

Open University Accounts 2008-2017

Introduction

The following analysis is based on publicly available Financial statements for 2009-2017, all of which are available at www.open.ac.uk/about/main/strategy-and-policies/annual-reports. The key points are shown in graphs on the following page, with detailed spreadsheets and notes following.

Student Numbers

Since most of our students study part-time, student numbers are expressed in term of full-time equivalent students. In round numbers, these have declined from 76,000 in 2008 to 66,000 in 2017, which is a relatively modest decline of 14%.

Income and Expenditure

This has remained remarkably stable over the past 10 years and, in all but two years, income has exceeded expenditure.

Reserves and Net current assets

These two values are closely related, but reserves include property and other assets that cannot readily be turned into cash. These have shown remarkable growth over the period, with the reserves in 2008 being £210m and in 2017, £457m.

Net current assets expressed in days

These represent the number of days that the university could keep going if it received no income whatsoever. The current target is 180 days, so the university is aiming to be able to keep going for about six months without any income. Back in 2008, this number was 27 days, but it is now ten times as high, at 276, which is 50% more than the target of 180 days.

FutureLearn

FutureLearn is the main subsidiary of the OU, and it has been loss-making since its inception in 2013. It is difficult to obtain reliable information from the published accounts, but the best available information is illustrated in the Reserves of Subsidiaries chart, which shows a decline of reserves from zero in 2008 to a negative value of -£25.7m today, with FutureLearn accounting for 95.2%.

Net cash flow from operating activities

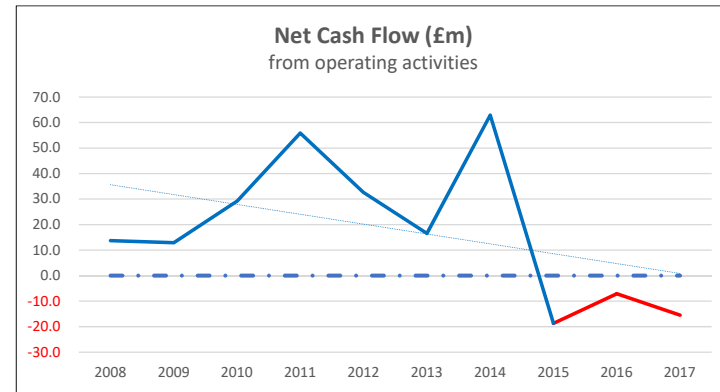
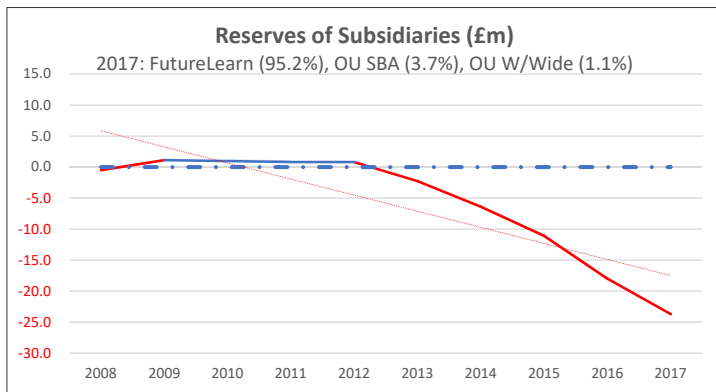
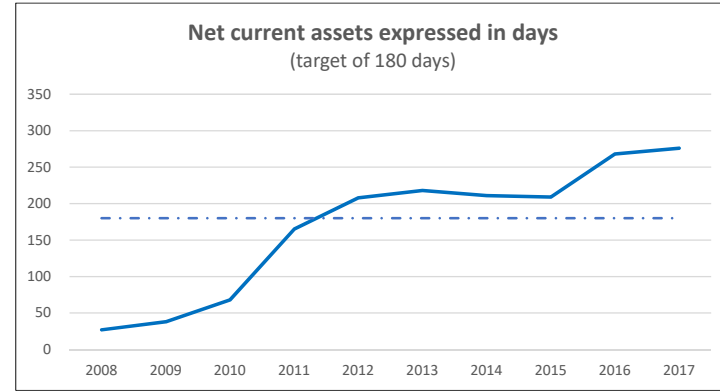
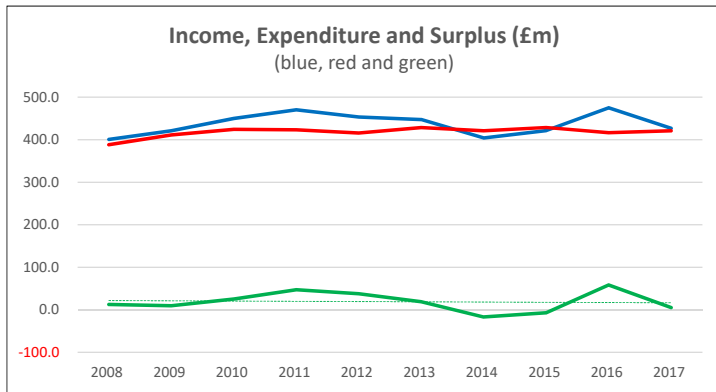
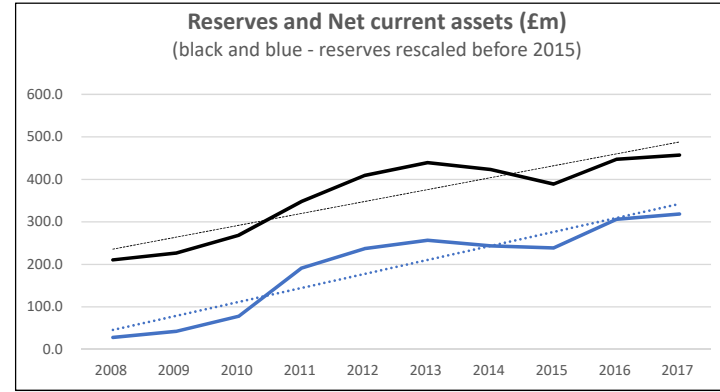
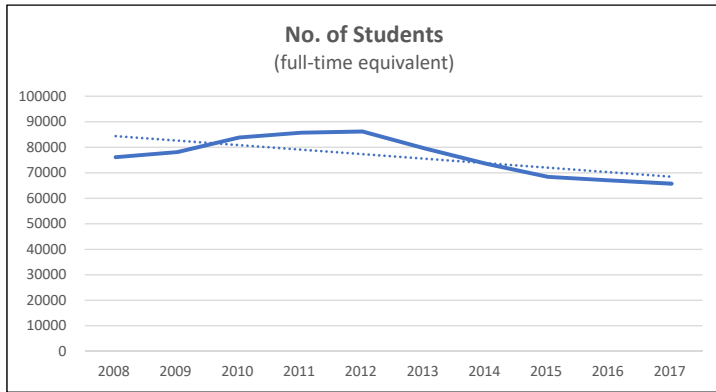
This has been negative for the past three years, and the decline matches the outflows to FutureLearn. In particular, salary costs for FutureLearn are around £9m per year.

So where is the financial crisis?

The short answer is that the University doesn't have one, but it is financing FutureLearn, which has been losing an average of £5m p.a. for the past five years! Despite this, OU reserves are in a far better state than they were in 2008. It is true that the OU benefitted from an unexpected £53.3m VAT refund in 2016, but even without that, the university had an underlying surplus in 2016 and 2017. Without the losses incurred by FutureLearn, the profits would have been much higher.

The university made a profit in 2017 of £11.1m, but FutureLearn lost £5.6m, reducing the group surplus to £5.5m, so there is some cause for concern, but there is no need for panic, particularly given the large and increasing net current assets and reserves.

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Graphs



OU Accounts 2008-2017

Consolidated

Consolidated Accounts	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Numbers										
FTE Students	76135	78110	83826	85704	86173	79586	73528	68378	67006	65724
Internal staff	4983	5060	5120	4852	4643	4589	4838	4833	4589	4824
ALs+res school	6246	6258	6263	6088	5898	5471	4891	4491	4172	3621
FTE Students/AL	12	12	13	14	15	15	15	15	16	18
FTE Students/int staff	15	15	16	18	19	17	15	14	15	14
Net current assets expressed in days	27	38	68	165	208	218	211	209	268	276
Staff Costs										
Total staff costs (£m)	241.4	262.8	275.2	276.6	271.2	274.9	281.6	286.9	282.1	286.9
Staff costs/FTE student (£)	3171	3364	3283	3227	3147	3454	3830	4196	4210	4365
Income and Expenditure										
Income (£m)	400.9	421.0	450.1	470.5	453.6	447.5	404.2	421.6	475.2	426.7
Expenditure (£m)	388.4	411.4	424.6	423.2	415.7	428.7	421.1	428.8	416.7	421.2
Surplus (£m)	12.5	9.6	25.5	47.3	37.9	18.8	-16.9	-7.2	58.5	5.5
Net current assets (£m)	28.4	42.6	78.4	191.5	237.1	256.7	243.5	238.8	306.1	318.5
Net cash flow from operating activities (£m)	13.7	12.9	29.2	55.9	32.6	16.5	62.9	-18.7	-7.1	-15.5
Old-Style Reserves										
2007 SORP reserves (£m)	130.2	140.0	166.1	215.2	252.8	271.6	254.7	247.2		
New-Style Reserves (old-style rescaled)										
FRS 102 reserves (£m)	210.7	226.6	268.9	348.3	409.2	439.6	423.3	389.1	447.5	457.3
Increase in reserves (£m)		15.9	42.2	79.5	60.9	30.4	-16.3	-34.2	58.4	9.8

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University

University Accounts	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Numbers										
FTE Students	76135	78110	83826	85704	86173	79586	73528	68378	67006	65724
Internal staff	4983	5060	5120	4852	4643	4589	4838	4833	4589	4824
ALs+res school	6246	6258	6263	6088	5898	5471	4891	4491	4172	3621
FTE Students/AL	12	12	13	14	15	15	15	15	16	18
FTE Students/int staff	15	15	16	18	19	17	15	14	15	14
Net current assets expressed in days	25	36	66	164	207	217	209	201	271	279
Staff Costs										
Total staff costs (£m)	241.4	262.8	275.2	276.6	271.2	274.9	281.6	286.9	273.8	276.3
Staff costs/FTE student (£)	3171	3364	3283	3227	3147	3454	3830	4196	4086	4204
Income and Expenditure										
Income (£m)	400.9	421.0	450.1	470.5	453.6	447.5	404.2	421.6	473.3	422.4
Expenditure (£m)	388.4	411.4	424.6	423.2	415.7	428.7	421.1	428.8	407.9	411.3
Surplus (£m)	12.5	9.6	25.5	47.3	37.9	18.8	-16.9	-7.2	65.4	11.1
Net current assets (£m)	27.0	40.8	77.3	190.6	236.3	255.4	241.5	236.7	302.3	314.2
Net cash flow from operating activities (£m)	13.7	12.9	29.2	55.9	32.6	16.5	62.9	-18.7	-7.1	-15.5
Old-Style Reserves										
2007 SORP reserves (£m)	130.5	139.3	165.5	214.7	252.3	273.0	260.8	257.8		
New-Style Reserves (old-style rescaled)										
FRS 102 reserves (£m)	211.2	225.5	267.9	347.5	408.4	441.9	429.7	400.2	465.5	481.0
Increase in reserves (£m)		14.2	42.4	79.6	60.9	33.5	-12.2	-29.5	65.3	15.5

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Subsidiaries

Subsidiaries (FutureLearn etc.)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Numbers										
FTE Students										
Internal staff										
ALs+res school										
FTE Students/AL										
FTE Students/int staff										
Net current assets expressed in days									158	159
Staff Costs										
Total staff costs (£m)									8.3	10.6
Staff costs/FTE student (£)										
Income and Expenditure										
Income (£m)									1.9	4.3
Expenditure (£m)									8.8	9.9
Surplus (£m)									-6.9	-5.6
Net current assets (£m)	1.4	1.8	1.1	0.9	0.8	1.3	2.0	2.1	3.8	4.3
Net cash flow from operating activities (£m)										
Old-Style Reserves										
2007 SORP reserves (£m)	-0.3	0.7	0.6	0.5	0.5	-1.4	-6.1	-10.6		
New-Style Reserves (old-style rescaled)										
FRS 102 reserves (£m)	-0.5	1.1	1.0	0.8	0.8	-2.3	-6.4	-11.1	-18.0	-23.7
Increase in reserves (£m)		1.6	-0.2	-0.2	0.0	-3.1	-4.1	-4.7	-6.9	-5.7
FutureLearn Investment										
Total shareholding in FutureLearn (£m)						-2.5	-7.0	-11.6	-19.5	-25.7
Annual investment in FutureLearn (£m)						-2.5	-4.5	-4.6	-7.9	-6.2
Subsidiary Reserves less FutureLearn (£m)	-0.5	1.1	1.0	0.8	0.8	0.2	0.6	0.5	1.5	2.0

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Notes

Notes

1. The information is taken from publicly available Financial Statements for the past 10 years
2. There are three main pages: Consolidated, University and Subsidiaries (principally FutureLearn)
3. Most of the information in the Consolidated and University tabs is the same, because there is limited separate information
4. The "subsidiaries" information is calculated by subtracting the University information from the Consolidated information
5. This means that the "subsidiaries" information is sparse - mostly about reserves and staff costs

Detailed accounting notes

1. There was a change in accounting practice in 2015, from "2007 SORP" to "FRS 102"
 - (a) the FRS 102 calculation of reserves has changed, and is higher and more volatile
 - (b) the calculation of "surplus" changed, but "income minus expenditure" has been used throughout
 - (c) The accounts have been split into Consolidated and University
 - (d) The old-style SORP figures have been revalued by 1.619, the average increase in the overlap period calculated as: $(423.3+389.1)/(254.7+247.2)$
2. On either measure, reserves went down in 2014 and 2015
3. In 2016, there was a VAT refund of £53.3m, but there was also an underlying surplus
4. For simplicity, the original figures for the year have been used, even if they have been restated in a subsequent year

FutureLearn

FutureLearn is one of three OU subsidiaries, the other two being the OU Student Budget Accounts Limited and OU Worldwide Limited. The split between the three subsidiaries varies by year, with the FutureLearn proportion gradually increasing. The number of shares (at cost) in the three is given in the 2017 accounts as £25.7m, £1.0m and £0.3m, which makes FutureLearn 95.2% of the total.