student Communications and Exams and Assignments.</li> </ul>

## Our strategy for 2022 to 2027

During 2021/22, following extensive consultation and engagement, a new University strategy for 2022 to 2027 was approved by the Council. Our strategy for 2022 to 2027 'Learn and Live', builds on our enduring mission and will guide our decision-making and priorities for the period ahead.

We embark on our new strategy from a position of strength; a university with an enviable reputation and scale, with more than 160,000 students achieving their goals and aspirations, and with pioneering research that is advancing knowledge and improving lives. It is a strategy that stays true to our enduring mission, a strategy of both continuity and change. Our mission has remained

a constant since receiving our Royal Charter more than fifty years ago. It is more relevant now than it has ever been. These are times of environmental, economic, and social change needing an informed public engaged in their solutions, and times of an ever-faster pace of technological change demanding lifelong learning.

Learn and Live sets out our plans for progressing this unique mission. Our aim over these five years is to bring flexible, high-quality university education to even more people, achieving even greater societal impact as a social movement and not just a university.

### The strategy is built on five goals and seven enablers



2022-27

**LEARN AND LIVE:**

# Our five year strategy

**Mission:** Open to people, places, methods and ideas.  
**Vision:** Life-changing learning that enriches society.  
**Values:** Inclusive, Innovative, Responsive.

## Our goals



Sustainability



Societal impact



Greater reach



Success for our students



Equity

### OUR ENABLERS

Live our values

Support each other

Secure and effective technologies

Manage change well

Decisions and data

Four Nations

Steward our finances

## Our Goals

**Greater reach** – Offering unrivalled choice, quality and flexibility to more people from all parts of society through a range of channels and learning opportunities, with the University's core offer of qualifications and accredited learning at its centre.

**Success for our students** – Supporting students to achieve their goals, whoever and whatever they are, with outcomes that are equitable and open up new opportunities in life and work.

**Societal impact** – Locally and globally through research, enterprise and skills development that shape the future. We are proud to contribute to the global pursuit of new knowledge and its translation into practice. Over the next five years we will be especially committed to developing deep expertise in interdisciplinary work to help solve complex societal challenges.

**Equity** – Greater diversity at all levels, and inclusion in every aspect of how we work and what we achieve. We are committed to creating a culture of respect and belonging so that everyone is meaningfully included in the University's ways of working and way of life, addressing under-representation or exclusion of voices that should be heard.

**Sustainability** – Environmental and social sustainability. Our commitment to environmental and social sustainability will continue to run through our education, research, enterprise, curriculum and public engagement work. Our global presence and profile give us a unique opportunity to drive thought leadership, and to lead mass public engagement with achieving sustainability.

## Our Enablers

**Living our values** – Being inclusive, innovative and responsive in all we do. We value and respect each other for who we are and what we contribute, welcoming differences and building an inclusive community which enhances the wellbeing of students, learners and colleagues, and challenges us to do even better for our students and each other.

**Support each other** – Supporting each other to do our best work. The goals of this strategy can only be achieved if we have people with the right skills, motivation and experience and we support each other. This also depends on all colleagues having the environment and tools they need. Getting these right will be an important focus over the next five years.

**Manage change well** – Continuously improving how we work and manage change. We need to change to accommodate shifts in student, learner and colleague needs and behaviour, to adopt new findings from research, to adapt to technological developments, and to respond to new external factors such as changes in government policies, funding priorities, competition, demography or economic conditions.

**Secure and effective technologies** – Employing secure and effective technologies with the best possible user experience. We need to stay at the forefront of technologies that help our students to learn and succeed as well as invest in the best technologies available to support our professional services. We need our technology to be reliable, user-centred and fit-for-purpose.

**Decisions and data** – Using data and evidence in all our decision-making. We aim to consult widely and hear different points of view in all our decision-making, and to arrive at decisions that everyone gets behind because they can see the benefits and have the evidence.

**Four nations** – Building on our uniqueness as a university in England, Wales, Scotland and Northern Ireland. The Open University is unique in being a trusted partner and leading provider of higher education in England, Wales, Scotland and Northern Ireland, as well as having many students in the Republic of Ireland. Although we will continue to welcome students studying in countries around the world, our priority over the next five years will be to strengthen our role in the four nations of the UK.

**Steward our finances** – Stewarding our finances so that we can invest in our goals. The purpose of our financial strategy is to achieve our mission and goals and to ensure that the University can pursue its mission long into the future. Our income will need to meet both the costs of current activities and the costs of future commitments.

We have developed a new performance framework which aligns strategic success measures to our goals and enablers and will help us to measure our progress. 2022/23 will be the first year of implementation and reporting.

# Charity status and public benefit

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

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

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

## Charitable aims

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



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

University's Royal Charter



## Public benefit

The direct beneficiaries of the University's activities are our undergraduate and postgraduate students, our apprenticeship students and their employers and the recipients of our research.

The provision of educational opportunity to all those who wish to realise their ambitions and fulfil their potential is core to our mission. Our open-entry policy means that it is potential that matters and most of our courses have no entry requirements. Our distance learning model means that the opportunity to benefit from our activities is not restricted by geography. Details of the numbers of students that benefit from our activities as well as our work on widening access and participation are set out on pages 19 to 21.

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

through The Open University's OpenLearn platform, Open University iTunes services, YouTube, e-books through Amazon and Google and through FutureLearn Limited, our joint venture investment.

There are almost 1,000 free courses available on OpenLearn, covering a diverse range of topics that have attracted millions of enrolled learners. In 2021/22, there were 16 million visits to OpenLearn by 10.1 million visitors, bringing the total all-time visitors to 105.3 million. OpenLearn also utilises tools such as YouTube (65.5 million video views since 2008) and Amazon Kindle (3.1 million downloads since 2015).

We continue our partnerships with the BBC and other broadcasters to create educational programming, and have received a number of awards for co-productions, such as 'Surrogates', 'David Harewood: Psychosis and me', and '8 days: To the Moon and back'.



Information on research activities are set out on page 22. A number of our research projects provide wider public outreach, engagement and benefit. Examples include:

- 'Empowering teachers to help children read for pleasure' supports schools to better understand and address the root causes behind the diminishing number of children who read books. This groundbreaking research focuses on reading proficiency, supports teachers' reading habits and their practice in extra curricula reading groups, both face to face and through digital technologies.
- A team of researchers studied children's experience of death anxiety during the COVID-19 pandemic and called for early mental health support to address the effects on children. This research addressed the inconsistency in mental health support available through schools, youth clubs and charities and helped develop a national network of early intervention hubs of open-access mental health support in non-medicalised settings.

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

## Fees and funding

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

In England, although tuition fees are subject to statutory regulation, our fees in 2021/22 were set lower than the regulatory cap. The majority of our students are liable for annual tuition fees of £6,336 per Full-Time Equivalent, equating to £19,008 for an undergraduate degree.

The majority of our students in Scotland and Northern Ireland, and those in Wales who commenced study

prior to the 2021/22 academic year, are liable for annual tuition fees of £2,112 per Full-Time Equivalent, or £6,336 to complete an undergraduate degree. In Wales those who commenced study from the 2021/22 academic year are liable for annual tuition fees of £2,568 per Full-Time Equivalent, or £7,704 to complete an undergraduate degree.

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

## Financial support for students

Many students are able to access support with tuition fees and living costs through government-backed loans and grants through the Student Loans Company (SLC) or Student Awards Agency Scotland (SAAS) based on the UK nation in which they reside. For those students not eligible, or not wanting, to use the SLC and SAAS, our wholly owned subsidiary, Open University Student Budget Accounts Limited, offers students a deferred payment facility at a lower than market rate of interest.

Disabled Student Allowances are available to UK residents to assist with the extra study costs associated with their disability, and can help pay for specialist equipment and software, a study support helper and other extra costs. This is administered by SLC/SAAS.



In addition to government support, in 2021/22 we provided an additional £5.9 million of direct or indirect funding to support students in their studies, including:

- £1.5 million of study support grants to students with low incomes. This was up from £0.8 million in the previous year, reflecting some of the early cost-of-living pressures post-pandemic.
- £1.5m of tuition fee income was waived for low-income students beginning an Access module – an ideal starting point to develop study skills and build confidence prior to embarking on an undergraduate qualification. Some students in the UK on low incomes may be eligible to study an Access module for free if they meet certain criteria.
- £2 million of support to students in Scotland in waiving the gap between the Part-time Fee Grant and the undergraduate fee, ensuring that our students on low incomes are not financially disadvantaged compared to full-time students for whom tuition is free.
- £0.7 million of tuition fee or bursary payments were made in relation to our bursary and scholarship schemes including Disabled Veterans Scholarships, Carers Scholarship, and for students of a minority ethnic background.

## Fundraising activities

Over 12,000 University alumni, supporters, trusts and foundations, and corporate partners have supported the University's mission with their philanthropy and gifts in wills to reach more students with life-changing learning and to support our research and teaching. We thank our donors for their support and continue to build relationships with individuals and organisations whose values resonate with the values and vision of the Open University.

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

The Development Office is responsible for protecting the reputation of the University and as such has rigorous due diligence protocols in place regarding potential philanthropic gifts.

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

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

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

We do not employ external call centres and do not use commission-based incentives for our team. We use third-party design and print agencies for our direct mail appeals, for which we have clear systems and processes in place.

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

# Our students

Student success remains at the heart of what we do and ensuring that all our students achieve the best outcomes continues to be our priority. We will continue to seek feedback, listen and respond to our students to ensure the best experience possible.

This year we have built on our learning from the changes we made to support our students through the pandemic, adjusting our processes and approaches for the post-pandemic world to improve the experience for all our students.

## Student numbers

In 2021/22, our directly taught student numbers of 160,011 have decreased by 2,253 or 1.4% compared to 2020/21. The average intensity of student study, expressed in Full-Time Equivalents, has increased by 100 or 0.1% to 88,060, a continuing trend of students increasing their study intensity.

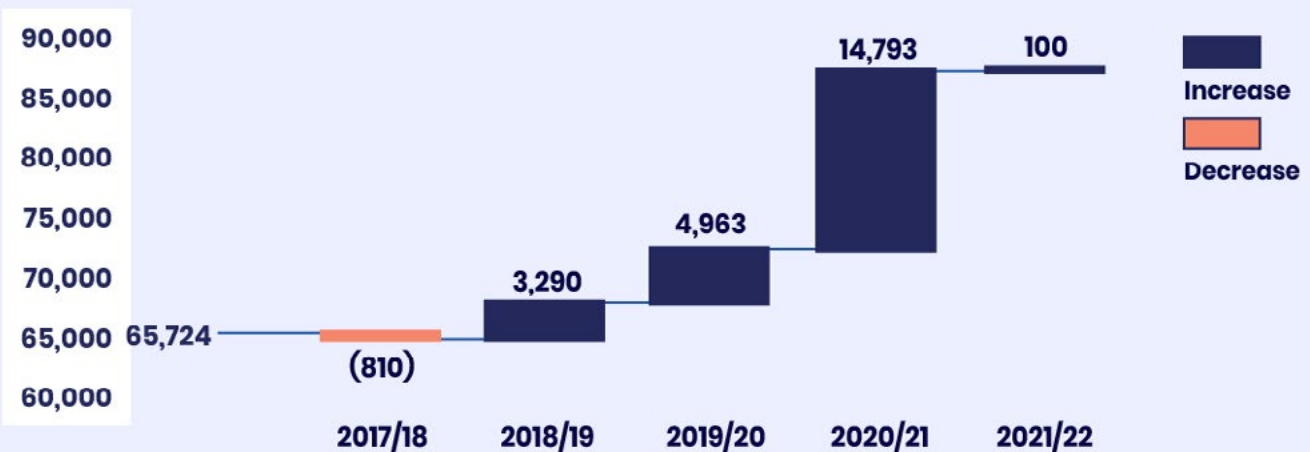
Our student numbers have stabilised from the exceptional growth seen in 2020/21 and reflect a return

to pre-pandemic levels of new student registrations.

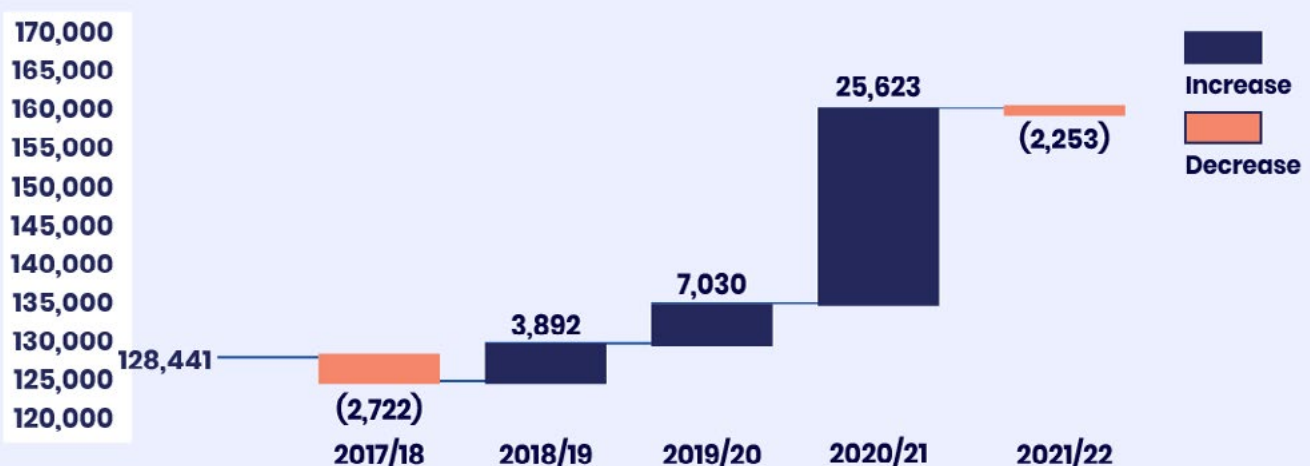
Higher Education Statistics Agency (HESA) data shows that our share of the UK part-time undergraduate market in 2020/21, the latest available data, increased by 4% to 51% compared to the previous year.

In 2021/22, we had 911 postgraduate research students, a small increase on the previous year.

### Annual change in student FTE



### Annual change in student headcount



## Student success

During 2021/22, we awarded more than 13,000 undergraduate and postgraduate degrees.

We have reset a number of policies and processes that were temporarily amended to support our students better through the pandemic, and we are reintroducing face-to-face tuition events for our students where this is appropriate pedagogically.

We have continued to focus on improving student outcomes so that more of our students pass their modules and continue studying with us. We have maintained the improvement trend of recent years in our HESA non-continuation rate (an external measure that looks at whether a part-time student is still in higher education two years after entry) with percentage point improvements across all four nations reported in 2022 compared to the previous year of England 0.5%, Northern Ireland 3.1%, Scotland 3.4% and Wales by 7.8%.

We are focusing on maintaining this improvement trend and are developing use of predictive analytics to better support our students, enhancing student induction and reviewing assessment processes and policies.

## Access, Participation and Success

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

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

Each nation responds to the priorities as set out by their funding body and related to their own national context. These are summarised on page 21. Common priorities exist for disabled students, students within the lowest Index of Multiple Deprivation and students from Black, Asian and Minority Ethnic backgrounds.

## Student satisfaction

We aim to provide the best learning experience for our students and are proud of the feedback we receive from them. 2021/22 has been another challenging year with our students overcoming long-term impacts of the pandemic and facing an increasingly difficult financial situation.

The outcomes of the NSS 2022 are reported on page 13. In addition to the headlines 84% of students were satisfied with the teaching on their course and 83% with the assessment and feedback they received.

However we are not complacent and focus on understanding in detail where and why our students are satisfied or dissatisfied and ensuring action is taken in response. We are taking measures to improve our students' sense of belonging and community, and have refreshed the Student Charter, setting out values for the whole University community. We work closely with the Open University Students Association across a number of common areas including:

- Increasing the diversity of students engaged in quality enhancement activities and processes.
- Supporting our staff to close the feedback loop with students.
- Supporting the development and launch of a new internal Student Survey.
- Developing new resources to support students and staff in getting the best out of student representation on committees.
- Communicating the value and impact of Student Voice work to both students and staff, including the annual Student Voice Week.
- Supporting digital inclusion – working to remove the digital barriers to study such as access to broadband, technology and digital skills.

# Access, Participation and Success priorities across the four nations

## The Access and Participation Plan – England

The Access and Participation Plan (APP) is our agreement with the OfS and is a condition of our registration. However, delivering the commitments within the APP is important to our mission to promote educational opportunity and social justice.

Our current plan sets out targets for increasing the proportion of students from under-represented and disadvantaged backgrounds, and reducing the gaps between the most and least represented groups of students with regard to continuation of studies, module pass rates and good pass rates and progression to highly skilled employment or further study. Progress against targets is reported in our annual monitoring return which is published on our website.

In compliance with OfS directions spend on access, financial support and research and evaluation activities in England is reported in Note 23 of these financial statements. Note 23 does not include our expenditure on activities addressing gaps in the awards made and progression for these students.

In line with updated requirements from the OfS, in July 2022 we submitted a variation to the APP covering the 2023/24 academic year. New priorities include working in partnerships with schools to support pre-16 attainment; ensure access to higher education leads to successful participation and successful outcomes for students from underrepresented groups; and develop more diverse pathways into and through higher education through expansion of flexible level 4 and 5 courses and degree apprenticeships.

## The Widening Access and Participation Plan – Northern Ireland

The Open University in Northern Ireland usually submits an annual Widening Access and Participation Plan to the Department for the Economy, however they have not requested this for 2022/23 due to a review of the approach. We expect a new format for this return which will likely take a broader perspective around student success.

## Outcome Agreement – Scotland

All of Scotland's universities and colleges, including The Open University in Scotland, are required to develop an annual Outcome Agreement with the Scottish Funding Council (SFC) to give assurance on the use of public funding. The Outcome Agreement sets out the University's commitment to a range of priorities, and includes a series of widening access and success measures reflecting Scottish Government aspirations around reducing inequalities for students from the most deprived Scottish Index of Multiple Deprivation quintiles and from care-experienced backgrounds among others. Outcome Agreements are published on the SFC website and are open to view by government, stakeholders and the general public.

Outcome Agreement Self-Evaluation reports are returned in October each year to provide evidence of the institution's progress towards national measures. Where appropriate The Open University and Scottish Funding Council have agreed a set of parallel bespoke measures that align with national priorities.

## HEFCW Monitoring – Wales

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

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

# Our research activities

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

Our research shapes policy and practice, drives innovation and changes lives for the better. It addresses government research and knowledge exchange priorities in all four UK Nations through a comprehensive approach across our Faculties.

Our new Research Plan has been approved by Senate and was launched in September 2022. A key aspect of the plan is the Open Societal Challenges programme that is designed to enhance the impact of our research and help interdisciplinary teams focus on some of the key challenges facing us all. The Plan also commits the university to intensify work to breakdown equality barriers and to make our research open to everyone who can benefit from it, including our students and alumni.

The results of the Research Excellence Framework (REF) assessment were announced in May 2022 and confirmed our status as a large research institution that enhances lives through our work. 82% of our impact was rated 4\* or 3\*, a celebration of our engaged approach to working with end-users in industry, charities and the public sector in the UK and across the world. With 649 staff submitted to REF 2021 we had a 61% increase in our inclusivity, meaning that more staff than ever contributed to a strong performance across all Faculties.

Research activities for postgraduate students were significantly disrupted by the COVID-19 pandemic but our cohort of over 900 students continued to generate outstanding research. Career development and training, fulfilling our commitment to the Concordat to support the Career Development of Researchers, has continued with a good mix of online and face-to-face activity on campus.

Income from external research grants and contracts for 2021/22 was £14.6 million, an increase of £0.8 million from 2020/21. In addition, £1.6 million income was received through the Expanding Excellence in England grant from Research England (disclosed as Funding Body Grant).

We have seen continued success with European research funding, but uncertainly over future access to Horizon Europe funds is a concern, as is the resultant intensification of competition for UK funding. The new Research Plan will help focus our ambitions to increase and diversify external research income.

## Notable award achievements in 2021/22 include:

- £1.6 million from the Mayor's Office for Policing and Crime to the Open University Centre for Police Research and Learning.
- £1.2 million from UK Research and Innovation for a Future Leaders Fellowship to explore 'How can we create a more just society with A.I.?'.
- £1 million from the Engineering and Physical Sciences Research Council for a Doctoral Training Partnership programme.
- £0.6 million from the Natural Environment Research Council for 'Accurate and precise alkenone records of atmospheric CO<sub>2</sub> for the Pliocene and beyond to inform the future'.
- £0.5 million from the Foreign, Commonwealth & Development Office for 'Mobile Learning for Empowerment of Marginalised Mathematics Educators'.
- £0.5 from the European Commission for Innovations and Capacity building in Agricultural Rural and Environmental Uav Services.

# Our people

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

## Response to growth

In response to the significant growth in student numbers in 2020/21 and continued workload pressures through change activities the number of full-time equivalent (FTE) staff employed by the University increased by 11% to 7,103 by the end of the year. This investment in staff capacity will support delivery of our mission, vision and strategy.

### Associate Lecturers

On 1 August 2022 our Associate Lecturers moved on to new terms and conditions, giving our important tuition and teaching workforce greater financial and job security. This was not only a significant milestone for us but also for the Higher Education sector as a whole, and was celebrated by the University and College Union who we closely collaborated with to make this important transition.

The move to the new terms and conditions followed the implementation of FTE-based salary payments in October 2021. This saw Associate Lecturers receive an annual salary paid equally over 12 months, rather than their previous module-based salary, typically paid over nine months. The new terms and conditions have given Associate Lecturers a salary uplift and enhanced benefits, such as additional annual leave, improved sickness absence and more time for their own professional development.

A great deal of work has taken place to achieve these important changes, and more is underway as we rise to the challenge of implementing new ways of working and the embedding of our new culture. Faculties, Schools and professional services teams are now focused on identifying further opportunities to integrate Associate Lecturers in our academic communities and new culture. The transition to a more stable employment contract has been a big financial commitment for the University but the benefits of having a more connected teaching and tuition workforce, improved inclusion and colleagues feeling valued all contribute to strengthening the foundations of our University, and ultimately results in greater opportunities for our students to succeed.

## Reward

Over the last 12 months we have been evolving our reward plan and principles. These pull together the different dimensions, which make up the total reward proposition for University colleagues. This reward plan has been agreed and we are progressing with a number of initiatives.

Our reward schemes include merit awards, additional and discretionary increments, for which any member of staff employed on support, academic-related or academic contracts can be considered. This year we introduced a consistency panel, with the purpose of scrutinising pay award data, to determine if the reward schemes were being applied consistently and equitably. The outcomes were reasonable and we have made a number of changes to our process and staff guidance as a result of the panels observations.

As part of our total reward plan, we have introduced a reward working group that acts in an advisory capacity and enables the reward team to test ideas for improvement that cover equity, fairness, processes and 'products' that enrich the employee experience.

Similar to other organisations, we are engaging with our staff, have a dedicated working group and are looking at ways to support colleagues with the current cost of living crisis. We have created a dedicated financial wellbeing hub with guidance and links to external organisations for support. We will continue to monitor the situation.



## Engagement

In Spring, we surveyed colleagues across the organisation and had a 49% response rate, up 7% from the Autumn 2020 survey. Overall, the staff engagement index score was 73%. This was slightly down from the previous survey but remained high compared to the UK Higher Education sector.

Alongside the survey results, several units are adopting an employee voice approach. Unit management teams are cascading results from the survey and following up with specific employee forums to discuss the results and listen to their views in more detail.

This is an area we are keen to focus on in the coming years. We are investing in our resources to support staff engagement activity, both technology and people.

## Executive recruitment

The Vice-Chancellor's Executive comprises 16 senior leaders from across the University including the Nation Directors. The purpose of this leadership team is to provide strategic and operational advice to the Vice-Chancellor in his capacity as Chief Executive of The Open University.

During 2021/22, Chris Youles, the Chief Information Officer, left the University and Emma Stace joined as Chief Digital Information Officer.

## New Behaviours Framework and supporting tools

We are introducing a new behaviours framework to support our mission and values through our approach to leadership, development and reward. The framework sets clear expectations and recognises and applauds the behaviours which bring our values to life, and enables effective challenge, intervention and support when they do not.

This framework will enable transparency and clarity for our colleagues, supporting our need for sustainable high performance and a healthy and supportive working environment.

We have made good initial progress in 2022 through;

- Creating a set of 'Values in Action' principles through a collaborative project involving colleagues from across the University.
- Starting work on a Skills and Capabilities model to replace our existing frameworks.

We will create and test practical and useful tools for colleagues, based upon the Values in Action principles and the new Skills and Capabilities model, to support them in their day-to-day work. The principles, model and tools will be finalised and launched in 2023.





## Equality, Diversity and Inclusion

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

### Key milestones in the 2021/22 academic year include:

- Development of our inaugural institutional Equality, Diversity and Inclusion (EDI) plan, which will sit alongside our reviewed Equality Scheme and provide guidance and direction on how we can work towards embedding equity, diversity and inclusion within our structures at all levels and in all areas.
- The School for Mathematics and Statistics and the Knowledge Management Institute have both achieved success in their Athena Swan submissions, obtaining Silver Awards. The School of Education, Childhood, Youth and Sport has been successful in its application for a Bronze Award.
- Launched Report + Support, a safe space reporting tool to record, action and monitor incidences of discrimination, bullying and harassment. The Report + Support Manager provides a dedicated resource to the tool.
- Worked with leading academics to develop the Union Black, Britain's Black Culture and Steps to Anti-Racism training course in partnership with Santander Universities. The course explores Black British history, cultures and steps to anti-racism.
- Refreshed our Equality Impact Assessment guidance so that we better review any strategy, policy, project, procedure or practice that may impact colleagues or students with protected characteristics. We have also increased training to support staff in carrying out these assessments.
- Developed a detailed and supportive positive action guide to explain positive action, discrimination and the law.
- Introduced anonymous recruitment where some of our advertised positions require applications to be completed with any identifying information removed from CVs and application forms.
- Two new financial support programmes will launch in September 2022, the Black Students Support Fund and Sanctuary scholarships.

- Celebration of International Women's Day across the University, including a Women in Leadership podcast series and the Solidarities at Work conference which brought together diverse voices on the complexities of working across intersections.
- Marked the National Day for Staff Networks, focusing on collaboration and intersectionality and the lived experiences of those who feel they belong to multiple groups.

### Ongoing areas of work for 2022/23:

- Implementation of the Athena Swan institutional action plan will continue until 2025, developing and reviewing policies and practices to improve our gender equality.
- We are responding to closing gender and ethnicity pay gaps including introducing pay consistency panels to review pay proposals across all staff groups and providing units with pay gap data for their business area.
- As we continue to address barriers to Black, Asian and Minority Ethnic staff and student progression and success, we continue our preparation for the Race Equality Charter Bronze status.
- We have a clear ambition to increase our diversity to ensure our staff and governance members are as reflective as the students and communities we support, and we will continue to embed our attraction strategy designed to attract and hire more diversely.
- We will continue to participate in the pilot of 100 Black Women Professors NOW which aims to support black women in academia to manage and develop their careers.
- In Northern Ireland we will work with the Irish Language and Culture Commissioners when they are appointed.

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

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

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[www.open.ac.uk/equality-diversity/](https://www.open.ac.uk/equality-diversity/)

## Gender, ethnicity and disability breakdown

Gender	Employees		External		Total	
	Male	Female	Male	Female	Male	Female
Council Members	4	4	8	5	<b>12</b>	<b>9</b>
Senior Managers (excluding Council) <sup>1</sup>	7	8	0	0	<b>7</b>	<b>8</b>
All Other Employees	3,929	6,653	0	0	<b>3,929</b>	<b>6,653</b>

Ethnicity	Employees				External		Total
	BAME*	White**	Refused	Unknown	BAME**	White**	
Council Members	2	6	0	0	2	11	<b>21</b>
Senior Managers (excluding Council) <sup>1</sup>	2	13	0	0	0	0	<b>15</b>
All Other Employees	1,154	8,730	334	364	0	0	<b>10,582</b>

\* does not include 'White-Other'

\*\* includes 'White-Other'

Disability	Employees			External		Total
	Disabled	Non-Disabled	Unknown	Disabled	Non-Disabled	
Council Members	0	7	1	3	10	<b>21</b>
Senior Managers (excluding Council) <sup>1</sup>	0	15	0	0	0	<b>15</b>
All Other Employees	838	9,466	278	0	0	<b>10,582</b>

The staff numbers above are based on staff in-post as at 31 July 2022, whereas the staff numbers in Note 8 are the average FTE over the entire financial year.

<sup>1</sup> Senior Managers comprise members of the Vice-Chancellor's Executive. The Vice-Chancellor is included in the lines for 'Council Members' above.

## Trade Union Facility Time

We recognise the benefits to both the employer and employees when the University and the Trade Unions work together effectively. There are two Unions which are recognised for the purposes of consultation and negotiation: the UCU (University and College Union) and UNISON. Facility time is time spent by individuals on carrying out their representative duties in respect of their trade union role. In accordance with The Trade Union (Facility Time Publication Requirements) Regulations 2017, we report for the period 1 April 2021 to 31 March 2022, as follows (comparators for the period 1 April 2020 to 31 March 2021 are in brackets):

<b>Relevant Union Officials</b>	There were 57 (2021: 69) individual employees representing 30.6 (2021: 41.3) Full-Time Equivalent (FTE) employees, who were relevant trade union officials during the period.
<b>Percentage Of Time Spent On Facility Time</b>	Of the 57 (2021: 69) employees, 48 (2021: 59) staff spent less than 50% of their working hours on facility time, and 5 (2021: 7) staff spent 100% of their working hours on facility time during the relevant period.
<b>Percentage Of Pay Bill Spent On Facility Time</b>	The pay amount relating to the total percentage of working hours spent on facility time is 0.1% (2021: 0.1%) of the total staff costs for the University during the relevant period.
<b>Paid Trade Union Activities</b>	The number of hours spent by employees who were relevant trade union officials on paid trade union activities is 11.4% (2021: 7.8%) of the total paid facility time hours during the relevant period.

## Public Interest Disclosure

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

The Policy and procedures were reviewed to ensure accessibility and consistency with other student-facing policies, and were approved by the Audit Committee in June 2022.

In the period from 1 August 2021 to 31 July 2022, there have been four disclosures made through the Whistleblowing mailbox. Each of these was considered and either investigated directly or referred to be dealt with through other established University procedures. The results of concluded investigations determined that there was no further action to take following the investigation.

No common themes arise from the cases.

# Financial Review

Our strong operating financial performance in 2021/22 is testament to the resilience of our distance learning model, its attractiveness during the pandemic and flexibility for changing student needs. It also reflects the outstanding response of our staff to continuing external challenges and to sound financial management.

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

## Financial Highlights and Results for the Group

	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Accounting (deficit)/surplus	(233.1)	33.6
Adjusted operating surplus (see page 29)	23.0	52.1
Adjusted operating surplus as a % of income <sup>1</sup>	4.0%	9.8%
Total cash and current asset investments	382.1	427.3
Net current assets	302.3	333.9
Net assets	198.4	431.5

<sup>1</sup> Any unrealised investment gains or losses have been removed from total revenue in calculating adjusted operating surplus as a % of income.

The adjusted operating surplus of £23.0 million for 2021/22 reflects continued growth in our teaching activities. We also report significant non-operational costs including £181.4 million for the movement in the provision for the deficit in the USS pension scheme and £22.2 million unrealised losses on equity investments which are shown in the accounting deficit of £233.1 million.

The increase in teaching income and our adjusted operating surplus has been driven by the exceptional growth in student numbers in 2020/21, the number of students registering with us for 2021/22 as described on page 19, together with fee increases determined by inflation rates in autumn 2020. We also committed to recruit additional staff in 2020/21 to increase our capacity to support our students and the full year financial impact of this recruitment can be seen in 2021/22.

We have continued investment in our strategic change programme to ensure business readiness for the future. During 2021/22, this spend was on the implementation of core administrative systems, planning and commissioning for new student technologies and systems and the preparation for the implementation of the new Associate Lecturer contract.

Our key financial performance measure is the adjusted operating surplus as a % of income. We also monitor our liquidity and our reserves. Our unrestricted reserves have reduced to £190.2m largely as a result of the USS pensions provision. In determining our financial sustainability and available reserves we exclude the USS provision as this is a non cash transaction which will unwind over the next 18 years. We report against our financial strategy targets on page 35.

Subsequent to the financial year end, together with our partner in FutureLearn, we have announced our intention to find alternative investment or a buyer for our 50% share in FutureLearn.

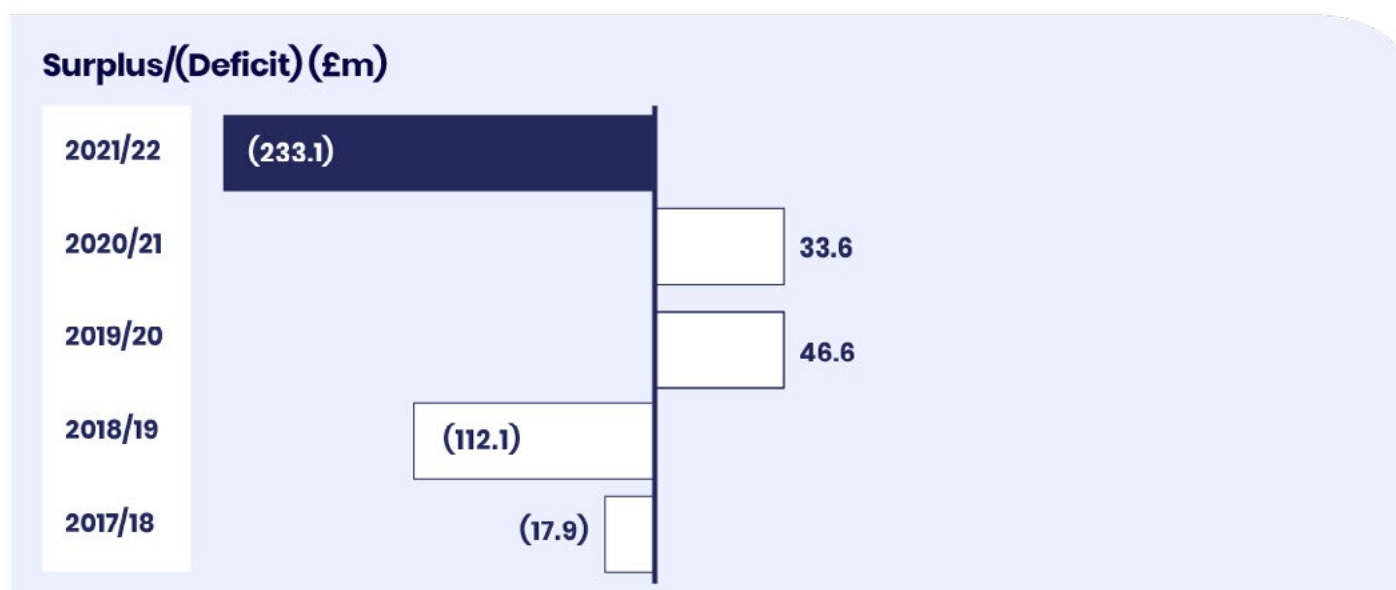
These headlines are explored in more detail in the following sections.

## Group Financial Outturn

We report an accounting deficit after tax of £233.1 million which compares to a surplus of £33.6 million last year after the adjustment for the USS provision.

Reported surpluses/(deficits) over the last five years are set out below. For 2021/22, the large deficit is a result of the increase in provision for future pension costs, which is discussed in more detail in Note 26, combined with unrealised losses on our equity fund holdings.

Year-on-year fluctuations are principally due to non-recurrent and non-operating income and expenditure, including unrealised movements on investments, the USS provision adjustments, and the costs of strategic and other change activities.



## Adjusted surplus

To better represent our underlying operational financial performance, we report the adjusted operating surplus. This excludes items not influencing the day-to-day operations of the Group as set out in the table below.

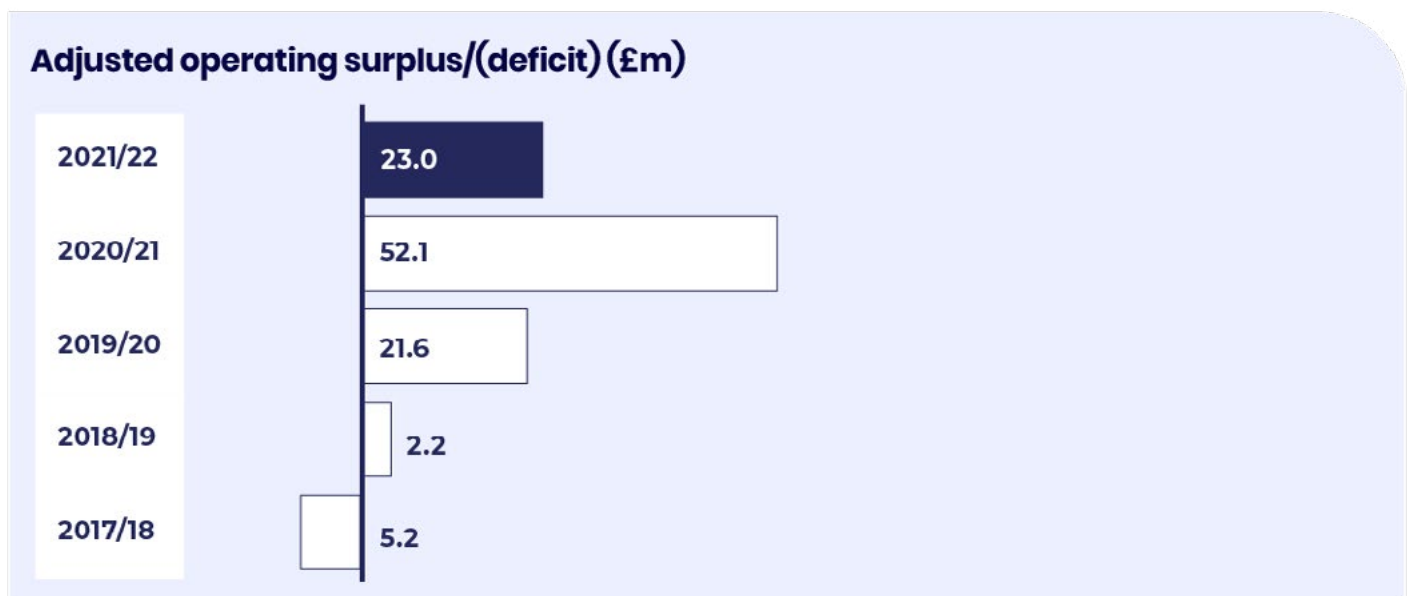
	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Accounting (deficit)/surplus for the year	(233.1)	33.6	(232.4)	19.6
USS deficit provision adjustments	181.4	(1.0)	179.3	(1.2)
Restructuring and strategic change	42.4	40.1	42.4	40.1
Unrealised investment losses/(gains) not used for operations	22.2	(28.8)	22.2	(28.8)
Share of deficit of joint venture	10.1	8.2	0.0	0.0
Impairment of investment in joint venture	0.0	0.0	10.5	22.0
<b>Adjusted Operating Surplus</b>	<b>23.0</b>	<b>52.1</b>	<b>22.0</b>	<b>51.7</b>

Restructuring and strategic change projects comprise the major Core Systems Replacement project (page 13) and includes impairment of intangible assets (Note 12), the transitioning of Associate Lecturers to permanent contracts (page 23), and projects to transform business operations across the University. These change activities are expected to continue, but with reduced financial commitment, for at least 5 more years.

The movement from a £52.1 million adjusted operating surplus in 2020/21 to an adjusted operating surplus of £23.0 million in 2021/22 is explained below. This movement reflects the financial impact of the exceptional growth in student numbers during 2020/21, including fee income for students registered on modules spanning the two financial years, offset by the lapse time in reporting full year costs of staff recruited to support this increased activity.

	Year ended 31 July 2022 £m
Adjusted operating surplus – 2020/21	<b>52.1</b>
Increase in Tuition Fee Income	<b>29.9</b>
Increase in Funding Body Grants	<b>9.3</b>
Increase in Research Grants, Other Income, Investment Income and Donations	<b>4.3</b>
Increase in Operating Staff Costs	<b>(45.3)</b>
Increase in Operating Expenses, Depreciation and Interest Payable	<b>(27.3)</b>
<b>Adjusted Operating Surplus – 2021/22</b>	<b>23.0</b>

The five-year view of the adjusted operating surplus/(deficit), eliminating the non-operational items across the years, provides a better measure of our underlying financial performance. The driver for the improving underlying financial performance is growth in student numbers over this period. The 2019/20 and 2020/21 results include financial impacts of the COVID-19 pandemic, including increased new student registrations for 2020/21 and reduced operational expenditure as a number of activities were paused. In 2021/22 student numbers and expenditure returned to pre-pandemic levels.

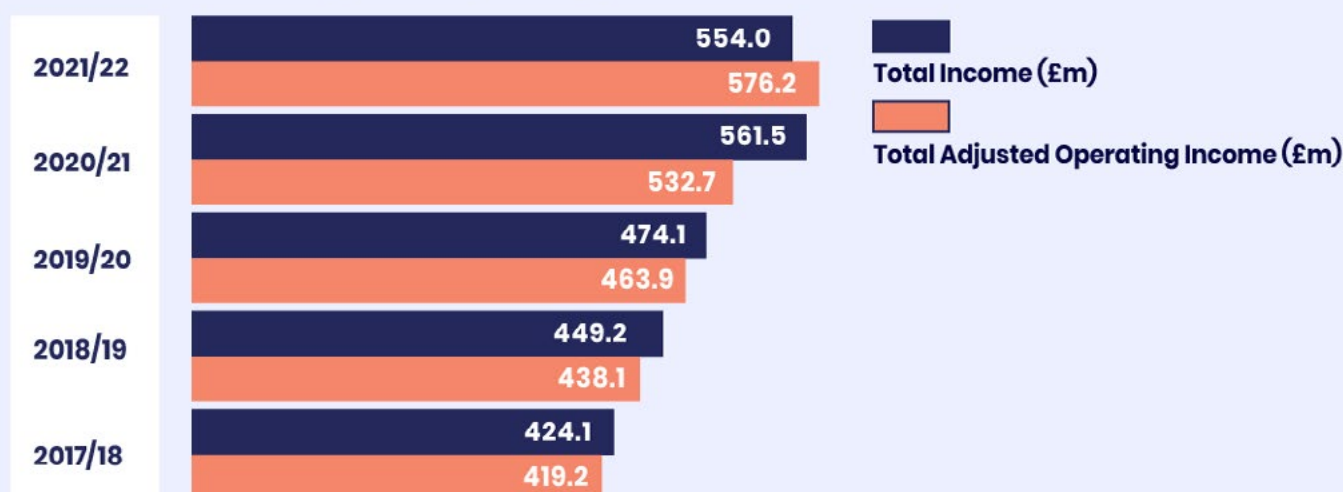


## Income

In 2021/22 the Group's Income from all sources decreased by £7.5 million (1.3%) to £554.0 million.

The chart below sets out our total income for the last five years. Our adjusted operating income excludes transactions not part of day-to-day operations such as unrealised losses on investments of £22.2 million (2020/21, a gain of £28.8 million). Total income shows a favourable trend, reflecting increases in tuition fee income from the growth in student numbers since 2017/18.

### Total Income and Adjusted Operating Income



#### Tuition fee income

Page 68

Our tuition fee income increased by £29.9 million (7.6%) to £423.1 million. This is a result of the high level of carried forward fee income from the exceptional growth in student numbers seen in 2020/21 as well as current year recruitment. Note 1 sets out tuition fee income by UK nation.

#### Funding body grants

Page 68

Grant funding from the four UK nations' higher education funding bodies and from Research England increased by £9.3 million to £113.8 million. The changes in grant funding set out in Note 2 to the financial statements reflect each nation's funding methodology and priorities for higher education and are largely a result of increased student numbers and an increase in funding from HEFCW.

#### Research grants and contracts

Page 69

In addition to Research England's Quality Research (QR) and UK Research Partnership Investment Fund grants included in funding body grants, our academics submit grant applications to UK Research and Innovation (UKRI) funders, European Research funders and other charitable and commercial bodies to fund specific research projects. In 2021/22, income from research grants and contracts increased by £0.8 million to £14.6 million.

#### Other income

Page 69

In 2021/22, income from other sources reduced by £2.3 million to £14.6 million. This is a result of a challenging commercial environment and the continuing impact of the pandemic in restricting income-generating activities.

#### Investment income

Page 70

We report a loss of £17.9 million, which is a year-on-year decrease of £47.9 million. This decrease is due to unrealised losses in the value of equity based funds of £22.2 million. The loss was partially offset by realised gains of £3.2 million. Compared to the unrealised gains in 2020/21 of £29.6 million, there was an overall adverse movement of £48.6 million.

## Expenditure

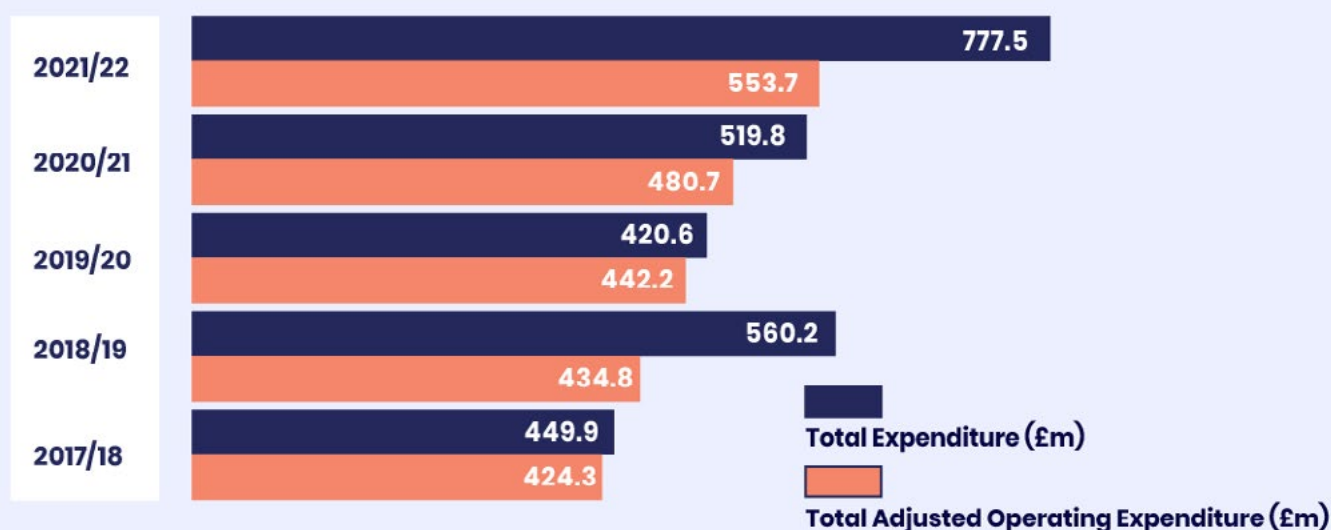
In 2021/22, total Group expenditure from all sources was £777.5 million, a £257.7 million increase on 2020/21. Excluding the changes to the USS pension provision total expenditure increased by £76.3 million (14.7%).

Our total expenditure for the last five years is shown below. Expenditure has increased to support the growth in student numbers, accounting adjustments to the USS pension provision and in delivery our strategic change programme.

The adjusted operating expenditure excludes transactions not part of day-to-day operations including valuation changes in the USS pension provision of £181.4 million (2020/21, (£1.0) million), and expenditure on time-limited strategic change activities of £42.4 million (2020/21, £40.1 million). The increase of 15.2% in adjusted operating expenditure in 2021/22 is in direct response to supporting the increased student numbers.

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

### Total Expenditure and Adjusted Operating Expenditure



### Staff costs

Page 71

Total staff costs increased by £232.2 million to £598.6 million in large part as a result of the impact of USS pension provision adjustment.

Excluding the pension adjustments, underlying staff costs have increased by £50.8 million (13.9%). This underlying increase reflects:

- the full year effect of the recruitment of staff to support higher student numbers
- the part-year impact of increased National Insurance and employer pension contributions applied during 2021/22 (page 90)
- £3.4 million of severance costs as result of the implementation of the new Associate Lecturer contract through which an employee led voluntary severance scheme was made available to Associate Lecturers.

### Non-staff costs

Pages 75 and 76

Other (non-pay) operating expenses, depreciation and interest payable increased by a combined total of £25.5 million (16.6%), reflecting the impact of higher student numbers and the start of the return to business as usual following suppressed expenditure in 2020/21 as a result of the COVID-19 pandemic.



## Cash and cash flow

Total cash balances as at 31 July 2022 were £187.5 million, £17.5 million less than at 31 July 2021.

On page 67 of the financial statements, our reported Net Cash Outflow from Operating Activities (financial statements definition) of £21.9 million was due to our operating surplus, expenditure on strategic change activities and timing of supplier payments close to the year end.

Net cash inflows from investing activities of £4.8 million reflect movements in the investment in equity funds (see Note 16) and capital expenditure, as discussed below.

## Assets and liabilities

Our intangible assets decreased by £7.6 million to £17.7 million as a result of the write-off of some of the costs of the Core Systems Replacement programme, part of our strategic change programme, as explained in note 12.

Tangible assets totalled £228.6 million at 31 July 2022; the net decrease of £3.4 million compared to 2020/21 was largely due to the depreciation charge for the year. The additions to land and buildings in the year of £2.7 million (2020/21, £0.5 million) were in respect of the purchase of additional office space in Edinburgh (£2.1 million), and minor improvements across the University (£0.6 million).

In the Group financial statements, our investment in the joint venture FutureLearn Limited ('FutureLearn') is reported as a non-current investment of £0.0 million (31 July 2021 £7.6 million). As a result of the decision to find an alternative investment or a buyer for our 50% share of FutureLearn, we have taken the prudent step to write down the value of our investment. In the Group accounts this is an impairment of £1.0m from the calculation using the equity method and taking into account in year investment of £2.5 million. In the University's accounts this is an impairment of £10.5 million (see Note 14).

Net current assets decreased by £31.6 million to £302.3 million. This represents £45.2 million decrease in the holding of cash and current asset investments (gilts, equities and term deposits) as a result of unrealised losses in equity investments, as described on page 31 and Note 16. This was partly offset by a £14.8 million reduction in creditors as a result of the return to pre-pandemic levels of student registrations on our mid-year modules reducing levels of deferred income.

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



## Pensions

The University and its wholly owned subsidiaries participate in the sector wide Universities Superannuation Scheme (USS) for the benefit of our UK based staff. The USS is completely independent of the Group and provides a defined benefit scheme with a defined contribution element. A full actuarial valuation of the USS is normally undertaken every three years.

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

### USS – 2020 actuarial valuation

The last triennial review was as at 31 March 2020 and the resulting scheme changes were agreed by the USS Trustee during the year ended 31 July 2022. These financial statements incorporate our estimated contributions to clear the scheme deficit of £14.1 billion (equivalent to a funding level of 83%). The valuation also resulted in revisions to the deficit recovery plan agreed as a result of the 2018 valuation including changes to the employer covenant to support the scheme and changes to contribution rates and member benefits. In addition, the plan now aims to eliminate the deficit by 2038, whereas previously the aim was to eliminate the deficit by 2028.

Our share of the USS deficit provision is £287.4 million, an increase from £106.0 million at 31 July 2021. This very large increase is due to the increase in the scheme deficit from £3.6 billion at the 2018 valuation to £14.1 billion as at 31 March 2020. In addition the period of the deficit recovery plan has been extended by 10 years, from 2028 to 2038. The increase in provision is included in staff costs in the financial statements, leading to the significant increase shown in Note 8. The provision will be unwound over the next 16 years with an annual adjustment to offset increased staff costs over the period of the plan. The provision is reviewed every year and assumptions are updated. The main sensitivities are modelled on page 62.

Actuarial valuations will continue to be undertaken and may lead to further changes to the deficit recovery plan. Any such changes will be reflected in future financial statements, either increasing or decreasing the provision.

### The 2020 valuation led to changes in contribution arrangements and member benefits, as follows:

Contribution rates	To 30 September 2021	1 October 2021 to 31 March 2022	From 1 April 2022
Employee contribution rate	9.6%	9.8%	9.8% (no change)
Employer contribution rate	21.1%	21.4%	21.6%

### Changes to member benefits

For the defined benefit element of the scheme the pension accrual rate was changed from 1/75th of salary (up to the salary threshold), to an accrual rate of 1/85th. The salary threshold itself was changed from approximately £60,000 per annum to £40,000. A cap on inflationary increases to benefits of 2.5% per annum will be introduced in 2026. These changes affect future benefits from 1 April 2022; all past service rights remain unchanged.

More information on the assumptions used by the actuary in preparing the valuation can be found in Note 26.

## Our financial strategy

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

► **Net current assets:** To maintain net current assets at a minimum of 120 days expenditure (excluding non-cash transactions)

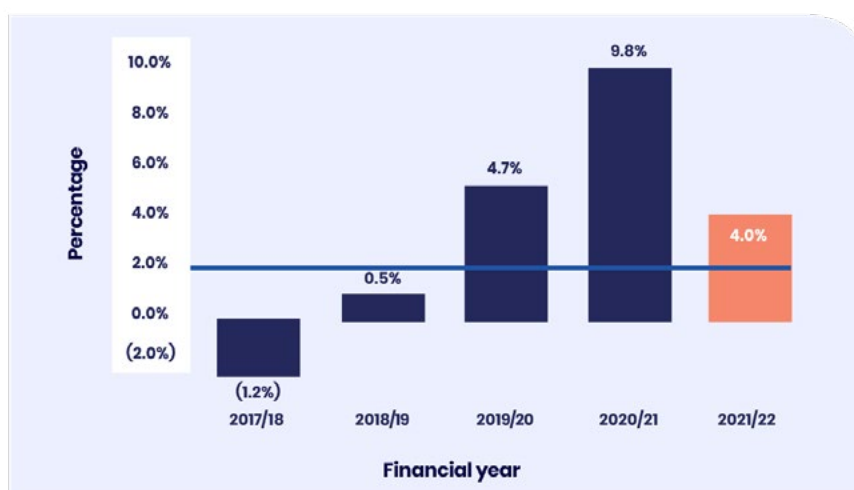
The target represents the required level of expenditure cover based on consideration of financial risk. Our performance against this measure over the past five years is set out in the graph below.

At 31 July 2022, net current assets were £302.3 million, a decrease of £31.6 million (9.5%) from the previous year's figure of £333.9 million. The 2022 figure represents 188 days of expenditure (excluding non-cash transactions).



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

The history of the adjusted operating surplus/(deficit) is shown in the graph, along with the financial strategy target of 2%. The adjusted operating surplus as a % of income for 2021/22 is 4.0% of income, a decrease from the 9.8% reported for 2020/21.



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

This measure, aligned to methodology provided by the Charity Commission, determines the target level of reserves that are required to deliver plans for maintaining essential services for our students, and demonstrates financial resilience. For 2021/22, our unrestricted reserves are £190.2 million. Excluding the USS pension provision adjustment, unrestricted reserves are £477.6 million, which is in excess of the required reserves.

## Treasury and Investment Management

Our investment strategy and performance is reviewed by Finance and Investment Committees. We have a Responsible Investment Framework which Investment Committee use to select all fund managers.

Investment Committee meet with each fund manager at least twice a year to review their financial performance and fund outlook. The Committee also seek assurance each year that environmental, social and governance practices satisfy the criteria of our Responsible Investment Framework.

More information on the framework can be found at: <https://www.open.ac.uk/foi/main/policies-and-procedures/university-business>.

Exposure to financial risk is mitigated through appropriate treasury and investment policies providing for diversification and capital protection of our cash assets after taking into account changing economic conditions. Daily cash flows are managed to ensure sufficient liquidity whilst providing appropriate interest returns and minimising counterparty risk.

### We manage our cash assets on two bases:

#### Short-term fund

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

It is invested in bank deposits with the largest UK banks and building societies and money market liquidity and sterling government funds, which are split between three fund managers. The University also has the option to purchase and hold gilts with a maturity of less than 5 years, however at present the University does not hold any gilts.

The University is potentially vulnerable to changing interest rates on its short-term fund. However, interest income is a small proportion of total income and the relative impact of changing interest rates on the University's overall financial results is low.

#### Equity-based long-term fund

This fund targets an investment return of three percentage points above the UK Retail Price Index over the long term, with short-term capital volatility being accepted. In 2021/22 this volatility resulted in a net loss of £18.9 million compared to a net gain in 2020/21 of £29.5 million, as explained in Note 6.

During the year the University, as part of its long-term investment strategy, and to conclude the tendering process from the prior year, reduced the number of fund managers from four to three and finalised the reallocation of funds between the fund managers.

The three investment managers are selected for their contrasting approaches. This split is designed to provide a measure of capital protection in different market conditions, whilst providing an above-inflation return over the long term. All managers invest on behalf of a wide range of charitable clients and have well-developed mechanisms to invest in a socially responsible manner. The University does not directly invest in offshore funds.

The University's foreign currency earnings form a very small proportion of total income and 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 profile of the University's gilts, equity-based investment funds, and term deposits as at 31 July 2022 is set out in Note 16.

# Risk and Management

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

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

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

**The key elements of our system of risk identification and management includes 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>Risk appetite</b>	Defining the University's appetite for risk, setting parameters for acceptable levels of risk-taking in key risk categories.
<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 the Audit Committee and then to Council on internal control and risk. Reporting annually to Council the principal results of risk identification, evaluation and management review.

We maintain a Strategic Risk Register which captures the University's principal strategic threats and opportunities, and this is regularly discussed at meetings of the Vice-Chancellor's Executive, the Audit Committee, and the Council to support the delivery of strategic objectives and inform planning and decision-making. The responsibility for risk of these bodies is described below.

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

Our management of strategic risk focuses on decreasing the impact and/or the likelihood of threats being realised and increasing the likelihood and/or impact of opportunities being realised. The strategic risks which are currently being managed include:

Strategic risk	Steps being taken to mitigate these risks include:
<b>Challenges in attracting students</b>	<ul style="list-style-type: none"> <li>• Delivery of activities that have the greatest impact on student retention, recognising the requirements and timescales of the revised OfS regulatory conditions.</li> <li>• Continued delivery of the Student Success Portfolio of cross institutional activities to improve student success.</li> <li>• Implementation of the University's Access and Participation Plan and Access and Participation Strategy, including achievement of Nation priorities.</li> <li>• Delivery of an integrated approach to student and staff mental health and wellbeing support.</li> </ul>
<b>Cyber/ information security</b>	<ul style="list-style-type: none"> <li>• Continuous training and awareness programmes across the University.</li> <li>• Improved detection capabilities.</li> <li>• Enhanced and maturing Information Security through IT investment, structures and team capabilities.</li> <li>• Review of the Information Security roadmap for 2022/23.</li> </ul>
<b>Delivery of the Student Services Portfolio</b>	<ul style="list-style-type: none"> <li>• Focus on the delivery of Digital Student Experience, Exams and Assignments, and the Students Communication Platform.</li> <li>• Agreement to an iterative and incremental approach to the enhancement of our student management systems and our Artificial Intelligence roadmap.</li> <li>• Systematic engagement with students and work prioritisation based on feedback from our Service Design and student, staff, and enquirer benefits.</li> </ul>
<b>Delivery of Enterprise Resource Planning (ERP)</b>	<ul style="list-style-type: none"> <li>• Replanning the delivery and implementation of the remaining ERP modules.</li> <li>• Continuing comprehensive systems integration, user acceptance and performance testing for all technical deliveries, aligned to governance mechanisms.</li> </ul>
<b>Effectively implementing the new Associate Lecturer (AL) contract</b>	<ul style="list-style-type: none"> <li>• Supporting initiatives to further integrate Associate Lecturers into faculties.</li> <li>• Market scanning for the procurement of Strategic Workload Management System and requirements planning.</li> <li>• Post-implementation reviews to facilitate further programme requirements following the August 2022 implementation.</li> </ul>
<b>Quality and development of the University's research and enterprise</b>	<ul style="list-style-type: none"> <li>• Launch of the new Research Plan in the Autumn 2022 including a focus on the big societal challenges.</li> <li>• Implementation of a new Knowledge Exchange and Innovation Plan to drive greater diversity and impact across the UK.</li> <li>• Development of the programme for academic professional development, including Fellowship Academy, to grow academic capacity and capability.</li> <li>• Development and implementation of a University Scholarship Plan that supports excellence and innovation in teaching and learning.</li> </ul>

Strategic risk	Steps being taken to mitigate these risks include:
<b>Changing regulatory or compliance conditions across the four UK Nations</b>	<ul style="list-style-type: none"> <li>• Close working with the OfS and other regulatory bodies in each of the UK nations.</li> <li>• Continuous monitoring of UK and EU data protection legislation changes, including UK government review of UK General Data Protection Regulation (GDPR), to plan response actions as needed.</li> </ul>
<b>Attracting, developing, ensuring the wellbeing and retaining the right calibre of diverse staff</b>	<ul style="list-style-type: none"> <li>• Ensuring that a compatible mix of working practices are achieved, including enhanced focus on wellbeing.</li> <li>• Sustainability considerations to feature at the core of how the University operates.</li> <li>• Completing a Pay Benchmarking review for key areas.</li> <li>• Communicating and promoting all the resources available through the Employee Assistance Programme.</li> </ul>
<b>Scope to increase non-core income and reduce costs to maintain financial sustainability</b>	<ul style="list-style-type: none"> <li>• A focus on continuous improvement and creating more efficient processes and services.</li> <li>• Regular monitoring and reporting of student number recruitment and activities supporting readiness for new presentations, enabling decisions to be taken to reflect over/under capacity.</li> <li>• Enhancements to current financial management information.</li> <li>• Developing the agreed priority commercial opportunities.</li> </ul>

As we start to implement the Learn and Live strategy, a new Strategic Risk Register is being developed with wide internal consultation to ensure that we have considered all the possible circumstances that could impact its delivery. Identified strategic risks will be quantified, and risk response actions be developed for those that pose the greatest risks. Certain emerging financial risks and opportunities are set out in our forward look on pages 42 and 43.

The University's risk appetite has been reviewed to align with current and future internal and external contexts in which we operate. The new Strategic Risk Register and the reviewed risk appetite will be submitted for approval by the Council in November 2022.

## Sustainability

The extreme heat in the UK in 2022 demonstrates that embedding sustainability in all that we do is more important than ever. Delivery of sustainability draws firmly on our unique characteristics: our pioneering provision of distance learning; our mass public engagement reach – often in partnership with the BBC; and our four nations presence. We recognise that sustainability is ‘everyone’s job’.

### In the year ending July 2022 we have:

<b>Invested in our sustainability team</b>	With the appointment of a Director of Sustainability and a Sustainability Administrator to coordinate activity, a Carbon Reduction Project Manager and a Carbon Coordinator to supplement our existing Energy Manager in Estates, Sustainability Leads in our Schools and our Sustainability Communications Manager.
<b>Committed to divestment</b>	From fossil fuels by the end of 2023.
<b>Mapped a pathway to net zero</b>	By 2030 for our direct and indirect greenhouse gas emissions from our energy use (‘Scope 1 and 2’). This is heavily linked to our emerging Estate Strategy which features hybrid working and the development of a climate resilient campus and services.
<b>Collated data on emissions</b>	From the rest of our business activity (‘Scope 3’) starting with actions to reduce carbon emissions from Travel – flights in particular – and Procurement, focusing on high spend areas and progressing towards sustainable procurement using the ‘flexible framework’ which allows self-assessment.
<b>Developed key performance measures</b>	For carbon reduction in our operations and for the embedding of sustainability in our curriculum, to deliver our sustainability goal in our new Strategy 2022–27.
<b>Developed a KPI warehouse</b>	For all staff to input sustainability related activity and KPIs to feed into external reporting including cyclical reporting on the Sustainable Development Goals Accord, UN Global Compact, THE World Impact Rankings and, People and Planet League.
<b>Communicated our actions</b>	Through a monthly sustainability bulletin, hosting 14 ‘Go Green’ staff champion events attracting around 550 staff and featuring sustainability in our new marketing campaign.
<b>Collaborated on BBC co-productions</b>	Including ‘Frozen Planet 2’ and the soon to be launched ‘Wild Isles’.



We believe that our major net-positive impact is through our role as an Educator and we are committed to embedding sustainability in our curriculum, research and knowledge exchange, building on our social justice mission.

### As such we have:

<b>Aligned our Research Plan 2022–27</b>	With the United Nations Sustainable Development Goals. It develops a societal challenges programme with three broad areas: living well, equality and sustainability and it aims to reduce the negative environmental impact of research, encourage interdisciplinary teams and explore new approaches to ensure global contribution from our research, enterprise and knowledge exchange.
<b>Signed up to Responsible Futures</b>	This is a Students' Association and Open University partnership, leading to institutional accreditation for inclusion of sustainability and climate justice in the curriculum with strong links to Equality Diversity and Inclusion.
<b>Surveyed our students</b>	Via the 2021 National Student Survey. 52% of our students responded to the optional questions on sustainability which found that: <ul style="list-style-type: none"> <li>• 57% of students believe The Open University 'encourages good environmental Practice'.</li> <li>• 45% agree that 'my course has encouraged me to think about environmental sustainability'.</li> <li>• 24% agree they 'have had opportunities to take part in activities supporting environmental sustainability'.</li> </ul>

Drawing on our 'levelling up' approach to learn from best practice in the four nations we focused this year on The Open University in Wales, receiving £2.2m from HEFCW for Net Zero and Digital Transformation outputs. We have:

<b>Developed and piloted Carbon Literacy training</b>	In partnership with the Climate Literacy Project and SOS-UK. Over 100 staff have completed the training which is also available in Welsh. A further 450 are scheduled to be trained next year.
<b>Started further research</b>	On our teaching model's environmental impact and ways to transparently show the carbon and nature impact of our design production and delivery of courses.
<b>Trained 90 student auditors</b>	To undertake a sustainability curriculum audit.
<b>Involved students and staff</b>	In developing our roadmap to Net Zero.
<b>Launched OpenLearn content</b>	On Net Zero and digital transformation.
<b>Developed assets, policies and tools</b>	University-wide roll-out, learning from the 'Well-being of Future Generations' approach in Wales.

# Forward Look

Our expectations for 2022/23 and beyond recognise significant financial challenges as factors including UK population demographics and the cost of living crisis impact our traditional student market. Our cost base will also be impacted by high inflation rates. For the next two years we are working to a planned and managed operating deficit.

The underlying financial health of the University as at 31 July 2022 is robust, with several years of strong operating financial performance and significant net current assets as a result of growth in student numbers. The accounting provision as a result of the latest valuation of the pension scheme has reduced our reserves but was not a cash transaction and has not impacted our ability to meet our ongoing operating expenditure.

We are working to address these challenges and, whilst planning an operating deficit over the next two years, will move back to an operating surplus after that period. Delivery of our new strategy, enabled by our strong underlying financial health and our stewardship of finances, will be key during this period.

Our new five year strategy, described on pages 14 and 15, aims to bring flexible, high-quality university education to an even wider range of people. Operating at scale in all four nations of the UK and with our open access policy, we continue to promote fair access for all who want to study higher education courses, making a substantial and unique contribution to widening participation in the UK.

Our plans recognise the uncertainty and volatility of the external environment. The significant financial challenges from the current UK economic position are expected to impact recruitment of students and increase our costs of operating. The unresolved dispute with the Higher Education sector Unions on the changes to the costs and benefits of pensions, together with a disputed 2022 pay settlement has potential for continuing industrial action across the sector. The ongoing political debate on Higher Education funding across the nations and the implementation of regulatory changes in England and potentially by other nation funders adds uncertainty.

We plan and mitigate for these uncertainties and seek opportunities for diversification with our alternative provision of high quality, lower cost provision.

## Financial sustainability

As described in the Financial Review on page 28 we have a strong underlying financial position which provides us with a level of resilience. We are not complacent as this position is dependent on the recruitment and retention of students looking for distance learning and flexible study (part time) options. We had planned for changes in this sector of the higher education market of changing population demographics and the increase in the proportion of the population who have first degrees, but have seen that this sector will be significantly impacted by the UK cost of living crisis.

Whilst we have recruited over 15,000 new undergraduate students and over 52,000 continuing undergraduates for our October 2022 modules we have not achieved our planning targets. Early research suggests that student confidence has been impacted by increased costs of living, reducing time available for part-time study. Our October modules represent around 80% of planned student registrations for 2022/23.

In 2020/21, to resource our growth ambitions, we agreed an increase in our workforce to support the peak of student numbers registering in that year and to deliver our change programmes. The implementation of the new Associate Lecturer contract improves the terms and conditions for these colleagues. Costs of employment are increasing through pensions and National Insurance changes introduced during last year and, in common with many UK organisations, we anticipate increasing inflationary costs.

We also expect inflation to manifest in higher prices for goods and services.

We are planning for two years of operational deficit. We have sufficient reserves built up over the past years to enable us to plan and implement what is necessary to return us to operating surplus by 2024/25.

Our new strategy is designed to support our long-term financial sustainability, building on the trend of underlying growth. Our systems replacement and technology development activities and the implementation of the new Associate Lecturer contract are expected to deliver operational benefits and contribute to a sustained operating surplus.

The key areas of future financial risk and opportunity that are particularly relevant to consideration of our financial sustainability are discussed below:

## Future financial risks and opportunities

### Reduction in student numbers

As described above, for our autumn 2022 modules we saw a shortfall to our student recruitment growth targets through UK demographic changes and the challenging economic conditions.

Our work to deliver on our new strategy, especially our two strategic goals that focus on greater reach and success for our students, supported with careful stewardship of our finances, will mitigate the short term financial impacts and will position the University to respond as market opportunities arise.

### Cost of living crisis

The high rates of inflation experienced across the UK since March 2022 has had a direct impact on a number of our students, impacting our recruitment expectations. We also anticipate increasing operating costs in 2022/23.

With reliance on income from student fees and government grants the actions taken by government to address the general economic conditions will be key to future years planning. We are developing and implementing a series of actions to enable us to return to a surplus position by 2024/25.

### Costs of pensions

The financial impact of decisions relating to the 2020 valuation of the USS are discussed on page 34. The next valuation is scheduled for 2023. We anticipate that discussion of issues concerning the affordability of the USS scheme in terms of cost to members and employers, and of the types of benefit available to members, is likely to continue to impact industrial relations

### Expansion of our Arts curriculum

During 2022/23 we will acquire the Open College of the Arts (OCA). This will enable our curriculum in the arts to expand, developing a direct creative industry offering. The first OCA taught students will enrol in August 2023.

### Use of our estate

As our workforce is increasingly opting for hybrid working we are looking to ensure we are using our estate to best effect. We will put in plans to manage energy consumption effectively across the winter months and will finalise our longer term Estates plan during 2022/23.

### Climate change and our impact on the environment

We are committed to achieving net zero greenhouse gas emissions by 2030. This requires investment to decarbonise our estate. The sector average investment for such activity is about 10 times the current annual energy bill, typically over a ten-year period. At the same time as decreasing our carbon footprint, we will expand our educational impact in matters of environmental sustainability.

## Future financial risks and opportunities (continued)

### Future funding of higher education

The pressures on public funding in all four UK nations, and decisions about prioritisation of its use for higher education may present challenges.

In addition, across the four nations there are changes impacting both our regulation and funding. In England we have responded to consultations in relation to the government's Post-18 Education and Funding Review and OfS regulatory reform. The outcomes from these will become clearer during 2022/23. In Scotland the SFC's review of tertiary education and research has been completed and the recommendations are being taken forward. In Wales, over the next few years the role of HEFCW will be taken on by the new Commission for Tertiary Education and Research. HEFCW have started Stage 2 of the review of funding in Wales and we still anticipate a funding methodology review for England.

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

## Going Concern Review

We have a reasonable expectation that our underlying financial position provides a sound base to enable us to deliver on our strategy that will in turn provide future financial sustainability. We have a planned operating deficit position for two years and, although this has intensified through recruitment to our autumn modules, we plan to return to surplus for 2025/26. Our financial reserves and cash balances provide resilience for unpredicted changes in revenue streams or cost base in the short term, allowing us time to plan appropriate responses.

Our financial plans incorporate consideration of the potential impact of operational, economic, government and financial risks on our financial sustainability, as described on the previous pages. We forecast and evaluate the future financial position of the University over a period of five years including income and expenditure statements, cash flows and a summarised balance sheet.

We have carried out sensitivity analysis on these forecasts which flex our main planning assumptions including inflation, changes in government funding, under and over achievement of student recruitment targets and other pressures on planned income and expenditure. Our risk analysis of these financial forecasts also identifies opportunities through student number growth and diversification of income through new learning products, however, we focused on the downside risks that are outside our control and that may impact our current planning assumptions.

### **We discussed plausible downside scenarios and possible responses to these scenarios with the ViceChancellor's Executive, Finance Committee and Council. These include:**

- Inflation, including pay inflation, increasing beyond our current planning assumptions.
- Reduction in planned student numbers, both in-year withdrawals and later years recruitment, as a result of a continuing economic downturn.
- An extended timeline for delivery of activities to return to surplus.
- Reduction in teaching and other specific grants as a result of government response to the economic crisis.

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

Our forecasts and projections to 2026/27, taking account of reasonable sensitivities in relation to the key risks, indicate that we can operate within our current facilities and available headroom. Accordingly, Council continues to adopt the going concern basis in preparing the financial statements and considers that the University has adequate resources to continue in operational existence for the foreseeable future.

Approved by Council on 22 November 2022 and signed on its behalf by:

**A DICKINSON**  
Chair of Audit Committee

**P J TRAYNOR**  
Chief Financial Officer

**T BLACKMAN**  
Vice-Chancellor

# Corporate Governance Statement

## Constitution, Governance and Regulation

This Corporate Governance Statement covers the period from 1 August 2021 to the date of signing of these financial statements.

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

Corporate governance arrangements are described in the following pages, and the members of the University Council during the year ended 31 July 2022, who are the charity trustees, are listed on page 91.

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

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

The University's principal advisors are listed on page 93.

## The Senate

The Senate is the academic authority of the University, responsible for promoting our academic work, 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 academic strategy, policy, priority and performance.

## The University Council

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

The membership of the Council is set out in the University Statutes. At the date of approval of these financial statements there are 21 members. Since the University is an exempt 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 Chief Executive, the Vice-Chancellor.

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

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

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

## Responsibilities of The University's Council

As the executive governing body of the University, 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 conditions of registration between the Office for Students and the University, and the OfS Accounts Direction, the Council, through

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

## Membership of Council

The following members of Council retired from office during the year ending 31 July 2022: Ms Mary Curnock Cook, Professor Mary Kellett, Ms Sarah Jones, Mr John D'Arcy, Ms Rukhsana Malik, Mr Rob Parker, Ms Danielle Smith, Mr Paul Greenwood, Mrs Lopa Patel. Further information on Council and Committee remit appears in the following pages of this report. Attendance information can be found on page 91.

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

<b>Accounting policies</b>	Are selected and applied consistently.
<b>Judgements and estimates</b>	As our workforce is increasingly opting for hybrid working we are looking to ensure we are using our estate to best effect. We will put in plans to manage energy consumption effectively across the winter months and will finalise our longer term Estates plan during 2022/23.
<b>Accounting standards</b>	Are followed, subject to any material departures disclosed and explained in the financial statements.
<b>Going concern basis</b>	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 42 to 45, the Council is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

## The Council has taken reasonable steps to:

<b>Use funds properly</b>	Ensure that funds from OfS, the Scottish Funding Council, the Higher Education Funding Council for Wales, the Department for the Economy (Northern Ireland) and UK Research and Innovation are used only for the purposes for which they have been given and in accordance with the conditions of registration with OfS and the Funding Agreements with SFC, HEFCW, DfE and UKRI and any other conditions which the five funding bodies may, from time to time, prescribe.
<b>Implement controls</b>	Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
<b>Manage risks</b>	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.
<b>Safeguard assets</b>	Safeguard the assets of the University and prevent and detect corruption, fraud, bribery and other irregularities.
<b>Manage resources</b>	Secure the economical, efficient and effective management of the University's resources and expenditure.

## Internal Controls

The University procedures for managing risk are discussed on page 37. For the period covered by these financial statements to the date of signing, the key elements of the University's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

<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 the Finance Committee and their application monitored.
<b>Audit</b>	A professional internal audit team whose annual programme is approved by the Audit Committee.

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

Through the internal audit process, internal control issues have been routinely identified and improvements made by management. The Chief Auditor reported to the Audit Committee that the arrangements for governance, risk management and internal control including value for money relating to the routine operations of the University were, in his opinion, satisfactory. Some weaknesses were identified in respect of the scope, integration, and co-ordination of the Associate Lecturer Contract Change Programme. These resulted in four high priority recommendations, all of which were addressed by the University during the year.

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.



## Committee Remit

### Audit Committee

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

<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 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 Audit Code of Practice.

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

Based on the normal timetable, external audit services were due for tender during 2020. In June 2020 the Audit Committee agreed to defer the process for at least one year to 2021, but by no more than three years to 2023. At its meeting in February 2022 the Committee agreed the approach to tendering the external audit contract and agreed membership of the evaluation panel. Following a competitive procurement process, in June 2022 Council agreed to the recommendation to award the contract for audit services to PwC.

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

<b>The Core Systems Replacement programme</b>	The challenges remaining following implementation of a new system in 2020/21 and the impact on the reliance that can be placed on reports from the system.
<b>Change in Associate Lecturer contract arrangements</b>	Transitional arrangements from October 2021 and subsequent changes to payroll processing.
<b>Investment in FutureLearn Limited</b>	The arrangements for and disclosure of the impairment review of the FutureLearn Limited investment.
<b>USS pensions provision</b>	The accounting treatment adopted for the provision of the costs related to the Group's commitment to fund the deficit in the Universities Superannuation Scheme.
<b>Compliance</b>	Compliance with terms and conditions associated with the application of funds received from various funding bodies and with other regulatory requirements.

The Group financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 56 to 63, 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.

### **Governance and Nominations Committee**

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

### **Remuneration Committee**

In fulfilment of its terms of reference, the Remuneration Committee is responsible for determining the remuneration, and rewards of, the University's most senior staff, specifically the Vice-Chancellor and those whose earnings exceed £100,000 per annum. It is committed to best practice in all aspects of corporate governance and application of reward practices. It applies the guidance contained in the Higher Education Senior Staff Remuneration Code and will follow the recently approved Open University Reward Principles in its decision-making and reporting.

### Strategic Planning and Resources Committee

The Strategic Planning and Resources Committee is a joint committee of the Council and the Senate; it is convened annually to consider and recommend the University's Fee and Financial Support Strategy.

### Finance Committee

The Finance Committee reviews and then recommends to Council the University's annual revenue and capital budgets and longer-term financial strategy and plans, 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 committee receives reports and recommendations from the Investment Committee on the performance of the University's long-term and short-term investment portfolios.

### Investment Committee

The Investment Committee advises the Finance Committee on the University's investment strategy, recommends appropriate funds and investment managers and monitors their performance. The committee recommends to the Finance Committee the University's Responsible Investment Framework and reviews the ethical, social and governance (ESG) policies of the Long-Term Investment Fund Managers and the Money Market Fund Managers.

## Corporate Governance and Accountability Arrangements

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

The Governance and Nominations Committee reviews external developments in governance, including HE codes of governance, and makes recommendations to the Council as required. The Committee monitors practices in light of the Committee of University Chairs (CUC) Higher Education Code of Governance (2020), the Scottish Code of Good HE Governance (2013, revised 2017), the Welsh Governance Charter for Universities in Wales and Commitment to Action, regulatory interventions by OfS, and the requirements of other funding bodies.

A review of institutional governance is currently being overseen by the Governance and Nominations Committee with the aim of developing the performance of the Council.

We strive to be an exemplar of good governance and with respect to these codes we have regard to them and consider that our practices are consistent with requirements. We meet the requirements of the Scottish Code of Good HE Governance on a comply or explain basis as a condition of our SFC grant.

## Performance Evaluation of Council and its Committees

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

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

The 2021 event was an opportunity for members to participate in online discussions and workshops to progress the development of the University Strategy for 2022–2027.

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

# Independent auditors' report to the Council of The Open University (the "institution")

## Report on the Audit of the Financial Statements

### Opinion

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

- give a true and fair view of the state of the group's and of the institution's affairs as at 31 July 2022 and of the group's and of the institution's income and expenditure, gains and losses and changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41); and,
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Financial Statements for the year ended 31 July 2022 (the "Annual Report"), which comprise the Consolidated and Institution Statements of Financial Position as at 31 July 2022; the Consolidated and Institution Statements of Comprehensive Income, the Consolidated and Institution Statements of Changes in Reserves, and the Consolidated Statement of Cash Flows for the year then ended; the Statement of Principal Accounting Policies; and the Notes to the Financial Statements.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

## Reporting on other information

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and The Charities Accounts (Scotland) Regulations 2006 (as amended) require us also to report certain opinions and matters as described below.

### Trustees' 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' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Council for the financial statements

As explained more fully in the Responsibilities of The University's Council set out on page 47, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

- Detailed discussions with management and walkthrough procedures to understand and evaluate the controls designed to prevent and detect irregularities and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing legal expenses to identify any inconsistencies with other information provided by management;
- Assessing significant judgements and estimates including those relating to the provision in respect to the USS (Universities Superannuation Scheme) defined contribution scheme and the disclosures included on these balances within the financial statements;
- Incorporating elements of unpredictability; and,
- Identifying and testing unusual journal entries.

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

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

### Use of this report

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with Section 10 of the Charters and Statutes of the institution and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations made under that Act (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) 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.

### Other required reporting

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

In our opinion, in all material respects:

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

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

- The institution's grant and fee income, as disclosed in note 3 to the financial statements, has been materially misstated; or
- The institution's expenditure on access and participation activities for the financial year, as disclosed in note 23 to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

**Opinion on other matters required by the funding agreement between the Open University and Higher Education Funding Council for Wales ('HEFCW')**

In our opinion, in all material respects:

- funds provided by HEFCW have been applied in accordance with the funding agreement between the Open University and HEFCW and any supplementary terms and conditions attached to them; and
- funds provided by HEFCW have been used for the purposes for which they were received.

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

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes  
22 November 2022

# Statement of Principal Accounting Policies

## 1 Basis of Preparation

The Open University is incorporated by Royal Charter and is registered with the Office for Students, the University's principal regulator. The Open University is an exempt charity in England and Wales and a registered charity in Scotland.

The financial statements have been prepared on a going concern basis, in accordance with Financial Reporting Standard 102 (FRS 102), The University's Charter and Statutes, Office for Students Accounts Direction, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice, Accounting for Further and Higher Education Institutions (SORP 2019 edition). The historical cost convention has been used as modified by the revaluation of land and buildings, and with the exception of some financial assets as described in paragraph 17.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. These accounting policies were approved by the Audit Committee on 14 June 2022 and have been applied consistently throughout the year.

## 2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertakings, together with a share of the results of joint ventures, for the financial year ended 31 July 2022.

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

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

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

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

## 3 Recognition of Income

### Tuition Fees and Education Contracts

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

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

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

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



### **Funding Body Grants and Research Grants and Contracts**

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

### **Other Income**

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

### **Investment Income**

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

### **Donations and Endowments**

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

### **Amounts Received as Agent**

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

## **4 Recognition of Expenditure**

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

## **5 Liabilities and Provisions**

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

## 6 Foreign Currencies

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

## 7 Leasing Costs

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

## 8 Taxation Status

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

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

## 9 Pension Schemes

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

### Defined benefit scheme (USS)

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

The costs of the USS deficit recovery plan have been estimated based on a model devised by the USS and the British Universities Finance Directors Group (BUFDG). The model uses the additional costs included in the deficit recovery plan and discounts based on corporate bond levels having a maturity similar to the length of the recovery plan (16 years as at 31 July 2022). The scheme actuary reviews the funding of the USS every year and normally undertakes a formal actuarial valuation every three years, at which time the deficit recovery plan may be amended.

### Defined contribution schemes

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

## 10 Intangible Assets

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

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

Software packages	<b>10 years</b>
-------------------	-----------------

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

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

## 11 Land and Buildings

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

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

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

## 12 Equipment

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

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

Telephone equipment	<b>5 years</b>
Motor vehicles	<b>4 years</b>
Computing equipment	<b>3 years</b>
Other equipment	<b>3 years</b>

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

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

### 13 Heritage Assets

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

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

### 14 Investments

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

### 15 Stocks of Finished Goods

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

### 16 Cash, Cash Equivalents and Liquid Resources

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

### 17 Financial Instruments

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

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

#### Financial assets

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

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

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

## Financial liabilities

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

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

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

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

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

## 18 Accounting for Donations and Endowments

### a. Donations

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

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

### b. Endowments

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

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

## Critical Accounting Estimates and Judgements

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

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

### Accounting Estimates

#### Retirement benefit obligations

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

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

As the University is contractually bound to make deficit recovery payments to the USS, this is recognised as a liability on the balance sheet. The provision is currently based on the USS deficit recovery plan agreed after the 2020 actuarial valuation, which defines the deficit payment required as a percentage of future salaries until 2038.

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

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

#### USS deficit sensitivity analysis:

	Effect on total provision at 31 July 2022	Effect on expenditure in year ended 31 July 2022	Notes
For every 1% increase in staff costs	Increase by £2.9m	Increase staff cost by £2.9m	The effect is reversed if staff costs decrease, and diminishes the further in the future the change occurs.
For every 0.1% increase in discount rate	Decrease by £2.3m	Decrease staff cost by £2.3m	The effect is reversed if discount rates decrease.

## Access and participation expenditure

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

As a four-nation University, many of the costs relating to disabled student support and financial support schemes cannot be directly attributed to England students. Management considers that as these costs apply across the four nations an appropriate basis of calculation of relevant expenditure in England is a pro rata of England students as a percentage of total students. For 2021/22, this represents 71.9% of relevant expenditure (2020/21 72.9%).

### Access and participation expenditure sensitivity analysis:

	Effect on APP expenditure in year ended 31 July 2022	Notes
For every 1% increase in Proportion of spend allocated to England	Increase APP expenditure by £0.04m	The effect is reversed if England share of spend decreases.

## Impairment of assets

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

Based on current business performance of the joint venture FutureLearn Limited, and the announcement after the balance sheet date of our intention to find alternative investment or a buyer for our share of FutureLearn, we reviewed the carrying value of this investment.

Management determined on a prudent basis that the carrying value for the investment in Futurelearn would be reduced to £nil in both the Group and University accounts. Management considered the alternative valuation on a fair value less cost to sell basis which would not materially impact the carrying value of the investment in the Group and University.

## Accounting Judgements

### Revenue

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

# Statements of Comprehensive Income

	Note	Consolidated		University	
		Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
<b>Income</b>					
Tuition fees and education contracts	1	423.1	393.2	423.1	393.2
Funding body grants	2	113.8	104.5	113.8	104.5
Research grants and contracts	4	14.6	13.8	14.6	13.8
Other income	5	14.6	16.9	13.5	15.0
Investment income	6	(17.9)	30.0	(12.5)	35.2
Donations and endowments	7	5.8	3.1	5.8	3.1
<b>Total income</b>		<b>554.0</b>	<b>561.5</b>	<b>558.3</b>	<b>564.8</b>
<b>Expenditure</b>					
Staff costs	8	598.6	366.4	591.0	360.8
Other operating expenses	9	168.7	144.9	189.5	175.9
Depreciation and amortisation		8.9	7.6	8.9	7.6
Interest and other finance costs	10	1.3	0.9	1.3	0.9
<b>Total expenditure</b>		<b>777.5</b>	<b>519.8</b>	<b>790.7</b>	<b>545.2</b>
<b>(Deficit)/Surplus before other gains and losses</b>		<b>(223.5)</b>	<b>41.7</b>	<b>(232.4)</b>	<b>19.6</b>
Share of deficit of joint venture	14	(10.1)	(8.2)	0.0	0.0
<b>(Deficit)/Surplus for the year before taxation</b>		<b>(233.6)</b>	<b>33.5</b>	<b>(232.4)</b>	<b>19.6</b>
Taxation	11	0.5	0.1	0.0	0.0
<b>(Deficit)/Surplus for the year</b>		<b>(233.1)</b>	<b>33.6</b>	<b>(232.4)</b>	<b>19.6</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(233.1)</b>	<b>33.6</b>	<b>(232.4)</b>	<b>19.6</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year		0.9	0.0	0.9	0.0
Restricted comprehensive income for the year		2.0	1.0	2.0	1.0
Unrestricted comprehensive (expense)/income for the year		(236.0)	32.6	(235.3)	18.6
<b>Total comprehensive (expense)/income for the year</b>		<b>(233.1)</b>	<b>33.6</b>	<b>(232.4)</b>	<b>19.6</b>

All amounts relate to continuing operations.

The accounting policies on pages 56 to 63 and the Notes on pages 68 to 90 form an integral part of these financial statements.



# Statements of Changes in Reserves

## Income and Expenditure Reserve

	Endowment £m	Restricted £m	Unrestricted £m	Total £m
<b>Consolidated</b>				
<b>Balance at 1 August 2020</b>	<b>1.9</b>	<b>2.4</b>	<b>393.6</b>	<b>397.9</b>
Surplus for the year	0.0	1.0	32.6	33.6
<b>Balance at 31 July 2021</b>	<b>1.9</b>	<b>3.4</b>	<b>426.2</b>	<b>431.5</b>
Surplus/(Deficit) for the year	0.9	2.0	(236.0)	(233.1)
<b>Balance at 31 July 2022</b>	<b>2.8</b>	<b>5.4</b>	<b>190.2</b>	<b>198.4</b>

## Income and Expenditure Reserve

	Endowment £m	Restricted £m	Unrestricted £m	Total £m
<b>University</b>				
<b>Balance at 1 August 2020</b>	<b>1.9</b>	<b>2.4</b>	<b>401.9</b>	<b>406.2</b>
Surplus for the year	0.0	1.0	18.6	19.6
<b>Balance at 31 July 2021</b>	<b>1.9</b>	<b>3.4</b>	<b>420.5</b>	<b>425.8</b>
Surplus/(Deficit) for the year	0.9	2.0	(235.3)	(232.4)
<b>Balance at 31 July 2022</b>	<b>2.8</b>	<b>5.4</b>	<b>185.2</b>	<b>193.4</b>

The accounting policies on pages 56 to 63 and the Notes on pages 68 to 90 form an integral part of these financial statements.

# Statements of Financial Position

	Note	Consolidated		University	
		Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
<b>Non-current assets</b>					
Intangible assets	12	17.7	25.3	17.7	25.3
Tangible assets	13	228.6	232.0	228.6	232.0
Investments	14	0.0	7.6	1.3	9.3
<b>Total Non-current Assets</b>		<b>246.3</b>	264.9	<b>247.6</b>	266.6
<b>Current Assets</b>					
Stock		3.2	2.6	3.2	2.6
Trade and other receivables due within one year	15	47.8	49.9	41.2	43.0
Trade and other receivables due after one year	15	0.0	0.1	5.3	6.0
Gilts, equities and term deposits	16	194.6	222.3	194.6	222.3
Restricted cash		0.4	0.0	0.4	0.0
Cash and cash equivalents		187.5	205.0	179.9	197.4
<b>Total Current Assets</b>		<b>433.5</b>	479.9	<b>424.6</b>	471.3
Less Creditors: amounts falling due within one year	17	(131.2)	(146.0)	(132.3)	(146.4)
Net Current Assets		302.3	333.9	292.3	324.9
<b>Total Assets Less Current Liabilities</b>		<b>548.6</b>	598.8	<b>539.9</b>	591.5
Less Creditors: amounts falling due after more than one year	18	(60.5)	(60.5)	(60.5)	(60.5)
Less provisions for liabilities	20	(289.7)	(106.8)	(286.0)	(105.2)
<b>Total Net Assets</b>		<b>198.4</b>	431.5	<b>193.4</b>	425.8
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowments	21	2.8	1.9	2.8	1.9
Income and expenditure reserve – donations		5.4	3.4	5.4	3.4
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – unrestricted		190.2	426.2	185.2	420.5
<b>Total Reserves</b>		<b>198.4</b>	431.5	<b>193.4</b>	425.8

The accounting policies on pages 56 to 63 and the Notes on pages 68 to 90 form an integral part of these financial statements, which were approved by Council on 22 November 2022 and signed on its behalf by:

**A DICKINSON**  
Chair of Audit Committee

**P J TRAYNOR**  
Chief Financial Officer

**T BLACKMAN**  
Vice-Chancellor

# Consolidated Statement of Cash Flows

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
<b>Cash flows from operating activities</b>		
(Deficit)/Surplus for the year before tax	(233.6)	33.5
<b>Adjustment for non-cash items</b>		
Depreciation and amortisation	8.9	7.6
Impairment of asset	6.7	0.0
(Increase)/Decrease in stock	(0.6)	0.1
Decrease/(Increase) in debtors	1.4	(2.0)
(Decrease)/Increase in creditors	(13.8)	47.6
Increase/(Decrease) in provisions	182.0	(5.1)
Share of deficit in joint venture	10.1	8.2
<b>Adjustments for investing or financing activities</b>		
Investment income	17.9	(30.0)
Interest payable	1.3	0.9
Endowment income	(1.1)	(0.1)
Capital grant income	(1.6)	(3.3)
<b>Cash (Outflow)/Inflow from Operating Activities</b>	<b>(22.4)</b>	<b>57.4</b>
Taxation	0.5	0.1
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	<b>(21.9)</b>	<b>57.5</b>
<b>Cash flows from investing activities</b>		
Capital grants receipts	2.1	2.3
Investment income receipts	1.3	0.5
Payments made to acquire tangible assets	(3.9)	(2.9)
Payments made to acquire intangible assets	(0.7)	(6.5)
Cash outflow from investment in joint venture	(2.5)	0.0
Sale/(Acquisition) of gilts, equities and fixed-term deposits	8.5	(25.0)
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>4.8</b>	<b>(31.6)</b>
<b>Cash flows from Financing Activities</b>		
Interest paid	(0.4)	(0.1)
Outflow to restricted cash asset	(1.1)	0.0
Endowment cash received	1.1	0.1
<b>Net Cash inflow/(Outflow) from Financing Activities</b>	<b>(0.4)</b>	<b>0.0</b>
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>	<b>22</b>	<b>(17.5)</b>
Cash and cash equivalents at beginning of the year	205.0	179.1
Cash and cash equivalents at end of the year	<b>187.5</b>	<b>205.0</b>

The accounting policies on pages 56 to 63 and the Notes on pages 68 to 90 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1 Tuition Fees and Education Contracts: Consolidated and University

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
<b>Student fees – United Kingdom</b>		
Taught Degrees:		
England	336.2	313.7
Scotland	24.9	23.5
Wales	20.1	18.1
Northern Ireland	11.1	8.7
Research Degrees	2.5	2.1
<b>Total Student Fees – United Kingdom</b>	<b>394.8</b>	<b>366.1</b>
Student Fees – Overseas	26.1	25.4
Research training support grants	2.2	1.7
<b>Total Tuition Fees and Education Contracts</b>	<b>423.1</b>	<b>393.2</b>

## 2 Funding Body Grants: Consolidated and University

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
<b>Recurrent grants</b>		
Office for Students/UK Research & Innovation	51.9	46.3
Scottish Funding Council	25.3	23.3
Higher Education Funding Council for Wales	17.4	12.6
Department for the Economy (Northern Ireland)	7.3	7.1
<b>Total Recurrent Grants</b>	<b>101.9</b>	<b>89.3</b>
<b>Specific grants</b>		
Office for Students/UK Research & Innovation	4.2	8.5
Scottish Funding Council	4.5	3.2
Higher Education Funding Council for Wales	2.9	3.5
Department for the Economy (Northern Ireland)	0.3	0.0
<b>Total Specific Grants</b>	<b>11.9</b>	<b>15.2</b>
<b>Total Funding Body Grants</b>	<b>113.8</b>	<b>104.5</b>

### 3 Details of Grant and Fee Income: Consolidated and University

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
Grant income from the OfS	55.5	54.0
Grant income from other bodies	58.3	50.5
Fee income for taught awards (exclusive of VAT)	417.7	388.7
Fee income for research awards (exclusive of VAT)	2.5	2.1
Fee income from non-qualifying courses (exclusive of VAT)	2.9	2.4
<b>Total Grant and Fee Income</b>	<b>536.9</b>	<b>497.7</b>

### 4 Research Grants and Contracts: Consolidated and University

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
Research Councils	5.2	5.0
Other sources, including industrial companies	9.4	8.8
<b>Total Research Grants and Contracts</b>	<b>14.6</b>	<b>13.8</b>

### 5 Other Income

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Other grants and contracts	6.1	7.1	6.1	7.0
Validation fees	3.8	4.0	3.8	4.0
Other learning services	1.0	0.7	0.6	0.2
Other income	3.7	5.1	3.0	3.8
<b>Total Other Income</b>	<b>14.6</b>	<b>16.9</b>	<b>13.5</b>	<b>15.0</b>

## 6 Investment Income

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Change in value of equity-based funds	(18.9)	29.6	(18.9)	29.6
Interest receivable on gilts, bank deposits and money market funds	0.8	0.2	6.4	5.6
Interest on student loans	0.2	0.2	0.0	0.0
<b>Total Investment Income</b>	<b>(17.9)</b>	<b>30.0</b>	<b>(12.5)</b>	<b>35.2</b>

The change in value of equity-based funds was due to an increase in book cost of £2.9 million as a result of dividends received and a £0.3 million realised gain on disposal of a fund, offset by a £22.1 million decrease in fair value determined with reference to the quoted market price at 31 July 2022. The change in value of equity based funds does not impact the operational cash flow of the University.

## 7 Donations and Endowments: Consolidated and University

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
Unrestricted donations	1.7	1.6
New endowments	1.1	0.1
Restricted donations	3.0	1.4
<b>Total Donations and Endowments</b>	<b>5.8</b>	<b>3.1</b>

All endowments are held as cash.

## 8 Staff Costs

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Salaries and other payments to employees	313.5	279.8	309.4	275.5
Social security costs	29.3	25.8	28.8	25.4
Pension costs	58.3	51.4	57.6	50.7
Movement on USS provision – see Note 26	180.5	(1.8)	178.4	(2.0)
	<b>581.6</b>	355.2	<b>574.2</b>	349.6
Other staff costs, including casual staff	11.9	10.4	11.8	10.4
Early retirement and voluntary severance	5.1	0.8	5.0	0.8
<b>Total Staff Costs</b>	<b>598.6</b>	366.4	<b>591.0</b>	360.8

Included within Staff Costs is £16.7 million (year ended 31 July 2021 £12.1 million) of restructuring and strategic change costs which are deemed not to be day-to-day operational costs (page 29).

Staff numbers expressed as monthly average Full-Time Equivalents (FTEs) during the year (including higher paid staff)	Consolidated		University	
	Year ended 31 July 2022	Year ended 31 July 2021	Year ended 31 July 2022	Year ended 31 July 2021
Full-time and part-time staff at Milton Keynes, Wellingborough, national and regional centres	5,307	4,911	5,226	4,834
Associate Lecturers and residential school staff	2,101	1,490	2,101	1,490
	<b>7,408</b>	6,401	<b>7,327</b>	6,324

### Compensation for loss of office

The total amount of compensation for loss of office payable across the University was £5.1 million for 237 staff. This includes a provision of £2.3 million for future restructuring commitments through voluntary severance schemes in relation to the implementation of the new Associate Lecturer contract (year ended 31 July 2021, £0.8 million for 66 staff, provision £nil).

## Remuneration of Higher Paid Employees

### The Vice-Chancellor

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

<b>Remuneration of the Vice-Chancellor</b>	<b>Year Ended 31 July 2022</b>	Year Ended 31 July 2021
Basic salary	£276,200	£270,000
Pension allowance	£37,600	£36,700
Taxable benefit (use of premises - Wednesden House) <sup>1</sup>	0	£8,300
Other: Life assurance premium	£3,200	£3,200
Relocation costs	0	£20,000
<b>Total</b>	<b>£317,000</b>	<b>£338,200</b>

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

Basic salary	<b>6.7</b>	6.7
Total remuneration	<b>7.5</b>	7.8

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

With effect from 1 October 2020, The University and Vice-Chancellor signed a Service Occupancy Agreement, under which the Vice-Chancellor is permitted to reside at the Property as a licensee, whilst the University reserves the right to continue to use the property for business events. Under the agreement the Vice-Chancellor pays a market rent, reflecting the University's permitted usage, and the value of the benefit in kind from 1 October 2020 to 31 July 2022 was nil.



## Vice-Chancellor Pay Justification

Professor T Blackman	
<b>Annual salary</b>	£277,500
<b>Performance-related pay</b>	Eligible to be considered for discretionary merit award (based on previous year's performance)
<b>Benefits</b>	£37,600 pension allowance. Not in current pension scheme £3,200 Life Assurance Premium
<b>Salary benchmark against UCEA<sup>1</sup> data £400m revenue higher education provider</b>	Lower quartile - £290,194
<b>Salary benchmark against CUC<sup>2</sup> data +£400m revenue higher education provider</b>	Lower quartile - £289,275
<b>Context</b>	Start date October 2019  Not eligible for national cost of living award however eligible for an annual salary review. It remains the Remuneration Committee's intention to position the Vice-Chancellor closer to the median salary benchmarks over time.

### Process for judging performance

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

- **Pro-Chancellor's report** – summary of performance against agreed Career Development and Staff Appraisal objectives. Pro-Chancellor seeks feedback from Council members against delivery of personal objectives and institutional performance.
- **Institutional performance report** – institutional performance based on key performance indicators and metrics agreed by the Council is the second performance-related factor considered in reviewing the pay of the Vice-Chancellor annually. There are twelve success measures, aligned to the University's five key strategic objectives:
  - a. Student success
  - b. Excellent teaching and research
  - c. Growth and sustainability
  - d. Technology that enables success
  - e. Dynamic and inclusive culture.
- **Comparative pay and market data – including pay multiples**  
Universities need to show that they are benchmarking against appropriate comparators. Given the distinct nature of The Open University, identifying appropriate comparators is not straightforward; the approach taken is to utilise the UCEA data for large institutions as this most accurately reflects the scale, complexity and reach of the Institution. The Open University continue to include Higher Education institutions whose turnover is £150 million more or less than that of The Open University, along with the current benchmarking group (pre-92 institutions with income over £400.0 million).
- **External market conditions** – The Open University in Milton Keynes operates within a competitive local employment market with fierce competition from local high-quality employers as well as its proximity to the London labour market. In this context, the University's ability to attract and retain talented individuals in professional and commercial roles can prove challenging, but all remuneration packages where the salary is recommended above £100k are scrutinised by the Remuneration Committee to ensure that market data and internal comparators are fully considered before approval is given.

## Higher paid employees\*

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

	Consolidated		University	
	Year ended 31 July 2022	Year ended 31 July 2021	Year ended 31 July 2022	Year ended 31 July 2021
	Number	Number	Number	Number
£100,000 – £104,999	14.0	13.0	13.0	11.0
£105,000 – £109,999	3.0	0.0	3.0	0.0
£110,000 – £114,999	4.0	6.0	3.0	6.0
£115,000 – £119,999	5.0	1.0	5.0	1.0
£120,000 – £124,999	0.0	1.0	0.0	1.0
£125,000 – £129,999	2.0	0.0	2.0	0.0
£135,000 – £139,999	4.0	6.0	4.0	6.0
£140,000 – £144,999	1.0	0.0	1.0	0.0
£145,000 – £149,999	0.0	1.0	0.0	1.0
£165,000 – £169,999	0.0	1.0	0.0	1.0
£175,000 – £179,999	2.0	0.0	2.0	0.0
£190,000 – £194,999	1.0	1.0	1.0	1.0
£195,000 – £199,999	1.0	1.0	1.0	1.0
£200,000 – £204,999	0.2	0.2	0.2	0.2
£270,000 – £274,999	0.0	1.0	0.0	1.0
£275,000 – £279,999	1.0	0.0	1.0	0.0
<b>Total</b>	<b>38.2</b>	<b>32.2</b>	<b>36.2</b>	<b>30.2</b>

\*The Full-Time Equivalent staff numbers above are based on the current OfS disclosure guidance to express basic salaries at their full-time equivalent amount, for staff employed for the full year.

One employee included in the table above was also engaged as an Associate Lecturer in addition to the duties as a senior member of staff.

## Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the University. This comprises the 16 members of the Vice-Chancellor's Executive (year ended 31 July 2021, 13 members). The total compensation for key management personnel for the year ended 31 July 2022 (including any severance payments and employers' pension contributions) was £2.9 million (year ended 31 July 2021, £2.5 million).

## 9 Other Operating Expenses

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Teaching materials and expenses	15.4	11.5	15.5	11.4
Student recruitment	19.9	19.0	19.9	19.0
Financial assistance, bursaries and prizes	13.3	14.1	13.3	14.1
Grants to Open University Students Association	1.9	1.9	1.9	1.9
Bad debt provisions and expenses	2.9	(0.2)	2.9	(0.2)
<b>Total Student-Related Other Operating Expenses</b>	<b>53.4</b>	<b>46.3</b>	<b>53.5</b>	<b>46.2</b>
Staff support and consumables	58.4	55.4	57.7	54.8
Equipment purchase, rental and lease	14.7	13.1	14.7	13.1
Repairs and maintenance	8.2	8.0	8.2	8.0
Academic resources and subscriptions	10.6	8.8	10.6	8.8
Estate utilities and services	6.7	5.8	6.7	5.7
Rent and rates	3.1	2.0	3.1	2.0
Broadcast media production	3.3	2.7	3.3	2.7
Impairment on intangible assets (Note 12)	6.7	0.0	6.7	0.0
Impairment on investment (Note 14)	0.0	0.0	10.5	22.0
Auditors' remuneration – audit fees	0.4	0.4	0.4	0.3
Other expenses	3.2	2.4	14.1	12.3
<b>Total Non-Student-Related Other Operating Expenses</b>	<b>115.3</b>	<b>98.6</b>	<b>136.0</b>	<b>129.7</b>
<b>Total Other Operating Expenses</b>	<b>168.7</b>	<b>144.9</b>	<b>189.5</b>	<b>175.9</b>

Included in the above are audit fees in respect of the University only of £0.4 million (year ended 31 July 2021, £0.3 million) and its subsidiaries of an aggregate of £0.05 million (year ended 31 July 2021, £0.04 million). Fees paid to the auditors for non-audit services was £nil (year ended 31 July 2021, less than £0.01 million).

The total expenses paid to or on behalf of the members of Council in the year was £nil (year ended 31 July 2021, £nil). No payments or other benefits for being a member of Council were paid to, or waived by, Council members. 8 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 £2.5 million (year ended 31 July 2021, £1.5 million), comprising £2.3 million property leases (year ended 31 July 2021, £1.3 million) and £0.2 million equipment and machinery (year ended 31 July 2021, £0.2 million).

Included within Other Operating Expenses is £24.1 million (year ended 31 July 2021, £28.7 million) of restructuring and strategic change related costs which are deemed not to be day to day operational costs (page 29).

Expenditure on some categories of expenditure have increased compared with the previous year. In the year ended 31 July 2021 activity was reduced through the continuing impact of the pandemic including certain teaching expenses relating to face-to-face tuition and other expenses.

## 10 Interest Payable and Other Finance Costs

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Finance charge on USS deficit provision (Note 20)	0.9	0.8	0.9	0.8
On loans not wholly repayable within 5 years	0.4	0.1	0.4	0.1
<b>Total Interest Payable and Other Finance Costs</b>	<b>1.3</b>	<b>0.9</b>	<b>1.3</b>	<b>0.9</b>

## 11 Taxation

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Foreign taxes	0.0	0.0	0.0	0.0
Deferred tax	(0.5)	(0.1)	0.0	0.0
<b>Total Taxation</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>

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

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
<b>Tax Reconciliation</b>				
(Deficit)/Surplus before taxation	(232.6)	33.5	(221.9)	19.6
Taxation at 19% (2021: 19%)	(44.2)	6.3	(42.2)	3.7
Surplus/(Deficit) falling within charitable exemption	44.2	(6.3)	42.2	(3.7)
Deferred tax movement	(0.5)	(0.1)	0.0	0.0
Unrelieved overseas taxation	0.0	0.0	0.0	0.0
<b>Tax credit for the year</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>

## 12 Intangible Assets: Consolidated and University

### Cost and valuation

	Software £m	Asset under Construction £m	Total £m
At 1 August 2021	16.0	10.4	26.4
Additions	0.7	0.0	0.7
Transfers	3.5	(3.5)	0.0
Impairment	0.0	(6.7)	(6.7)
<b>At 31 July 2022</b>	<b>20.2</b>	<b>0.2</b>	<b>20.4</b>

### Accumulated amortisation

At 1 August 2021	1.1	0.0	1.1
Charge for the year	1.6	0.0	1.6
<b>At 31 July 2022</b>	<b>2.7</b>	<b>0.0</b>	<b>2.7</b>

### Net book amount

<b>At 31 July 2022</b>	<b>17.5</b>	<b>0.2</b>	<b>17.7</b>
At 31 July 2021	14.9	10.4	25.3

Intangible assets represent costs incurred in relation to the Core System Replacement programme, which is delivering systems to support finance, people services, payroll and student processes. A review of the student management system programme during 2021/22 identified recent technological improvements that will have the capability to extend the useful life of existing student management systems significantly. This resulted in the decision to impair certain assets under construction in respect of expenditure incurred on the replacement student system.

**13 Tangible Assets: Consolidated and University**

	Land and Buildings £m	Equipment £m	Asset under Construction £m	Total £m
<b>Cost and valuation</b>				
At 1 August 2021	272.8	17.5	0.7	291.0
Additions	2.4	0.0	1.5	3.9
Transfers	0.3	0.4	(0.7)	0.0
Disposals	0.0	(2.9)	0.0	(2.9)
<b>At 31 July 2022</b>	<b>275.5</b>	<b>15.0</b>	<b>1.5</b>	<b>292.0</b>
<b>Accumulated depreciation</b>				
At 1 August 2021	43.4	15.6	0.0	59.0
Charge for the year	6.5	0.8	0.0	7.3
Disposals	0.0	(2.9)	0.0	(2.9)
<b>At 31 July 2022</b>	<b>49.9</b>	<b>13.5</b>	<b>0.0</b>	<b>63.4</b>
<b>Net book amount</b>				
<b>At 31 July 2022</b>	<b>225.6</b>	<b>1.5</b>	<b>1.5</b>	<b>228.6</b>
At 31 July 2021	229.4	1.9	0.7	232.0

At 31 July 2022 land and buildings included £40.1 million (31 July 2021, £39.7 million) in respect of freehold land which is not depreciated.

The unamortised value of Office for Students capital grants amounted to £29.6 million (31 July 2021, £37.3 million). In the event that the related assets were either to be sold or ceased to be used for the provision of publicly funded higher education, the University would either have to surrender the proceeds to OfS or use them in accordance with the terms and conditions of funding for Higher Education Institutions issued by OfS.

## 14 Investments

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
<b>(a) Investments in Subsidiaries</b>				
Open University Student Budget Accounts Limited	0.0	0.0	1.0	1.0
Open University Worldwide Limited	0.0	0.0	0.3	0.3
<b>Total ordinary shares in wholly owned subsidiary companies</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>1.3</b>
<b>Total Investments in Subsidiaries</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>1.3</b>
<b>(b) Investment in Joint Venture</b>				
At 1 August 2021	7.6	15.8	8.0	30.0
Addition	2.5	0.0	2.5	0.0
Impairment of carrying value	0.0	0.0	(10.5)	(22.0)
Share of deficit of joint venture	(10.1)	(8.2)	0.0	0.0
<b>Investment in Joint Venture at 31 July 2022</b>	<b>0.0</b>	<b>7.6</b>	<b>0.0</b>	<b>8.0</b>
<b>Total Investments</b>	<b>0.0</b>	<b>7.6</b>	<b>1.3</b>	<b>9.3</b>

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

The University's subsidiaries are: Open University Student Budget Accounts Limited (OUSBA) and Open University Worldwide Limited (OUW). The carrying value of investment in subsidiaries is supported by the subsidiaries' net assets.

OUSBA is registered in England and Wales and was established to provide students with a deferred payment facility. Around 2.6% of tuition fees are funded in this way. The company operates under the Consumer Credit Act.

OUW 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.

FutureLearn Limited is a joint venture with two members, the University and SEEK Ltd. It is a jointly controlled entity and each member holds 50% of the shareholding. FutureLearn, registered in England and Wales, provides a multi-institutional platform for short courses, microcredentials and online degrees on behalf of a number of leading international universities, including the University.

The University invested £2.5 million in Futurelearn in 2021/22, with a further £6.7 million committed in 2022/23 to provide short-term working capital. Subsequent to the financial year end the University has announced its intention to find alternative investment or a buyer for its share of FutureLearn.

FutureLearn is accounted for on the equity basis within the consolidated financial statements with the University's share of net assets of £1.0 million as at 31 July 2022 (31 July 2021 £7.6 million) and share of deficits relating to ongoing operations of £9.1 million (to 31 July 2021 a deficit £8.2 million). In the University's financial statements FutureLearn is accounted for at cost less impairment.

Based on management consideration of the carrying value of the investment as set out on page 63, a prudent approach has been taken to impair the valuation in these financial statements to £nil. This reflects management's best estimate and that a fair value less cost to sell valuation would not materially impact the carrying value of the investment in the Group and the University.

**15 Trade and Other Receivables**

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
<b>Amounts falling due within one year</b>				
Student Loans Company	8.8	11.2	8.8	11.2
Students' loan accounts with Open University Student Budget Accounts Limited	5.7	6.2	0.0	0.0
Fee debtors	2.2	5.4	2.2	5.4
Amounts due from subsidiaries	0.0	0.0	0.6	1.1
Amounts due from joint venture	0.0	0.1	0.0	0.1
Other debtors and accrued income	17.7	13.7	16.2	12.1
Prepayments	13.4	13.3	13.4	13.1
<b>Total due within one year</b>	<b>47.8</b>	<b>49.9</b>	<b>41.2</b>	<b>43.0</b>
<b>Amounts falling due after one year</b>				
Amounts due from subsidiaries	0.0	0.0	5.3	5.9
Other debtors	0.0	0.1	0.0	0.1
<b>Total falling due after one year</b>	<b>0.0</b>	<b>0.1</b>	<b>5.3</b>	<b>6.0</b>



## 16 Gilts, Equities and Term Deposits: Consolidated and University

	As at 31 July 2022 £m	As at 31 July 2021 £m
Equity-based funds	179.6	198.5
UK gilt-edged stock	0.0	8.8
Fixed-term deposits maturing in one year or less	15.0	15.0
<b>Total Gilts, Equities and Term Deposits</b>	<b>194.6</b>	<b>222.3</b>

The market value of equity-based investments at 31 July 2022 was £179.6 million (31 July 2021, £198.5 million), a decrease of £18.9 million. This decrease is the result of an increase in book cost of £2.9 million of dividends received and a £0.3m realised gain on disposal of a fund, offset by a £22.1 million decrease in fair value determined with reference to the quoted market price at 31 July 2022. The decrease in value from reinvested dividends and market valuation is included in the income and expenditure account and shown in Note 6.

The University held no Treasury gilts at 31 July 2022. The Treasury gilt held at the previous year end matured 7 September 2021.

Fixed-term deposits with more than three months to maturity at inception are held with banks operating in the London market and licensed by the Prudential Regulation Authority. The interest rates for these deposits fix on a monthly basis for the duration of the deposit at time of placement. At 31 July 2022 the weighted average interest rate of this fixed-rate deposit was 1.13% per annum (31 July 2021, 0.40% per annum) and the remaining weighted average period for which the interest rate is fixed on this deposit was 95 days (31 July 2021, 95 days). The fair value of the deposit is not materially different from the book value.

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

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

## 17 Creditors: amounts falling due within one year

	Consolidated		University	
	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
Student fee income in advance	29.1	33.9	29.1	33.9
Student fee income deferred	19.7	34.5	19.7	34.5
Grants and other contracts in advance	11.1	12.0	11.1	12.0
Trade creditors	15.6	13.1	15.7	13.1
Other creditors and accruals	55.7	52.5	55.1	51.5
Amounts due to subsidiaries and joint venture	0.0	0.0	1.6	1.4
<b>Total amounts falling due within one year</b>	<b>131.2</b>	<b>146.0</b>	<b>132.3</b>	<b>146.4</b>

Student fee income deferred refers to tuition fees for curriculum modules partially completed at 31 July. A provision for fee debts of £0.5 million (31 July 2021, £0.6 million) in respect of student loans in the financial statements of Open University Student Budget Accounts Limited is included in other creditors and accruals in the University's balance sheet, as the University bears the ultimate liability for the company's bad debts. Debtors in the consolidated balance sheet are shown net of the provision for bad debts. There are no material creditors denominated in currencies other than sterling.

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

	As at 31 July 2022 £m	As at 31 July 2021 £m
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>	<b>60.5</b>

The Group has one long-term loan facility: A bank loan to the University of £60.0 million (31 July 2021, £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 0.233% over the Sterling Overnight Industry Average is fixed over the life of the loan. At 31 July 2022, the interest rate on this loan was 1.253% per annum. The interest margin was set with reference to the London Inter-Bank Offered Rate (LIBOR).

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

## 19 Financial Instruments

	Note	Consolidated		University	
		Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
<b>Financial Assets</b>					
<b>Financial Assets at fair value through Statement of Comprehensive Income</b>					
Gilts, equities and term deposits	16	194.6	222.3	194.6	222.3
<b>Financial Assets measured at cost less impairment</b>					
Investments in subsidiaries	16	194.6	222.3	194.6	222.3
<b>Financial Assets measured at undiscounted amount receivable</b>					
Cash and cash equivalents		187.5	205.0	179.9	197.4
Long-term loans receivable	15	0.0	0.1	5.3	6.0
Trade and other receivables	15	34.4	36.5	27.8	29.8
<b>Financial Liabilities</b>					
<b>Financial Liabilities measured at undiscounted amount payable</b>					
Loan and Salix revolving green fund	18	60.5	60.5	60.5	60.5
Trade and other creditors	17	63.1	58.8	63.4	58.9

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

## 20 Provisions for Liabilities

	Obligation to fund USS deficit £m	Restructuring £m	Total £m
<b>Consolidated</b>			
At 1 August 2021	106.0	0.8	106.8
Increase in provision	187.2	2.3	189.5
Unwind of finance charge	0.9	0.0	0.9
Utilised in year	(6.7)	(0.8)	(7.5)
<b>Total Change in the year</b>	<b>181.4</b>	<b>1.5</b>	<b>182.9</b>
<b>At 31 July 2022</b>	<b>287.4</b>	<b>2.3</b>	<b>289.7</b>
<b>University</b>			
At 1 August 2021	104.4	0.8	105.2
Increase in provision	185.1	2.3	187.4
Unwind of finance charge	0.9	0.0	0.9
Utilised in year	(6.7)	(0.8)	(7.5)
<b>Total Change in the year</b>	<b>179.3</b>	<b>1.5</b>	<b>180.8</b>
<b>At 31 July 2022</b>	<b>283.7</b>	<b>2.3</b>	<b>286.0</b>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with USS to meet deficit payments in accordance with the deficit recovery plan. The provision has been calculated by estimating future employer pension payments and applying the deficit recovery contributions outlined in the USS deficit recovery plan published in March 2022. The weighted average discount factor that has been applied over the remainder of the deficit recovery plan is 3.31% (31 July 2021, 0.87%).

The restructuring provision relates to an employee-led voluntary severance scheme in relation to the implementation of the new Associate Lecturer contract. The closing balance reflects the expected amount to be fully utilised by 31 July 2023.

## 21 Endowment Funds: Consolidated and University

### At 1 August 2020

	Restricted Permanent £m	Restricted Expendable £m	2022 Total £m	2021 Total £m
Capital	0.1	2.5	2.6	2.4
Accumulated income	0.0	(0.7)	(0.7)	(0.5)
<b>Opening balance at 1 August 2021</b>	<b>0.1</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>
Additions	0.0	1.1	1.1	0.2
Expenditure	0.0	(0.2)	(0.2)	(0.2)
<b>Balance at 31 July 2022</b>	<b>0.1</b>	<b>2.7</b>	<b>2.8</b>	<b>1.9</b>

### Balance at 31 July 2022 represented by:

Capital	0.1	3.6	3.7	2.6
Accumulated income	0.0	(0.9)	(0.9)	(0.7)
<b>Total</b>	<b>0.1</b>	<b>2.7</b>	<b>2.8</b>	<b>1.9</b>

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

	At 1 August 2021 £m	Cash Flows £m	Non-cash-Movements £m	At 1 August 2022 £m
Cash at bank and in hand	205.0	(17.3)	(0.2)	187.5
Gilts, fixed-term deposits and equities	222.3	(8.5)	(19.2)	194.6
Loans	(60.5)	0.0	0.0	(60.5)
<b>Total</b>	<b>366.8</b>	<b>(25.8)</b>	<b>(19.4)</b>	<b>321.6</b>

Non-cash movements comprise currency exchange differences of £0.2 million, the decrease in value of equity investments of £18.9 million (Note 6) and amortisation of gilts of £0.3 million.

## 23 Access and Participation

This note is in response to the Office of Students Accounts Direction and sets out expenditure on activities that support the ambitions in our 2020/21 to 2024/25 Access and Participation Plan for England approved by the Office for Students. Further information is on page 63 and this document is available at <https://www.open.ac.uk/about/wideningparticipation/>.

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

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
Access investment	1.1	1.2
Financial support provided to under-represented and disadvantaged students	4.0	5.6
Support for disabled students in the financial year	2.9	2.5
Research and evaluation related to access and participation activities	0.7	0.6
<b>Total Access and Participation Expenditure</b>	<b>8.7</b>	<b>9.9</b>

£2.4 million (year ended 31 July 2021, £1.7 million) of these costs are included in the overall staff costs figures included in the financial statements within Note 8.

As a four nation University certain elements of this expenditure is an attribution based on an estimate of England expenditure which is pro-rated by the numbers of England students. For 2021/22 this is 71.9% (year ended 31 July 2021 72.9%). Additionally, some expenditure is also an attribution of students meeting the criteria of widening participation as a percentage of total England students. For 2021/22 this is 59.5% (year ended 31 July 2021 58%).

The 2021/22 Access and Participation Plan forecast expenditure of £4.8 million but did not include expenditure on disabled students support, student assistance funds, scholarships, and study cost financial support schemes funded from other sources. Alongside additional expenditure on Access activity and Research and Evaluation, this has the impact of increasing reported expenditure on Access and Participation by £4.0 million above the basis used for the plan.

The reduced expenditure reported for Access and Participation in 2021/22 materially relates to the fact that expenditure in 2020/21 included one-off additional COVID-19 Student Assistance Fund spend in response to the COVID-19 pandemic, funded by OfS.

## 24 Lease Obligations

During the year ended 31 July 2022, the Group recognised £2.5 million (year ended 31 July 2021, £1.5 million) in respect of operating leases on lease payments made during the year.

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

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
<b>Payable during the year</b>	2.5	1.5
<b>Future minimum lease payments due:</b>		
Not later than one year	0.3	1.3
Later than one year and not later than five years	1.0	5.1
Later than five years	0.1	1.2
<b>Total lease payments due</b>	<b>1.4</b>	<b>7.6</b>

## 25 Related Party Transactions

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

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

No other material transactions have taken place.

During the year, the Group entered into transactions in the ordinary course of business with other related parties. Transactions entered into and balances outstanding at 31 July 2022 are as follows:

	Income from related party £m	Expenditure to related party £m	Expenditure to related party £m	Balance due to related party £m
FutureLearn Limited	0.3	0.6	0.0	0.0
<b>At 31 July 2022</b>	<b>0.3</b>	<b>0.6</b>	<b>0.0</b>	<b>0.0</b>

The University has taken advantage of the exemptions within FRS 102 and has not disclosed transactions with other Group entities where it holds 100% of the voting rights, and has not disclosed key management personnel compensation in accordance with FRS 102 paragraph 33.7.

## 26 Pension Schemes

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

### Defined contribution schemes

A small number of employees are members of the Federated Superannuation System for Universities (FSSU), which is administered by trustees and has assets independent of the University.

Employees in the Republic of Ireland are members of The Open University Retirement Solution Plan. It is established under irrevocable trusts, of which the University is a co-trustee.

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

The total pension cost for all these defined contribution schemes was £0.02 million (year ended 31 July 2021, £0.02 million).

### Defined benefit scheme

The University participates in the externally managed USS, a defined benefit scheme with a defined contribution element for earnings above a salary threshold (£40,000 at 31 July 2022). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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

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

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

The total pension cost for the University was £236.0 million (year ended 31 July 2021, £48.7 million). This includes £5.0 million outstanding contributions as at 31 July 2022 (year ended 31 July 2021, £4.3 million). The total pension cost for year ended 31 July 2022 is after a £178.4 million adjustment related to the USS deficit provision.



## USS actuarial valuation

The latest available complete actuarial valuation that is included in the Statement of Financial Position is as at 31 March 2020, which was carried out using the projected unit method. This is the sixth valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The value of the assets of the scheme as at 31 March 2020 (the valuation date) was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion, indicating a deficit of £14.1 billion and a funding level of 83%.

The Open University Group's share of the deficit has been modelled based on additional contribution rates along with an estimate of future staff costs, and a discount factor based on high-quality corporate bonds. The discount factor used to calculate the provision at 31 July 2022 was 3.31% (31 July 2021, 0.87%), and the total provision at 31 July 2022 was £287.4 million (31 July 2021, £106.0 million). The provision for the deficit is shown in Note 20.

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

### Key financial assumptions used in the 2020 valuation

<b>Price inflation: CPI</b>	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less:  1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040
<b>Pension increases</b>	<b>CPI assumption plus 0.05%</b>
<b>Discount rate (forward rates)</b>	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

<b>Mortality base table</b>	<b>101% of S2PMA 'light' for males and 95% of S3PFA for females.</b>
<b>Future improvements to mortality</b>	CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% pa and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2021	2022
Males currently aged 65 (years)	24.7	23.9
Females currently aged 65 (years)	26.1	25.5
Males currently aged 45 (years)	26.7	25.9
Females currently aged 45 (years)	27.9	27.3

### Employer and employee contributions

As part of the 2020 valuation, the trustees determined, after consultation with employers, a revision to the existing recovery plan to pay off the revised shortfall by 30 April 2038; the previous (2018 valuation) recovery plan was for recovery by 31 March 2028. The changes required to meet the funding shortfall include changes to the employer covenant support to the scheme, along with increases in employer and employee contributions and changes to scheme benefits as follows:

Contribution rates	To 30 September 2021	1 October 2021 to 31 March 2022	From 1 April 2022
Employee contribution rate	9.6%	9.8%	9.8% (no change)
Employer contribution rate	21.1%	21.4%	21.6%

### Changes to member benefits

For the defined benefit element of the scheme the pension accrual rate was changed from 1/75th of salary (up to the salary threshold), to an accrual rate of 1/85th. The salary threshold itself was changed from approximately £60,000 per annum to £40,000. A cap on inflationary increases to benefits of 2.5% per annum will be introduced in 2026. These changes affect future benefits from 1 April 2022; all past service rights remain unchanged.

# Council and Committee Membership and Attendance

The members of the University's Council and Committees during the year ended 31 July 2022, and their attendance at the meetings held during their membership in that year, together with members serving in the period after 31 July 2022 and up to the date on which the financial statements were approved, are shown below.

	Council	Governance & Nominations	Remuneration	SPRC <sup>8</sup>	Finance	Investment	Audit
<b>Council Members</b>							
<b>Officers of the University</b>							
Mr M Sweeting, Chair	6/6	5/5	4/4	1/1	6/6		
Mr R McCracken, Treasurer	6/6		4/4	1/1	6/6	3/3	
Professor T Blackman, Vice-Chancellor	6/6	4/5		1/1	5/6		5/5
<b>President, Open University Students Association</b>							
Mrs S Jones <sup>6</sup>	6/6	4/5		0/1			
Mrs M Greenaway <sup>7</sup>	0/0						
<b>Elected Members: Staff</b>							
Mr S Amoah	5/6	4/4 <sup>3</sup>					
Mr J D'Arcy OBE <sup>6</sup>	6/6	5/5					
Dr N Barratt <sup>7</sup>	0/0						
Mr G Elliot-Cirigotis <sup>7</sup>	0/0						
Dr C M Halliwell	6/6						
Miss C Howells	6/6			1/1			
Ms R Malik <sup>6</sup>	5/6						
Mr R E Parker <sup>6</sup>	6/6			1/1			
Professor E Scanlon	6/6			1/1			
<b>Elected Members: Open University Students Association</b>							
Miss D Smith <sup>6</sup>	6/6						
<b>External members Co-Opted by Council</b>							
Professor J Brooks	5/6	4/5	3/4	0/1			
Mrs M E Curnock Cook CBE <sup>2</sup>	1/1				0/0		
Mr A Dickinson	5/6						5/5
Ms C Doyle	5/6	4/5					
Mr T Frawley <sup>7</sup>	0/0						
Professor Dame J Goodfellow <sup>7</sup>	0/0						
Professor P Gray	4/6	5/5		1/1			
Mr P Greenwood <sup>6</sup>	6/6						4/5
Mr P Kett <sup>5</sup>	2/2						
Mrs R Lock	6/6		4/4				4/5
Mr R Parmar <sup>7</sup>	0/0						
Mrs L Patel <sup>6</sup>	6/6	3/4 <sup>3</sup>					
Mr T Tobun	3/6						
Professor M Kellett <sup>3,4</sup>	3/3						

<sup>1</sup> From 25 August 2021<sup>2</sup> To 18 October 2021<sup>3</sup> From 23 November 2021<sup>4</sup> To 1 May 2022<sup>5</sup> From 6 May 2022<sup>6</sup> To 31 July 2022<sup>7</sup> From 1 August 2022<sup>8</sup> Strategic Planning and Resources Committee

<b>Non-Council Members</b>		<b>Governance &amp; Nominations</b>	<b>SPRC<sup>5</sup></b>	<b>Finance</b>	<b>Investment</b>	<b>Audit</b>
<b>Vice-Chancellor's Executive membership of committees</b>						
Mr P Traynor, Chief Financial Officer				6/6	3/3	
<b>External membership of committees</b>						
Mr P Anand <sup>4</sup>					0/0	
Mrs J Ashcroft <sup>4</sup>					0/0	
Mrs C Banszky					2/3	
Mrs F Fedeli <sup>4</sup>					0/0	
Mr A Huda <sup>4</sup>						0/0
Mr B S Larkman					3/3	
Ms E Lewis <sup>1</sup>						1/4
Mr J Mann				5/6		
Mr M B Moule <sup>2</sup>					3/3	
Mr S Patel <sup>3</sup>						0/0
Mr N Poulter						4/5
Mr P Robert-Tissot				6/6	3/3	
Miss K Smith				5/6	3/3	
Mr C A Wood <sup>2</sup>					3/3	

<sup>1</sup> To 18 May 2022<sup>2</sup> To 31 July 2022<sup>3</sup> From 1 August 2022<sup>4</sup> From 15 September 2022<sup>5</sup> Strategic Planning and Resources Committee

Further information about the governance structure and the business of each of the committees is available at the internet site



[www.open.ac.uk/about/main/governance-ou/government-structure](http://www.open.ac.uk/about/main/governance-ou/government-structure)

# Principal Advisors

## Independent Auditors **PricewaterhouseCoopers LLP**

Chartered Accountants and  
Registered Auditors  
Exchange House  
Central Business Exchange  
Midsummer Boulevard  
Milton Keynes MK9 2DF

## Bankers

### **National Westminster Bank**

1st Floor Silbury House  
300 Silbury Boulevard  
Milton Keynes MK9 2AZ

## Fund Managers

### **Baillie Gifford**

Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN

### **BlackRock Investment Managers**

33 King William Street  
London EC4R 9AS

### **Insight Investment Management Ltd**

33 Old Broad Street  
London EC2N 1HZ

### **Ruffer LLP**

80 Victoria Street  
London SW1E 5JL

### **Legal and General Investment Management Ltd**

One Coleman Street  
London EC2R 5AA

### **BNY Mellon Fund Managers Ltd**

BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

### **Troy Asset Management Ltd**

33 Davies Street  
London W1K 4BP

## Solicitors

### **Anderson Law LLP**

76 Wallingford Road  
Shillingford  
Oxfordshire OX10 7EU

### **Eversheds LLP**

Senator House  
85 Queen Victoria Street  
London EC4V 4JL

### **Weightmans LLP**

100 Old Hall Street  
Liverpool L3 9QJ

### **Shoosmiths LLP**

1st Floor  
Witan Gate House  
500-600 Witan Gate West  
Milton Keynes MK9 1SH

## Taxation Advisors

### **KPMG LLP**

St James Square  
Manchester M2 6DS

# Glossary

## Acronyms used in the Financial Statements

APP	Access and Participation Plan
APS	Access and Participation Strategy
BUFDG	British Universities Finance Directors Group
CPI	Consumer Price Index
CUC	Committee of University Chairs
DfE	Department for the Economy (Northern Ireland)
EDI	Equality, Diversity and Inclusion
FRS	Financial Reporting Standard
FSSU	Federated Superannuation System of Universities
FTE	Full-Time Equivalent
OfS	Office for Students
HEFCW	Higher Education Funding Council for Wales
HEI	Higher Education Institution
HESA	Higher Education Statistics Agency
HMRC	Her Majesty's Revenue and Customs
NEST	National Employment Savings Trust
NSS	National Students Survey
OCA	Open College of the Arts
OURSP	Open University Retirement Solution Plan
OUSA	Open University Students Association
OUSBA	Open University Student Budget Accounts Limited
OUW	Open University Worldwide Limited
QR	Quality-related Research
REC	Race Equality Charter
REF	Research Excellence Framework
SAAS	Student Awards Agency Scotland
SFC	Scottish Funding Council
SLC	Student Loans Company
SORP	Statement of Recommended Practice
SPRC	Strategic Planning and Resources Committee
UCEA	Universities and Colleges Employers Association
UCU	University and College Union
UKRPIF	UK Research Partnership Investment Fund
USS	Universities Superannuation Scheme



