CABINET

FUTURE OF THE OPEN UNIVERSITY

Memorandum by the Secretary of State for Education and Science

1. At the meeting of Cabinet held on 23 July 1970 the Chief Secretary and I were asked i. to examine urgently the possibility of reducing the first intake of students to the Open University, and report the position at the meeting on 30 July; and ii. to consider the possibility of making additional reductions in expenditure, and report the outcome by mid-September.

2. We had a discussion on 20 July, and considered the following alternative possibilities, viz:

   a. Keeping the annual intake at 25,000, the figure announced in March this year.

   b. Reducing the annual intake from 25,000 to 15,000.

We were unable to reach agreement, and we considered a third possibility viz. immediate closure of the Open University.

3. The financial implications of each of these three courses are set out in Appendix A, which is agreed between us. As we were unable to reach agreement we have set out our respective views in separate papers.

4. With reference to the possibility of making additional reductions in expenditure with a view to reporting by mid-September, we came to the conclusion that this possibility, other than on the basis of intake, was slight, and for present purposes not worth pursuing.

M H T

Department of Education and Science W1

29 July 1970
APPENDIX A

Financial Implications

(a) Student intake of 25,000

Grant-in-aid already notified by the Department to the University, covering the period up to December 1973, is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent</td>
<td>£4</td>
<td>£6.2</td>
<td>£7.3</td>
<td>£8.4</td>
</tr>
<tr>
<td>Capital</td>
<td>1.8</td>
<td>.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>5.8</td>
<td>7.0</td>
<td>7.3</td>
<td>8.4</td>
</tr>
</tbody>
</table>

(The grant for 1970-71 has been authorised by Parliament, but not the grant for later years).

To this would be added further capital expenditure over this period estimated at £4.2m. Peak expenditure would not be reached until 1975, and might then level out at about £11m a year.

(b) Student intake of 15,000

The basic costs of the University remain virtually constant, whatever the number of students, and a reduction in the annual intake will not produce a proportionate reduction in total expenditure. A reduction to 15,000 could produce an annual saving of about £1.6m by 1973-74, £1.9m in 1974-75, and more later on. In the first year or two, the real, as distinct from theoretical, savings would be less than £1m, because equipment and course material have already been ordered for 25,000 students.
(c) Closure of the Open University

Expenditure to date on the Open University is approximately £3m, but grant-in-aid approved by Parliament for 1968-69 to 1970-71 amounts to nearly £7m.

The University authorities have necessarily undertaken heavy financial commitments which the Government would have to meet either directly or by way of compensation. The main commitments are:

(a) Contract with the BBC;
(b) contracts with the staff;
(c) arrangements and contracts with manufacturers and publishers for producing books and course materials, and
(d) arrangements and contracts with various educational bodies and institutions for the lease of premises to serve as regional centres and local study centres.

If the project were abandoned, it is estimated that a total of £8m or more, including compensation, would have been spent with little to show for it, except buildings on the site, valued at £1.4m.