

LSE

THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■

for the year ended 31 July 2011

Annual Accounts



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About LSE

LSE has more than 1,680 full-time members of staff and a further 1,260 part-time.

LSE hosted 315 public lectures in the last year.

6,341,363 different people visited the LSE website in the year up to July 2011.

The central site has 41,784 pages which received 65.3 million page views.

There were 13,230,318 downloads of podcasts and other audio-visuals from LSE in the past year.

At the last count, 36 world leaders were former students or staff at LSE.

Or 38 if you could include television characters Jed Bartlet (US President in *The West Wing*) and Jim Hacker (UK premier in *Yes Prime Minister*)

Last year, 1,862,876 users passed through the library's main entrance.

Among the stranger items in the library's archives is the death mask of former LSE Director, politician and social reformer William Beveridge.

The archives also hold more than 1,000 pamphlets published from 1641 to 1649 during the English Civil War.

In switching to an electronic system for receiving tenders from contractors, LSE calculates it could make an annual carbon saving equivalent to planting at least 22 trees. Before the new system, motorbike or van couriers travelled 1,394 miles per year (the

equivalent of London to Kiev) to deliver documents to LSE.

LSE owns two pubs – the George IV and the White Horse. They are less than 100 metres apart.

Two beehives can be found on LSE premises – on the roof of Passfield Hall near Euston.

There were 7,016 students from outside the UK registered at LSE last year.

The biggest group is from the USA, with 1,006, followed by China (714) and Germany (451).

Countries with just one student currently at LSE include Andorra, Angola, Barbados, Belize, Bolivia, Botswana, Cameroon, Cayman Islands, Congo, Dominican Republic, El Salvador, Gambia, Gibraltar, Jamaica, Kosovo, Maldives, Montenegro, Mozambique, Panama, Seychelles, Sierra Leone, Syria, Tajikistan, Tunisia, Turkmenistan, Turks and Caicos, UK Virgin Islands and Yemen.

There are 16 kilometres of fibre optic cable running through LSE.

LSE has 10 residences for students – offering more than 3,400 places in central London. The nearest is just five minutes walk from the campus.

Despite its academic excellence, including 16 Nobel prize winners who have been LSE staff or students, one honour continues to elude the School. It has never won the television quiz show University Challenge – although an LSE team were runners-up in 1996.

Report of the Chairman of the Council and Court of Governors



There is no doubt that the past year has been a challenging one for both LSE and for Higher Education Institutions (HEIs) in the UK in general.

As a result of financial pressures on public funding, government policy aims to transfer much of the burden of the cost of higher education away from taxpayers to students. In May, following extensive consultation throughout the School, the Council took the difficult decision to set tuition fees for UK and EU undergraduate students at £8,500 per annum for entrants to the School in 2012. This represents the lowest fee of any member of the Russell Group of research-intensive universities in the UK. In making this decision, we were aware that LSE graduates enjoy amongst the highest starting salaries of any graduates from UK universities. However, mindful of the School's enduring values, the fee level will also enable us to plough back 50 per cent of the additional fee into scholarships, bursaries and widening participation activities, to ensure that the most able students will continue to be able to benefit from an LSE education, regardless of their financial circumstances. It is perhaps worth reiterating that for UK and EU undergraduates higher education remains free at the point of access and that no graduates will begin repaying tuition fee loans until they are earning over £21,000 per year.

Thanks to the sound advice of Andrew Farrell and his Finance Division team – and prudent decisions by the Finance Committee and members of the Council – the School entered a difficult fiscal year in a robust financial position. This has enabled the School to continue to invest in the campus and facilities for students. Visitors to the School will have noted the demolition of part of the site to make way for a new state-of-the-art Students' Centre which will provide a home for the Students' Union and additionally an events venue, pub, learning cafe, exercise studio, roof terrace coffee/juice bar, fitness centre, media centre, activities space, advice and representation centres, inter-faith centre, accommodation services and the LSE Careers Service.

We have also continued to make improvements to teaching by implementing the recommendations of the Teaching Task Force overseen by Professor Janet Hartley. Following a successful pilot, the LSE 100 Course ("thinking like a social scientist") has been rolled out to all new undergraduate students. Exposing students to some of the great intellectual debates of our time, the course provides an opportunity to explore areas beyond narrow disciplinary boundaries and to gain skills valued by prospective employers. Some of LSE's most illustrious academics teach on the course, which poses such questions as "Was the United Nations right to choose the dollar-a-day measure for the first Millennium Development Goal?" With lecture theatres filled with a diverse range of students from all faiths, nationalities and disciplinary interests – and big questions to be addressed – a lively debate is always guaranteed!

Investment in teaching and the LSE estate has brought tangible results. LSE has performed strongly in the latest National Student Survey, with overall satisfaction at 84 per cent. This is a good result in itself, putting LSE above the national average and in line with most of its Russell Group peers. Our levels of student satisfaction have risen more sharply in the past two years than almost anywhere else – from 76 per cent in 2009. Besides overall satisfaction, the survey rates institutions in six particular categories: teaching, assessment and feedback, academic support, organisation and management, learning resources and personal development. LSE scores improved in five of the six. This reflects the efforts of all our staff, both administrative and

faculty, and I am confident that we will continue to serve our students well in future years.

We were thrilled that longstanding faculty member Professor Christopher Pissarides received a Nobel Prize (jointly) in 2010 for his work on the analysis of markets with search friction. In so doing, he became the sixteenth member of the School community to achieve this tremendous distinction.

Whilst the School, its students and graduates have continued to excel, the past year has not been without its difficulties. Perhaps few, if any, could have foreseen the momentous events of the "Arab Spring". Against that backdrop, the School came under sustained media criticism for its decision to accept a donation from a UN-accredited charitable organisation headed by Saif Gaddafi. With considerable regret, the Council accepted the personal decision of the Director, Howard Davies, to resign. Howard was a popular figure at the School and he served LSE extremely well during his time as Director. His loss was regrettable and keenly felt. We were fortunate indeed to have amongst our faculty an extremely capable and highly-regarded colleague, Professor Judith Rees, who was well qualified to take on the Directorship of the School for an interim period until a permanent successor to Howard could be recruited. Professor Rees commands the full respect and support of the Council and I am grateful for the way which she has rallied and focused the School community since taking up office. I would also like to thank Adrian Hall, secretary and director of administration, for his personal support and hard work behind the scenes to ensure that the School continued to operate to its usual high standards during a period of unprecedented and unexpected change.

In a busy year for the Council, we have had substantive discussions relating to the reform of higher education in England, financial sustainability, immigration policy and its likely impact, strategic risk, estate strategy, and Directorship selection. The Council also approved a new Student Charter which provides prospective and current students with a concise overview of what they can expect from an LSE education and what, in turn, will be expected of them. In the new "market" for higher education the choice of institution is of increasing importance to students. The School and the Council were keen to reflect in the new Charter the unique ethos of LSE; its values as well as the more tangible benefits of our intellectual offering.

I would like to thank retiring members of the LSE Council for their sterling service to the School: Stephen Barclay, Shami Chakrabarti, Mario Francescotti and Brian Smith. The latter also served with distinction as Chairman of the Finance Committee for the past six years. I would also like to welcome incoming members of the Council: Lis Astall, Virginia Beardshaw, Harriet Spicer and Mark Molyneux. As ever, I am grateful for the support and contribution made by the School's three Pro-directors, Professors Janet Hartley, George Gaskell and Stuart Corbridge.

As our thoughts turn to the new academic year, we look forward to welcoming a new cohort of students to the School and to continuing to support all of our scholars in their mission to assimilate and create new knowledge, and to help us all to "understand the causes of things".

Peter Sutherland
Chairman of Court and Council

Report of the Director of the School



*From the left:
Students in the New
Academic Building; LSE
rugby team practising at the
LSE Sportsground in New
Malden, Surrey*

When this report is published, I will have been Director of the School (The London School of Economics and Political Science, a company limited by guarantee) for seven months and the process to appoint my successor will be nearing completion. It has been a very busy period, and I am sure it will be equally busy – and equally rewarding – in the next few months before he or she takes up the post. There is much to do.

One of the highlights of the year for all at the School was the award on the 10 October 2010 of the Nobel Memorial Prize for Economic Science to our colleague, Professor Christopher Pissarides, jointly with Peter Diamond from Massachusetts Institute of Technology and Dale Mortensen from Northwestern University, for their work on the economics of unemployment and the effect of search friction. Christopher has been an LSE person throughout his academic career. He was awarded his PhD at LSE in 1973 and has been on the faculty since then. He is the 16th member of staff and alumni to be awarded a Nobel Prize.

Howard Davies

Howard was Director for nine months of the academic and financial year to which this report relates. He served with great distinction from September 2003 until his departure in April 2011.

The circumstances of his resignation were unfortunate. In 2009, after extensive deliberation, the School's Council had accepted a pledge of £1.5 million financial support for scholarships and research from Dr Saif al Islam Gaddafi's charitable foundation in good faith, understanding the Gaddafi family's history, but hopeful that the School could bring its influence to bear in a positive way. Unfortunately, the Gaddafis chose a different path with tragic consequences for the Libyan people, and, as we now know, for themselves. Howard decided that the honourable course for him was to resign, and Council reluctantly accepted that decision.

The Council commissioned Lord Woolf to produce an independent report on the School's connections with Libya, and the University of London has been examining whether or not there were any irregularities in relation to Dr Gaddafi's degree, which was awarded under University of London regulations, not those of LSE. After the finalisation of these accounts, when both Lord Woolf's report and the University of London's findings are available, Council will be reviewing them and agreeing any actions necessary to strengthen our processes.

Whatever the outcomes of those inquiries, the record of achievement during Howard's Directorship was outstanding. The achievements on research, student satisfaction with teaching, development of external relations, fundraising and widening participation are reported elsewhere. In Howard's time there is an unbroken record of achievement of financial objectives set by Council. Less obvious publicly were his commitments to improvement of the estate, to environmental sustainability, where LSE has become a leader in universities in London, and his commitment to equality and diversity, reflected in an increase in the number of female members of Council from five when he was appointed in 2003 to 14 – 50 per cent – as of today. But perhaps the greatest compliment is from our current Students' Union president, Alex Peters-Day. Asked what sort of person the students would like as the next Director, she said "one like Howard", by which she meant one who was accessible to students and who put a very high priority on ensuring they have an outstanding education at LSE.

The Board of Directors of LSE – the members of Council who are directors – report elsewhere in these accounts on the public benefit objectives of the School, the beneficiaries and the benefits delivered.

Only a small sample of the activities of departments, research centres, other staff, students, alumni, donors and other members of the LSE community is reported there. We are proud that LSE, the smallest of the 20 Russell Group universities, has a reach and impact far beyond the narrow confines of Houghton Street.

The future

By the end of summer 2012, it is anticipated that only three of the current seven members of the Director's Management Team will still be in post. Myself, Adrian Hall, secretary and director of administration, and Jean Sykes, chief information officer, will be retiring. Professor Janet Hartley will be sent to Siberia (she is, of course, an eminent Russian historian and will be pursuing her research) and Paul Kelly, currently head of the Department of Government, will succeed her as Pro-director for teaching and learning.

This summer, the Director's Management Team has been considering the strategic challenges that are facing the School which we believe will affect its long term health. We have begun to address some of the issues but there is much thinking and work to do to tackle these challenges. Council discussed the challenges at an away day in September of this year, in five main categories

- Research policy and financing;
- Teaching, the new funding environment, quality improvement and the student experience;
- Staff recruitment and retention;
- Financial strategy;
- Service administration and information management.

We are critically aware that there are inter-relationships between them and that we need to think in an integrated manner.

Research policy

Pro-director for research and external relations, Professor Stuart Corbridge, and our new Research Director David Coombe have been developing a research policy paper over the last few months with a far ranging set of proposals.

There is no doubt that LSE staff are producing high quality research and are performing very well against available indicators. The School is a world centre for advanced research. LSE's position as a world-leading research university was confirmed by our outstanding success in the 2008 UK Research Assessment Exercise (RAE 2008). LSE had the highest percentage of world leading research of any university in the country, coming first in the UK when ranked by percentage receiving the top 4* grade and equal second in the UK when ranked using a grade point average of research strengths. LSE came top nationally (by grade point average) in economics, law, social policy and European studies, with anthropology coming second, albeit with the highest percentage of 4* research of any anthropology department.

Report of the Director of the School continued



The School is now preparing for the replacement to the RAE – the Research Excellence Framework (REF), to take place in 2014. REF 2014 will for the first time include a measure of the impact of research, an area in which LSE has traditionally excelled. It is clear that we will need to continue to attract and retain high quality staff and to enhance funding and support for research if we are to maintain our status as a leading research led university. We must have the ability to compete internationally with the best universities in the world. It is no longer just a question of competing with institutions in the United States; there is a growing number of well-funded universities and research institutes in Europe and Asia.

Maintaining our research reputation is critical to our ability to attract high quality staff and students, and for the development of innovative training courses outside the conventional teaching core, such as executive MSc's.

It is evident that we cannot rely on direct government funding for research. Despite the School's improved performance in the 2008 RAE, our research grant (QR allocation) fell from £18.3m to £15.8m in 2009-10. Although it rose to £16.8m for 2011-12, future funding levels are highly uncertain. We know that HEFCE will no longer fund research output rated at 2* or less, but we do not know how far government direction will push more of the available funds into the STEM subjects and away from arts, humanities and social science.

So far the coalition government has concentrated on teaching in its Higher Education White Paper, but there is a forthcoming paper on innovation and research strategy. It is a fair bet that technology, innovation, knowledge exchange and contributions to the country's economic growth will feature heavily. What all this will mean for social science research funding is not clear, but it seems likely that however well we do in the next REF we are unlikely to see any additional funds from HEFCE.

Indirect government funding via the Economic and Social Research Council (ESRC) is also uncertain. ESRC's budget has already been cut, and it is vulnerable to pressures to concentrate funding on the STEM subjects and those with a clear potential impact on the manufacturing sector. Competition for grant funding from ESRC is already intense. The ESRC has recently announced that the overall application success rate is down to an all time low of 16 per cent from over 30 per cent just a few years ago, and for standard grants the rate is even lower at 12 per cent.

There is a need, therefore, to develop a wide range of alternative funding sources. Many sources will involve competitive bidding, and only high quality, innovative bids will succeed. Some sources, such as charities and the European Union, will not cover anything approaching full economic costs and great care will need to be taken to ensure that the research conducted makes a real contribution to our research priorities and reputation. As the Libya situation has demonstrated, other funding from foundations and the private sector involves risks and it is well recognised that enhanced safeguards will have to be put in place.

The increasingly competitive and financially constrained research world represents a considerable challenge.

Teaching, the new fees arrangements, quality improvement and the student experience

The School's faculty and management are very aware that LSE's long term sustainability depends on its ability to attract high quality students into our teaching programmes. Tuition fees represent a significant proportion of our total income and this proportion is projected to rise.

At undergraduate level the government's "reforms" represent a considerable challenge for the whole Higher Education sector, as grants from HEFCE decline and are replaced by increased fees for UK and European Union students. In LSE's case, by 2014-15 we expect to receive almost no government funding for teaching.

The impact of higher student fees on student demand across our subject range can at this stage only be the subject of speculation, although it is certainly possible that demand for degree programmes perceived to be more vocationally relevant will rise at the expense of other traditional "academic" subjects. We will, of course, monitor demand shifts carefully and respond appropriately. Some universities, largely in the newer university sector, have already announced the closure of programmes with low demand. We are not currently contemplating any such moves. However, we will need to be able to respond flexibly to demand trends and will keep our options open.

This challenge is sector wide and LSE is better placed than most institutions to meet the challenge. We still have a very high number of applicants per place, and for home/EU places our applicants per place are well above competitor institutions. We have a considerable safety margin. Our students normally go to graduate level jobs and they still command relatively high first job salaries; facts which will emerge more prominently when all universities provide more information for applicants. We are also in a much stronger financial position than most institutions and therefore more able to cope with the uncertainties.

The fee levels and potential demand shifts are just one challenge. Another is the government's decision to allow institutions to take all the students they can attract with AAB A-level grades or equivalent. We rank highly amongst universities in the proportion of student intake with AAB and above, around 95 per cent. It is perhaps also worth noting that the government is considering lowering the AAB threshold from 2012-13, which would mean that all our current places would be subject to free competition. We do not know how other universities will respond, although it seems probable that there will be increased competition for AAB students, particularly for those from disadvantaged backgrounds and areas which figure in all institutions' access agreements. Again, we will have to monitor this carefully and make appropriate adjustments to financial support arrangements and other incentives.

With all the attention paid in the higher education sector and the wider as necessary public domain to changes to home/EU undergraduate fees, we also have to pay due attention to overseas undergraduates and the half of our students who are post-graduate, many of whom already pay substantial fees. As in other areas, the competition for taught postgraduate students is getting more intense. Many more UK universities have extended postgraduate provision, and competition is increasing from Europe and Asia.

Given this increasingly competitive environment in which we operate, teaching quality, the teaching infrastructure and the overall student experience will be of even greater importance than in the past.



*From the left:
American economist
Dr Peter Orzag, LSE public
lecture; LSE and BBC Radio
4 public debate, LSE Old
Theatre, July 2011; Year 11
teenagers at an LSE summer
school as part of widening
participation programme*

Student expectations are already high and are likely to rise, which means that we will have to work even harder to improve levels of student satisfaction. Fortunately, the work of Pro-director Professor Janet Hartley and the Teaching Task Force is already bearing fruit, as evidenced by the significant improvements in National Student Survey scores. However, there is still more work to be done at all levels, including in the training of post-graduate research students and ensuring that the new ESRC Doctoral Training Centre is a great success.

Those who visit Houghton Street will notice that the old St Philips building has gone, and work is well under way on the development of the new Students' Centre, designed by O'Donnell and Tuomey with the highest BREEAM environmental sustainability rating. Scheduled for completion in 2013, the project will cost £38.7m.

Less visible is the work on 32 Lincoln's Inn Fields, the old Land Registry Building located on the south east corner of London's largest garden square, acquired during the year for £37.5m. We are undertaking a £17.5m remodelling of this Grade 2 listed neo-Jacobean building to a sensitive design by architects Jestico and Whiles, to provide 11,500 square metres (GIA) of academic accommodation, teaching, student and conference space.

While it is great research and teaching that our students come here for, not our buildings, these essential investments in our estate – and others to come – will enable us to provide facilities for students that are commensurate with our academic standing.

Staff recruitment, retention and development

Although the turnover of academic staff is still relatively low – less than five per cent in 2010-11 – this does not reflect the full extent of the challenge.

There are external challenges that we face in managing staffing and employee relations issues. On 1 October 2011 the default retirement age passed into history. On the same date, the Universities Superannuation Scheme introduced changes to make it more financially sustainable. Limits to tax relief on pension contributions introduced in April 2011 make the USS pension scheme less attractive than it was to our higher paid staff, although it is still a very attractive and significant employee benefit. London is an expensive place to live with high housing costs, and relocation costs can be as much as a year's net salary (or more) for people selling a property elsewhere and buying in the London region.

We are also concerned about the impact of proposed changes to the government's immigration policy and visa regulations on our ability to attract staff from overseas, and this represents a significant risk to our ability to recruit the best staff from across the globe.

We are now working to get a more consistent approach and to ensure our remuneration packages remain competitive in this changing environment. Work reviewing compensation and benefits and other significant factors in recruitment and retention is underway. In considering remuneration packages we are very conscious of the dangers of pay inflation, a critical issue given that staff costs account for nearly 60 per cent of our total expenditure.

The School's subject portfolio has, of course, changed over time with additional subject areas added, and some departments have very successfully taken the opportunity to develop new teaching and research programmes in response to student demand, emerging areas of intellectual enquiry and new funding opportunities. However, many

such changes are additional and it is much harder to reshape under conditions of no growth and financial constraint. Change will be slow if it depends on existing staff leaving for the recruitment of new staff with different expertise. The potential for staff retraining exists, but implementation is not a trivial exercise, and it will not be the right option for everybody. The School has implemented a time limited Voluntary Leavers Scheme in the current Michaelmas term, which may also give us some opportunities to change the skill mix, but it is, of course, voluntary.

Over the coming year, we will be aiming to improve the robustness of processes to review and debate what the academic portfolio should look like in the medium term, to develop plans to bring all departments towards the standards of the best, to make the right choices when historic teaching areas are no longer supported by student demand, and to support heads of department to innovate and to respond to demand changes.

To date, very few universities have opted out of the national pay bargaining scheme and introduced local bargaining schemes. On balance being party to the national scheme has been beneficial to employers and employees, but it is clear that strains are showing. With very high housing costs in London and increasing competition for high quality staff, we need to consider whether the national scheme will inhibit recruitment and retention. It is also unclear whether the scheme itself will be able to survive as the government's plans for the HE sector are implemented. We need at least to consider carefully our future options.

Financial strategy

It goes without saying that our financial health will be critical to our ability to meet these challenges. The School is in a strong financial position and effective planning and control processes should ensure that target surpluses are met.

However, this financial position should not breed complacency. The special economies and revenue generation exercise conducted last year showed that efficiency savings can be made, resources redistributed and departments encouraged to generate additional income. However, there is a danger that this will be viewed as a one-off measure and that we will return to a situation where new initiatives or demands for services/facilities are assumed to justify additional expenditure. We need to ensure that our processes constantly review whether we need to do things, whether they can be done more cost-effectively, and whether investments are yielding, or are likely to yield, adequate returns, both financially and academically.

We are entering a period of greater uncertainty, with more competition for students, for staff and for research funding. In addition the quality of our estate, while now excellent in parts, still lags behind that of most of our competitors. We still have about 48 per cent of the non-residential estate in the lower condition categories, which is not optimal for either students or the working conditions of staff. Investments in the estate will need to continue, but it seems certain that capital grants from the government will not be available as in the past.

We are also in a position of having no real endowment cushion. Our endowments are virtually all tied to specific posts or scholarships, which are additional to our "core" provision and which in some cases no longer raise enough income to cover costs. Council has approved in principle proposals to establish new general School endowments,

Report of the Director of the School continued



which will have implications for fund-raising priorities, and the Finance and Development Committees will oversee the implementation of these in the coming year.

Service administration and information management

The last challenge, service administration and information management arises in part from the forthcoming retirements of Jean Sykes and Adrian Hall noted above, in part from the need to ensure that our essential support services are the best they can be as we enter a period of greater uncertainty and financial stringency, and in part from a need to ensure that the services are flexible enough to help the School respond to strategic challenges.

Support services are under increased pressure, and there are several areas where service review is likely to be necessary in the current year.

Changes to a more student centred and competitive environment have implications for most service areas and in particular those dealing with student recruitment. These pressures will be exacerbated by recently announced proposals by UCAS if a post-qualification admission process is to be implemented for undergraduate entry.

Research policy proposals will place more demands on the Research Division, which is currently undergoing restructuring to improve support to academic researchers. Both the Research Division and ODAR (the Office of Development and Alumni Relations) will be affected by moves to improve procedures for the acceptance of donations and research grants and contracts.

Human Resources have a key role to address some of the competition and legislative challenges affecting employee issues.

We are currently recruiting a new director of information management and technology, who will lead development of a new IT strategy, which will help ensure that IT services keep pace with the needs of the academic community, students and service departments, and develop increased service reliability and resilience.

Steps have already been taken to ensure that new academic initiatives, major new research grant programmes, and governmental or School wide policy shifts are evaluated in terms of the impact on service divisions, with the aim of being less reactive, better anticipating future developments, exploring more efficient working practices and the opportunities, where beneficial, for more shared services and/or co-operative service provision.

Ideally, when I hand over to my successor, I would like the School to be in a position where we have identified future support service needs, practical and cost effective administrative options, and we have the evidence to give meaningful advice to the incoming Director and what will be a much changed Director's Management Team.

Financial overview

	2010-11 £m	2009-10 £m	% Change
Total income	233.7	220.9	+5.8%
Expenditure	(214.8)	(201.7)	+6.5%
Exceptional item	2.3	–	
Surplus	21.2	19.2	+10.4%
Surplus as a % of income	9.1%	8.8%	
<i>Tuition fees</i>			
Home and EU students	33.1	31.1	+6.4%
International students	70.7	65.8	+7.4%
Other fees	10.9	9.7	+12.4%
Total fee income	114.7	106.6	+7.6%
<i>Research grants and contracts</i>			
Research councils, UK charities, EU and government	17.9	18.1	-1.1%
Other outside bodies	3.5	3.5	0.0%
Funded from endowments	2.7	2.3	+17.4%
Total research income	24.1	23.9	+0.8%
General reserves	191.9	171.9	+11.6%
Endowment	81.7	72.6	+12.5%
Deferred grants	92.0	92.7	-0.8%
Net assets	365.6	337.2	+8.4%
<i>Capital expenditure</i>			
Grant funded	0.7	8.8	-9.2%
School funded	46.3	1.8	+2472.2%
Total	47.0	10.6	+343.4%
Cash and short term investments	55.3	93.0	-40.5%
Borrowings	(31.5)	(33.3)	-5.4%
Net Funds	23.8	59.7	-60.1%

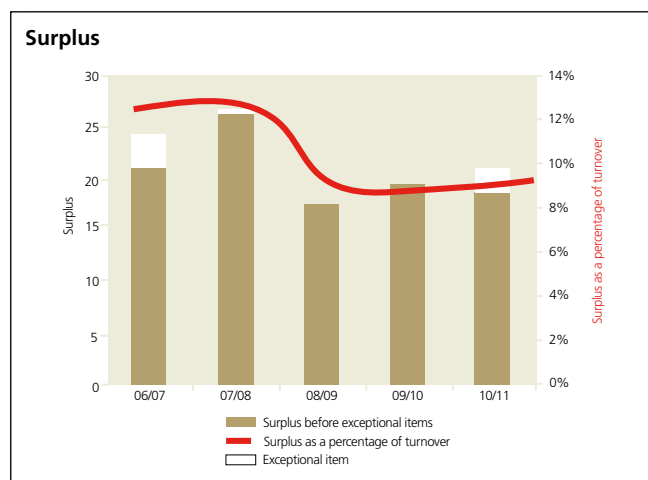
For the financial year ending 31 July 2011 the School achieved a surplus for reinvestment of £21.2m, equivalent to 9.1 per cent of turnover, compared to a surplus of £19.2m for 2009-10 (8.8 per cent of turnover). This surplus includes £1.2m (2009-10 – £1.0m) received from the "Matched Funding Scheme" for voluntary giving and £2.3m surplus from the sale of two small residential properties. Excluding these items the operating surplus for 2010-11 was £17.6m or 7.5 per cent of turnover.

For a number of years the School has budgeted for a surplus between three per cent and four per cent of turnover. This target recognised that a sustainable surplus is required to fund loan repayments, to support capital and infrastructure investment and to provide the School with the flexibility to invest in new academic initiatives. A combination of strong student recruitment, an increase in the



From the left:
A video link with Aung San Suu Kyi at LSE, 2011; Recipients of Teaching Excellence Awards 2011; LSE alumni at the 50 Plus reunion, May 2011

contribution from “non-core” activities and effective financial management have delivered consistently strong surpluses and 2010-11 is no exception.



During 2011 our Finance Committee has developed a formal School financial strategy which represents an overarching constitution to underpin financial planning and decision making to ensure that the School is able to meet its strategic objectives. This strategy sits above and outside of any particular institutional decisions although all significant decisions will be tested against it. Work in 2011-12 will include developing an operational framework to ensure that the implications of this development are embedded in the financial planning and management process.

Over the past five years the School has actually achieved an average surplus of 11 per cent generating £109.2m which has allowed the School to pay down debt and move to a net cash position and to make significant progress in improving and expanding its campus.

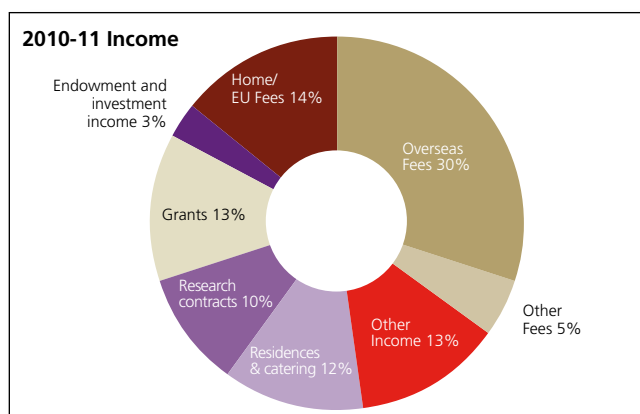
With the prospect of significant reductions in government funding for teaching and research and fewer fundraising opportunities our Council has agreed the target range 3-5 per cent for 2011-12 and we have plans in place to deliver this.

Income – total

	2010-11 £m	2009-10 £m	% Change
Funding council grants	29.7	30.6	-2.9%
Tuition fees	114.7	106.6	+7.6%
Research grants and contracts	24.1	23.9	+0.8%
Other income	59.2	53.8	+10.0%
Endowment and investment income	6.0	4.8	+25.0%
VAT (Fleming) claim	–	1.2	-100.0%
Surplus on sale of residences	2.3	–	
Total income	233.7	220.9	+5.8%

Gross income grew in total by 5.8 per cent compared to 2009-10. Tuition income increased by 7.6 per cent, and represents just under 50 per cent of our income. Income from other sources grew by 5.8 per cent following another successful year for the School's residences and catering operations, improvements in our rate of VAT recovery and expansion in the activities of the International Growth Centre.

Endowment and investment income consists of two elements; income generated by endowments to meet expenditure on bursaries and research and interest earned on the School's cash deposits and gilts. Cash is held in term deposits with a range of UK registered and regulated banks which have credit ratings of AA- or better. Deposit terms range from one to 12 months and the maximum deposit at any one bank or bank group is normally £20m. During the year the School purchased some short dated UK government gilts.



Income: funding council grants

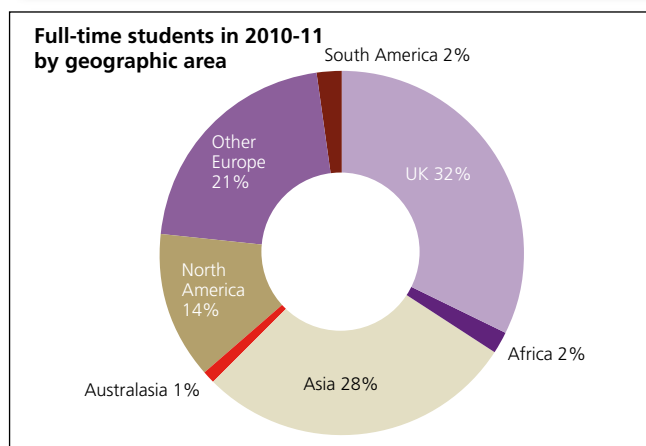
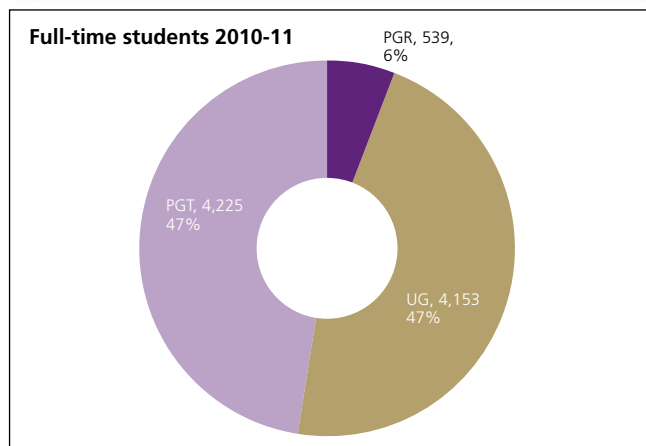
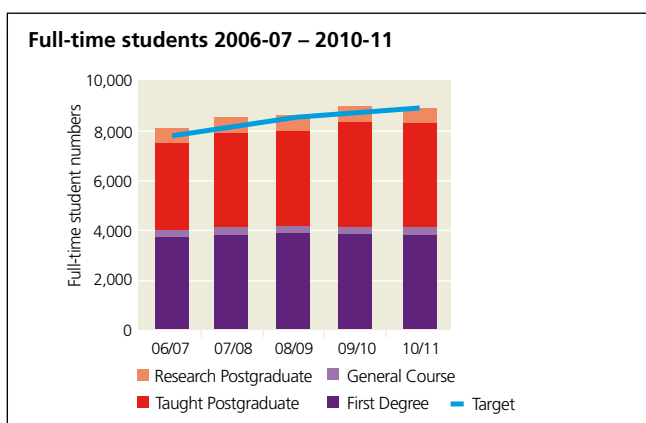
At only 12.7 percent of total income the School has a relatively low proportion of HEFCE (Higher Education Funding Council of England) grant funding compared with most UK higher education institutions. Nevertheless the £29.7m grant including £0.1m from JISC (the Joint Information and Infrastructure Systems Committee) is an essential contribution to the financial viability of the School, as have been the various rounds of teaching and research capital funding. Funding Council grant income fell by 2.9 per cent. However, the block grant for teaching and research fell by 8.4 per cent, a consequence of the 2008 Research Assessment Exercise (RAE) which cut the School's research funding substantially despite a performance that matched the 2001 RAE. The impact of this cut was delayed until 2010-11 by £1.5m of non-recurrent moderation and transitional funding paid in 2009-10.

On teaching grant the extension of the fee cap to £9,000 for home and EU undergraduates and the ending of teaching funding for band C and D subjects removes the uncertainty over future government support for teaching. However the School remains concerned about the impact on students and student recruitment. The magnitude of the change in fee level necessary to offset the cut of teaching grant coupled with the continuing lack of clarity surrounding bursary and loan arrangements are likely to combine to create widespread confusion and volatility over the next few years.

Report of the Director of the School continued



Students



The School had 8,917 full time students in 2010-11. This was slightly ahead of the plan for expansion of the School to 9,000 full time students by 2012 and was a contributing factor to achieving a surplus above the three to four percent of turnover target. Overseas students

(those from outside the United Kingdom or other European Union countries) account for roughly half the School's student population, reflecting both the international flavour of the School's student body and our world-wide reputation.

Financial support for students

The School provides financial support for students through a comprehensive range of bursaries and support packages. In 2010-11 £10.4m was spent, funded by philanthropic, endowment and other income.

Research income

The increase in research income seen over the last few years has now started to level out as the full impact of full economic costing of projects since 2005 has reached its peak, increasing slightly in this financial year to £24.1m compared to £23.9m in 2009-10.

Although UK research councils remain the largest funder of research, accounting for 25 per cent of the School's overall research income, total income from this sector has fallen by 15 per cent since 2009-10, largely due to the anticipated drop in the number of new research council awards funded during 2010-11, with a small reduction due to recently announced efficiency savings. The School was pleased to receive continuation funding from the Economic and Social Research Council (ESRC) for the Centre for Economic Performance (CEP), an interdisciplinary research centre at the LSE Research Laboratory. Established by the ESRC in 1990, the centre is in its 21st year of operation and is one of the leading economic research groups in Europe. Income from the European Union remains strong, up three per cent on last year, when it doubled. The trend seen over the last three years of a year on year decrease of income from UK charitable organisations has continued this year with a further drop of 35 per cent, to £798k. However, research funded by other external sources continues to grow, with an increase of five per cent. This category includes income from the International Growth Centre's (IGC) Research Programme accounting for 19 per cent of the total income from other sources. Income from the IGC's research programme increased by £1.1m in 2010-11. Other notable funding during the year came from the Alfred Herrhausen Society's support for the Urban Age programme and the Reserve Bank of India. LSE also received funding during the year for a major new programme of work on governance, security and justice in fragile and conflict affected states from the Department for International Development.

The School's strategy remains to compete successfully for high quality peer reviewed research. Where it is possible and appropriate to our academic aims, we also participate in commercial non-peer reviewed research, though undertaking research of low academic benefit purely for income generation is not a strategic aim. Steps are being taken in the context of a research policy to introduce in the coming year measures to improve the School's performance in grant-winning.

Income – halls of residence

The School offers 3,765 bed spaces across 10 halls of residence and University of London halls and we are able to offer the guarantee of a place to all first year undergraduate students. During vacation periods, some of the halls operate on a commercial basis through a trading subsidiary LSE Lets Limited, providing hotel accommodation for a wide range of customers. In 2010-11 this trading activity generated £6.1m of revenue. The surplus from this is used to subsidise student rents



From the left:
Dr Max Price, Vice Chancellor
of the University of Cape
Town signing formal
partnership agreement with
LSE; A lecture in the New
Academic Building; Newly
planted ivy hanging from
the rear wall of the Plaza
Cafe, St Clement's Lane

and to contribute to the School's overall surplus. Residences operate on a "self financing" basis, with room rents set at a level which, after the subsidy from vacation business, is sufficient to cover operating costs, rents and capital charges.

LSE Enterprise Limited and DUKE CE Limited

LSE Enterprise Limited is the wholly owned arm of the School that exists to develop and apply the social science expertise of LSE into commercial applications in order to help answer questions, resolve issues and develop managerial skills.

The company delivers its activities through its two trading operations LSE Executive Education and LSE Consulting, as well as through a special arm of its activity concentrating on the Spanish market place. The company additionally has a long standing commercial relationship with Duke Corporate Education in the field of customised corporate executive education.

Projects range from the training of overseas civil servants with structured executive teaching, through to complex interdisciplinary commercial research projects applying academic methodologies to major policy and commercial questions. These activities connect the School's academics to senior industry figures by creating opportunities for their research to deliver insight and impact on government and industry alike.

The successful joint venture with Duke Corporate Education Limited to supply customised strategy courses to multi-national organisations continued well during the year. The underpinning relationship was changed as LSE Enterprise exchanged its equity position in the joint venture to a royalty revenue based on global turnover.

The business environment during 2010-11 was very challenging for the company. The public sector spending cuts significantly reduced UK based activity in consultancy, commercial research and training programmes. Overseas training programmes, including some activity in Spain, were also affected.

During the course of the year the company was nearing completion of a major contract to deliver public administration training to Libya. The revolution in the country meant that a final fee payment of £0.7m of a contract value of £2.3m was not made. The outstanding balance is provided for as there is little prospect of any further payment being received.

Turnover was £5.6m, down 27 per cent on the prior year figure of £7.8m. Gross profit was £2.4m for the year and after overheads and bad debt provision the company returned a profit of £0.4m. The Gift Aid paid to the School from this profit contributes to its teaching and research activities.

During the year the company paid 215 LSE academics and research staff a total of £1.8m and a broader community of 248 academics and consultants a further £1.6m. This additional revenue represents an important supplement to academics' income, and is a useful contributor for attracting and retaining key staff.

Expenditure – total

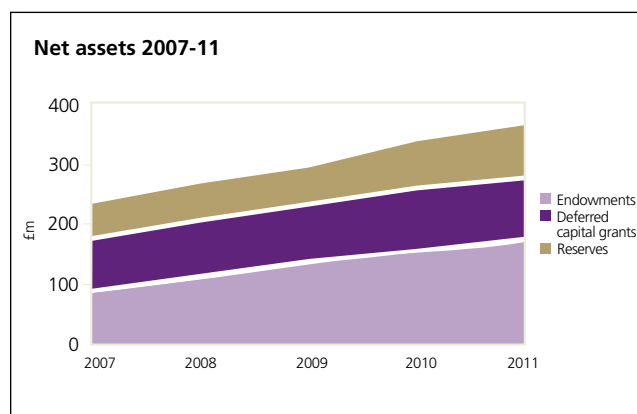
	2010-11 £m	2009-10 £m	% Change
Staff costs	121.3	117.9	+2.9%
Other operating expenses	84.7	75.2	+12.6%
Depreciation	5.6	5.4	+3.7%
Interest payable	3.2	3.2	-1.3%
Total expenditure	214.8	201.7	+6.5%

Total expenditure grew by 6.5 per cent (2009-10 – 8.8 per cent) with pay costs increasing by 2.9 per cent, of which 0.4 per cent was attributable to the pay award in August 2010, 0.2 per cent from the effect of a full year of the increase in employer contributions to USS, 1.4 per cent resulted from promotions, increments, honoraria and additional work and 0.9 per cent from an overall increase of 14 in full time equivalent staff and changes to graduate teaching assistant contracts. The School operates "Pension Plus", a salary sacrifice pension contribution scheme.

Average pay across all staff increased by 2.2 per cent between 2009-10 and 2010-11. Other operating expenditure grew in total by 12.6 per cent (2009-10 – 7.4 per cent) while the School's interest payable costs remained stable as interest rates did not change between the two years.

Balance sheet and liquidity

During 2010-11 the School's net assets grew by 8.6 per cent (2009-10 – 13.8 per cent) to £365.6m, boosted by the receipt of additional endowments of £10.8m.

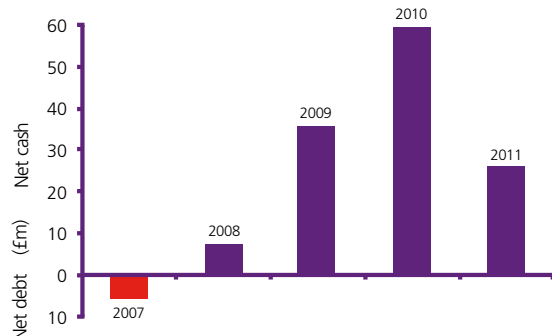


The School's cash deposits fell to £36.0m during 2010-11 from an opening balance of £93.0m. The purchase of £19.9m of gilts and the purchase of 32 Lincoln's Inn Fields for £37.5m account for a large proportion of this reduction. The School has ambitious capital investment plans and holds a £61.5m loan facility of which £31.5m is currently drawn. The School's Finance Committee reviews borrowing capacity on a regular basis and considers it adequate to accommodate our current medium term plans.

Report of the Director of the School continued



Net debt/cash 2007-11 (excluding endowment cash)



Endowments and fundraising

During 2010-11 the School received £10.8m (2009-10, £15.1m) in endowments from a combination of new donors and receipts from existing pledges. Despite the uncertain and difficult economic outlook, fundraising has secured some major gifts. As a consequence the endowment grew by 12.5 per cent to £81.7m continuing the trend established in recent years.

The School's endowment funds that are invested are split into three separate pools: Pool A which is managed on a total return basis, Pool B which is invested to generate an income and the FER Pool which supports the Foundation for Economic Research.

The Investment Sub-Committee of Finance Committee oversees the asset allocation and investment strategy of these pools. The committee comprises a number of experienced investors, academics and a representative of the Students' Union and is advised by an external consultancy. The overall investment return after fees was 9.6 per cent for the year ended 31 July 2011.

The School received £1.2m (2009-10 – £1.0m) from the HEFCE Matched Funding Scheme to encourage development of philanthropic giving, which is accounted for on a receivables basis in the Income and Expenditure account and transferred to endowments. Under this scheme the School is eligible to receive a maximum of £2.8m over three years on the basis of £1 of Matched Funding for every £3 raised. The School expects to receive the balance of the £2.8m allocation in 2011-12.

Capital expenditure

	2010-11 £m
20 Kingsway freehold acquisition	4.7
32 Lincolns' Inn Fields purchase (including fees)	37.6
New Students' Centre construction costs	1.9
Tower 1 refurbishment	1.3
Other additions	0.7
Equipment	0.8
Total capital expenditure	47.0

This year the School has continued to invest in improving the estate with £47.0m (2009-10 – £10.0m) spent on fixed asset additions, bringing the total investment over the last five years to £115.5m.

The School acquired the freehold of 20 Kingsway, a property located at the edge of the existing campus that had been leased for a number of years. The building will be needed for academic accommodation while other buildings are refurbished but thereafter it offers a number of options including conversion to a residence, leasing to tenants or disposal.

In March 2011 the School completed the purchase of the former Land Registry building at 32 Lincoln's Inn Fields for £37.5m. This building is ideally located close to the existing campus and will provide over 120,000 square feet of teaching and academic space. Although the building is in good overall condition the School has decided to refurbish and enhance to a bespoke academic specification that will increase its capacity and its effectiveness as a dedicated teaching and research facility. This approach will enable the School to achieve best value for money from the project. It is an approach that reflects the School's long term strategy for the development of its estate that prioritises sustainable development.

The New Students' Centre, which is being built on the site of the St Philips building is now in construction. In July 2011 the School entered a contract to sell the Anson and Carleton Road properties to Zebra Housing, a major private provider of student accommodation in London. The sale generated a surplus on disposal of £2.3m and this has been treated as an exceptional item in the accounts (note 10). The School decided to sell the properties because of their location some distance from the campus and their need for substantial renovation. As part of the sale agreement, the School has secured an option to place a number of students' families in this or other accommodation operated by Zebra Housing.

The School's strategic aim remains to expand the number of bed spaces so it can offer places to all new incoming students. To meet this objective we continue actively to seek out potential and evaluate options for development as either the freeholder or a lessor in a managed development.

Financial sustainability and going concern

On behalf of Council the Finance Committee reviews a full set of 10-year financial projections each term against the School's strategic plan target of a surplus of three per cent to five per cent of turnover. These plans analyse and inform the financial decisions taken by the School and include prudent assessments of the uncertainties faced by the institution and where appropriate any correcting action that is planned. This long time horizon is an essential element of our process to clarify the implications of decisions, particularly recurrent investment decisions, and ensuring a focus on maintaining a sustainable mix of activities.

Principal risks and uncertainties

The School's strategic plan addresses the key risks threatening the achievement of the School's strategic objectives over the next five years. These risks are subject to frequent review by management and by the Audit Committee at least twice a year.

Protecting and developing the School's reputation is vital. Universities are ultimately about people, their ideas, analysis, enthusiasms and



From the left:
Artist's impression of the new
Students' Centre building;
Graduation 2011; Quick
access PC in the Library

effort. The maintenance of the highest standards for staff and students is central to the School's prosperity. With a high proportion of income from student fees, the global economic situation and issues relating to student visas and immigration are significant risks. They are mitigated to some extent by the geographic diversity of the School's student intake, the current high number of applications per place, provision for potential under recruitment in our financial planning, and a low debt gearing. During the year the School has taken every opportunity to make representations to the Home Office to ensure that potential damage to the School's ability to recruit the best staff and students from around the world from revised visa procedures and regulation is understood and minimised. While there has been some success in the student visa area, it is not yet clear that the challenges relating to post study work visas and global staff recruitment are fully addressed by the government's proposals.

Improving student satisfaction is central to the School's five year strategic plan. A process of five year planning and detailed annual monitoring operates to ensure that teaching programmes are relevant and of the required high standard, and that those with lower demand are reviewed and updated or replaced. The 2011 National Student Survey indicated overall satisfaction at 84 per cent, a substantial improvement over the past two years.

The quality of teaching and research is primarily determined by the quality of the faculty. The School continues to seek out and attract world class academics, and I have spoken of the recruitment and retention challenge above. Specific provision has been made in the School's financial plans to ensure that we are able to preserve a pre-eminent position in many areas of the social sciences and significantly to enhance it in others.

Financial planning is undertaken over a ten year time horizon to reflect the long term nature of both staff development and capital investment planning. The School's Finance Committee reviews these plans and risks at least three times a year so that appropriate actions can be taken to address risks to financial objectives. There is an annual Council awayday that focuses on strategic issues. A small working group meets each term to consider in more detail particular future strategic challenges identified by Finance Committee.

The School's physical and information infrastructures are critical in attracting and retaining staff, enhancing the student experience and supporting the intellectual work of the School. For example, in addition to the investment in capital development and IT equipment, £0.8m was spent in the year on the removal of single points of failure and to improve resilience of our on-site data network. We are now in a position where data is more robust with off-site data storage, backup and recovery facilities available, single points of network failure addressed and comprehensive plans to deal with a wide variety of situations. There is further work to do on data security and applications resilience.

The School has developed an integrated and comprehensive approach to the planning for both emergency response and business continuity in the event of major issues.

Conclusion

The achievements and results of the last year place the School in a strong position. But the economic outlook is even more uncertain than it was 12 months ago and we face the prospect of a further slowdown in many parts of the world economy – possibly another

recession. In the face of this difficult economic environment, the School remains committed to continuing investment to ensure that we maintain and develop our world class faculty and research environment, to improve our facilities, to increase our research impact and delivery of public benefit, to attract the students with the best potential to benefit from an LSE education whatever their background, and to ensure they get the most they can out of their time at LSE.

There is nothing in my power to make the world any easier for my successor, whoever he or she may be. But in my short tenure as Director I hope that I will have done all I can to ensure that I hand over the School to them in even better shape to face the future than that which I inherited from Howard Davies, to whom all of the LSE community are indebted.

Professor Judith Rees
Director

Report of the Directors



Business review and principal activities

The principal activities of the School in the year under review were those of Higher Education and Research, together with such additional activities as are relevant to facilitate them. Additional activities include consultancy, conference and events, the provision of catering and accommodation services and the publication of academic journals. A review of the events of the year, together with a summary of expected future developments, is given in the report of the Director of the School, on pages 3-11 of these accounts.

Subsidiary companies

The financial statements include the results of the subsidiary companies, LSE Enterprise Limited, LSE LETS Limited, and LSE Foundation Inc.

Key performance indicators

	Notes	2010-11	2009-10
% Ratio of surplus to total income	1	9.1%	8.8%
% Ratio of HEFCE grants to total income	2	12.7%	13.9%
Days ratio of general funds to total expenditure	3	326 days	311 days
% Ratio of long-term liabilities to total general funds	4	16.4%	19.3%

1) Percentage ratio of surplus to total income = surplus as a percentage of total income. The School had a target range of three per cent to four per cent, necessary to fund infrastructure investment.

2) Percentage ratio of HEFCE grants to total income = HEFCE grant income as a percentage of total income. The School aims to develop its income from non HEFCE sources in order to keep this ratio to a minimum and reduce its dependency upon government funding.

3) Days ratio of general fund to total expenditure = 365 days X general reserve/total expenditure. The aim is to gradually increase this ratio over a number of years.

4) Percentage ratio of long-term liabilities to total general funds = long-term liabilities/general reserve. The aim is gradually to reduce this ratio over a number of years.

Principal risks and uncertainties facing the school

Please see page 11.

Financial instruments

The School's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk. The School's principal financial instruments comprise investments, cash and bank deposits, gilts, bank loans together with trade debtors and trade creditors that arise directly from its operations. The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The School has a limit of £20m that can be placed with any one bank group.

The School's current practice is to maintain the majority of borrowings at fixed rates to fix the amount of future interest payments.

Progress against the environment

The School's Environmental Policy Statement is outlined on page 47.

Employment

The School promotes equality of opportunity for staff from all social, cultural and economic backgrounds and ensure freedom from discrimination on the basis of disability, gender, race, age, religion or belief, and sexual orientation, or personal circumstances. Equality and diversity are integral to the School priorities and objectives. The School will support inter-faith and inter-cultural dialogue and understanding and engage all students in playing a full and active role in wider engagement with society.

The School's policy of employment with regard to disabled persons is to consider positively any registered disabled person who may apply for a post and provide similar opportunities for training, career development and promotion as for other members of staff.

Going concern

The School has considerable liquid financial resources at the year end. As a consequence, the directors believe that the School is well placed to manage its business risks. The directors confirm that they are satisfied that the School has adequate resources to continue in business for the foreseeable future. For this reason, they believe that the School continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

Directors

The directors of the School are shown at page 52.

Auditors

The School's current auditors are Grant Thornton UK LLP.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 52, confirms the following:

– so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and

– he or she has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The report of the directors was approved by Council on 17 November 2011.

Professor Judith Rees
Director

Public benefit at LSE



From the left:
LSE Teaching Day, May 2011; MP Margaret Hodge taking part in an LSE debate, July 2011

At LSE, public benefit is not constrained to teaching and research for their own sake, nor is it incidental: public benefit is at the core of our purpose. The trustees – Council – of the exempt charity, the London School of Economics and Political Science, have reviewed the activities for the year 2010-11 with regard to our obligations under section four of the Charities Act 2006 and the Charity Commission's guidance on public benefit.

This report sets out principal public benefit objectives of the School, the main activities by which the School seeks to live up to those objectives, the benefits and the beneficiaries, and illustrates by examples a very small minority of the events and activities that have contributed to delivery of our charitable purposes. The report also sets out some of the means by which the School ensures that access to benefits is not unreasonably limited by finance or geography to those who can afford to attend courses in London.

Council has considered the balance of benefits against harm caused by the School's activities. There are very significant benefits and very few areas where the School's activities may be said to cause harm. In respect of the one identifiable area of potential harm – adverse impacts to the sustainability of the environment from its operations – Council has adopted a clear environmental policy which aims for the School to be amongst the leading higher education practitioners of environmental sustainability as well as a leading teaching and research institution in that field. The report on progress on environmental policy is on page 47 of these accounts.

Council has considered the extent to which any private benefits from its activities are incidental. Council members receive no remuneration for their services as charity trustees. There is strict oversight of related party transactions. In respect of contracted research income, the School has a clear policy to pursue research contracts with a clear academic benefit in preference to chasing income for its own sake. Profits from commercial activities are 100 per cent gift-aided to the School to support its educational purposes.

The principal charitable aims of the School

The objectives of the School are set out in its Memorandum and Articles of Association. Amongst the charitable objectives are the following.

(II) To organise, promote and assist research and the advancement of science and learning in the various branches of knowledge dealt with by the institution.

(III) To provide opportunities and encouragement for pursuing a regular and liberal course of education of the highest grade and quality in the various branches of knowledge dealt with by the institution.

(V) To organise, promote and supply liberal courses of education specially adapted to the needs of persons who are, or intend to be, engaged in any kind of administration, including the service of any government or local authority, railways and shipping, banking and insurance, international trade, and any of the higher branches of commerce and industry, and also the profession of teaching any such subjects.

(VII) To organise, promote and assist in any way whatsoever the study and advancement of economics or political economy, political science

or political philosophy, statistics, sociology, history, geography, and any subject cognate to any of those.

(XII) To assist students or particular categories of students financially or otherwise to pursue a course of education or research at the institution and to provide generally for their well-being.

The charitable objectives were also reflected in our 2010-15 strategic plan "values and commitments": integrity, intellectual freedom, excellence in education, engagement, supporting the LSE community, respect for the environment, equality and diversity, participation, and good governance.

On intellectual freedom: "We will defend and promote the rights of all staff, students and the wider LSE community to express their views freely in a civil way in pursuit, advancement and dissemination of knowledge".

On excellence in education: "We aim to cultivate graduates of distinctive quality with a breadth and depth of knowledge, the capacity for independent thinking and an awareness of global economic and political issues".

On engagement: "We will promote interaction with the wider world so that the insights of the social sciences are disseminated as widely as possible for the improvement of society".

The benefits and the beneficiaries of LSE charitable activities

The benefits and beneficiaries of LSE activities are, at first sight, clear. Students benefit from their education at LSE; academia as a whole benefits from research, and broader society benefits from both, with well educated graduates contributing to academia, the professions, public service and society in many fields, and research influencing public policy for the good of society.

It is very difficult to point to a direct link between social science research and impact.

The LSE Public Policy Group has been collaborating with others to address this challenge. The extract below from the recently published third draft of *Maximising the impacts of your research: a handbook for Social Scientists* explains how this collaborative effort with the University of Leeds and Imperial College London aims to help others maximise the academic and social benefits of social science research, wherever it is done.

"There are few academics who are interested in doing research that simply has no influence on anyone else in academia or outside. Some perhaps will be content to produce 'shelf-bending' work that goes into a library (included in a published journal or book), and then over the next decades ever-so-slightly bends the shelf it sits on. But we believe that they are in a small minority. The whole point of social science research is to achieve academic impact by advancing your

Public benefit at LSE continued



discipline, and (where possible) by having some positive influence also on external audiences – in business, government, the media, civil society or public debate.

...a team of academics based at the London School of Economics and Political Science, the University of Leeds and Imperial College London have been working on the 'Impact of Social Sciences' project aimed at developing precise methods for measuring and evaluating the impact of research in the public sphere. We believe our data will be of interest to all UK universities to better capture and track the impacts of their social science research and applications work.

...in the past, there has been no one source of systematic advice on how to maximise the academic impacts of your research in terms of citations and other measures of influence. And almost no sources at all have helped researchers to achieve greater visibility and impacts with audiences outside the university...

...this handbook remedies this key gap and, we hope, will help researchers achieving a more professional and focused approach to their research from the outset. It provides a large menu of sound and evidence-based advice and guidance on how to ensure that your work achieves its maximum visibility and influence with both academic and external audiences..."

At a more local level, the benefits and beneficiaries are much more diverse than a superficial view might indicate. While the educational benefits of LSE's free public lectures and events are enjoyed by nearly 74,000 attendees in the year, the reach has been dramatically extended with over 13 million downloads of podcasts of those events.

And while one of the aims of our widening participation activities is to encourage people from disadvantaged backgrounds to apply to study at LSE and to support them to be successful, another important aim is to provide similar encouragement and pre-application support to persons from disadvantaged backgrounds to study at other leading educational institutions, wherever they may be. Similarly, while the beneficiaries of the Schools' disability and welfare service include those whose disabilities might otherwise prevent them studying at LSE, they also include, through the Disability Equality Research Network, other persons with disabilities and those working with them across the UK.

While it is difficult to provide evidence of the significance of benefits arising from social science research, the LSE community is fortunate to receive a number of awards each year evidencing the wider public recognition of that benefit, and some of the more notable awards are noted below.

Charities Act 2006

LSE is both a company and a charity. The 2006 Act sets out 12 categories of charitable purpose. The principal activity of the School is one of those purposes: the advancement of education, and the School makes significant contributions across the majority of those categories.

Many of the School's research centres and academic departments' activities are directly related to one or more of seven of the 12 charitable purposes set out in the 2006 Charities Act.





*From the left:
A National Trust conservator
working in collaboration with
LSE Archives on the George
Bernard Shaw photographic
collection; Main entrance to
the Old Building, Houghton
Street; Graduation 2011*

The quality of the School's research – a contribution to its educational benefit – was recognised in the 2008 RAE assessment, in which LSE was number one in the UK based on percentage of 4* research and number three in the UK based on weighted average score.

1 The advancement of education

All departments participate in this objective.

LSE is ranked as number three or four university in the UK by the *Times Good University Guide*, *Sunday Times Good University Guide*, *Guardian Good University Guide* and the *Complete University Guide* (2012 editions).

Professor Christopher Pissarides, Department of Economics, was awarded the 2010 Nobel Prize for Economic Sciences, jointly with Peter Diamond from MIT and Dale Mortensen from Northwest University.

Professor Tim Besley, Department of Economics and STICERD, was made a Commander of the British Empire, CBE.

Professor Helen Wallace, European Institute, was made a Dame of the British Empire, DBE, for services to higher education

Jane Pugh, Planning and Corporate Policy Division, received an MBE for services to higher education.

Jean Sykes, chief information officer, received an MBE for services to higher education.

2 The prevention or relief of poverty

Principal contributors include Asia Research Centre, Centre for Analysis of Social Exclusion (CASE), Centre for Economic Performance (CEP), International Growth Centre (IGC), Department of International Development

Professor David Metcalf is chair of the Migration Advisory Committee, a Director of the Starting Price Regulatory Commission and a member of the Senior Salaries Review Body. He was a founding member of the Low Pay Commission, which sets the national minimum wage. In 2008 he received a Commander of the Order of the British Empire (CBE) award for public service from Her Majesty the Queen.

The LSE African Initiative is a long-term programme designed both to reinvigorate African research at LSE and to put Africa at the centre of the social sciences and in the global public spotlight.

The Chair in African Development is based in the Department of International Development. Professor Thandika Mkandawire is the first holder of the Chair in African Development, which was created in 2009 and following a powerful speech by Nelson Mandela at LSE in 2000 in which he spoke of the connections between LSE and Africa and pointed to the potential for education to deliver a renaissance on the continent.

The University of Cape Town became LSE's fifth global institutional partner, and its first in Africa, in 2010. The partners aim to develop opportunities for student and staff mobility, research collaborations and a range of capacity building and other initiatives across the African continent.

With the first session starting in March 2012, the Firoz and Najma Lalji Programme for African Leadership (PfAL), stems from the shared vision of the Lalji family and LSE: to foster emerging leaders to promote best

practices of economic and social development in their organisations and countries, so that they will be supported in their contributions to helping alleviating poverty in Africa. US-based Firoz and Najma Lalji have made an initial gift of almost £1 million through their charitable foundation to help establish PfAL at LSE. Each year the programme will enable 30 high-achievers from Africa to attend an intensive executive training course in London.

The Africa Talks is a series of high-profile events that is part of the LSE public lectures programme and was initially funded by the Annual Fund. The series creates a platform for African voices to inform and transform the global debate. Africa at LSE is a blog set up to promote African research, and includes posts from LSE academics, students, and others.

LSE offers a number of fully-funded visiting fellowships for early career, and more senior African, academics to spend up to six months at LSE. The African Research Fellowship Programme has been generously supported by an anonymous donor, Atlantic Philanthropies, Richard Delbridge, and the LSE Centennial Fund. The Fellowships are based in LSE IDEAS, and relate to the research centre's Africa International Affairs Programme.

3 The advancement of health or the saving of lives

LSE Health and Social Care (LSEHSC), Centre for Human Rights

The lynchpin of improvements in health and social care services is robust, world-class research, which is LSE Health and Social Care's primary activity. Carrying out research which informs policy and practice processes, LSE Health and Social Care engages with the public and key stakeholders in many ways. In 2011 LSEHSC ran a series of LSE and HEIF4 funded events, attended by over 400 people, presenting new findings in three topical areas (ageing, quality and performance, and public policy). Seminar podcasts have proved popular with over 300,000 downloads. The underpinning research aims to improve health and wellbeing of the public.

Professor Lord Richard Layard, Centre for Economic Performance, was awarded the President's Medal of the Royal College of Psychiatrists for outstanding contributions to mental health and psychiatry.

Dr Purna Sen, Development Studies Institute, was appointed to the technical advisory group to the United Nations Commission on HIV and the law.

Professor Elias Mossialos, LSE Health, was awarded the 2010 Andrija Stampar Medal for distinguished services to public health. This is the most prestigious public health award in Europe, awarded by the Association of Schools of Public Health in the European region. In 2011 he was appointed to lead a task force to reform the Greek health system. The task force is a joint initiative of the Greek Government, the European commission, the IMF and the ECB. He has recently been appointed state minister and government spokesman for the Greek cabinet.

4 The advancement of citizenship or community development

CASE, Cities, Spatial Economics Research Centre (SERC)

Professor Renata Salecl, BIOS, was named 2010 Slovenian Woman Scientist of the Year. Her recent book, *Choice*, explores the relationship between choice as an individual matter and barriers to social change.

Public benefit at LSE continued



5 The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity

Centre for Human Rights, Diplomacy and Strategy (IDEAS), Centre for Global Governance, Gender Institute, Middle East Research Centre (MERC)

Professor Mary Kaldor, Global Governance, was awarded an honorary doctorate by Corvinus University of Budapest for her work on globalisation, international relations and humanitarian intervention, global civil society and global governance and her new theory of wars.

6 The advancement of environmental protection or improvement

Grantham Research Institute, Centre for Climate Change Economics and Policy, Department of Geography and Environment

Professor Lord Nicholas Stern, Grantham Research Institute on Climate Change and Environment, won the BBVA Foundation "Frontiers of Knowledge" award in the climate change category. The award jury said that his pioneering report "shaped and focused the discourse on climate change". He was the joint winner, with Harvard's Martin Wietzman, of the 2011 Leontief Prize for Advancing the Frontiers of Economic Thought, recognising the critical role played by both in analysing the economic dimensions of climate change.

The London School of Economics and Political Science was awarded a "First" for the third consecutive year for its commitment to systematic environmental management and its environmental performance in the 2011 People and Planet Green League, the award winning environmental ranking of the UK's universities. Universities are ranked according to 13 environmental policy and performance-related criteria, in areas such as carbon reduction, waste recycling, energy efficiency, transport emissions and staff and student engagement.

7 The relief of those in need, by reason of youth, age, ill health, disability, financial hardship or other disadvantage

CASE, LSE Health and Social Care, Department of International Development, IGC, CEP, STICERD

Professor Sarah Franklin, BIOS, was awarded the Smith College Medal for extraordinary professional achievements and outstanding service to the community, for her work exploring the ethical dimensions of reproductive and genetic technologies.

The School's disability and welfare service supports students and staff with disabilities to achieve their potential at LSE. Its service to people with disabilities is much broader. The Disability Equality Research Network (DERN), sponsored by the LSE Annual Fund, has been established at the School to provide disabled and disability researchers across the country share their work with critical friends and to receive constructive feedback. The LSE hosts monthly meetings of DERN, and was also host to a Disability Pride conference in 2011 bringing together students, staff, researchers and others with disabilities and a commitment to supporting others with disabilities.

Other charitable activities

There are many other activities that the School carries out – such as provision of sports facilities and encouragement of sports

development – that are important, but not part of the distinctive public benefit contribution of LSE, and which therefore are not reported on in detail here.

The Higher Education Funding Council for England (HEFCE)

The HEFCE 2010 report – Service to Society – set out six main areas where universities provide services to society. The School makes significant contributions in all six areas.

1 Developing people to make contribution to society

LSE graduates pursue diverse careers in public service, private enterprise, education, research or their own enterprise. The top two employers in 2009-10 graduate destinations were the UK Civil Service and the United Nations. While financial services was the number one sector for LSE graduates (26 per cent), more (39 per cent) went on to careers in education, charities, governments or research.

The LSE 100 Course: "Understanding the causes of things", was pronounced the winner in the courses category of the 2010 Green Gown awards. The LSE 100 Course is a new compulsory undergraduate course running alongside students' degrees. The course curriculum promotes an interdisciplinary approach to understanding sustainability related problems such as climate change, poverty, financial crisis, population growth and culture.

Dr Jonathan Leape, LSE 100 course director was delighted with the recognition. He said: "The LSE100 course builds on LSE's strengths to produce graduates who combine depth in their field with an interdisciplinary understanding of key environmental and social issues."

LSE's Volunteer Centre is at the forefront of LSE's engagement with the wider community, and offers a range of opportunities for students and staff to get involved through a volunteering placement in a charity or not-for-profit while studying or working at LSE. It offers advice on volunteering in London and internationally, and on how to make the best use of volunteering to make a difference in the world and to help gain new skills for career development and for future careers. The centre sits within LSE Careers, and has strong connections with other departments across the School, as well as the Students' Union, RAG and national volunteering bodies and groups.

2 Innovating, informing and inspiring: opening up university knowledge, expertise and resources

LSE has an unrivalled programme of public events. In addition to departmental and student union events, the School organised 315 public lectures with attendance of 73,900 in 2010-11.

Many of these events are recorded and made available as audio or video "podcasts" providing access to people worldwide unable to attend in person. From a significant start of 108,000 downloads in 2006-07, this has grown more than 10,000 per cent to over 13 million downloads in 2010-11.

In addition, many departments and research centres have outreach events. For example, the Centre for Analysis of Time Series and the Grantham Research Institute on Climate Change and the Environment exhibited on "Confidence from Uncertainty: Interpreting Climate Predictions" at the 2011 Royal Society Summer Science Exhibition (and later at the ESRC Festival of Social Science). Dr David Stainforth, professors, research staff and PhD students presented the exhibit



*From the left:
LSE public lecture by Sebastián Piñera Echenique, President of the Republic of Chile; High Holborn Hall of Residence; LSE roof gardens, part of the Grow London initiative*

bringing together skills and understanding from disciplines as diverse as physics, mathematics, computer science, statistics, economics, philosophy, chemistry, ecology and more. The exhibition was attended by over 13,000 visitors, including sixth form students, teachers, families, policy makers and others.

"The Burning Issue" series of three lectures, supported by the LSE Annual Fund and alumnus Cato Stonex, was filmed for television over two nights in May 2011. Intercut with location-filmed reports and offering the chance to take part in a live debate, these lectures were a novel and exciting departure for LSE.

The inaugural LSE "Big Questions" lecture took place in June 2011, with Professor Danny Quah exploring how the world is changing, with countries such as China and India becoming wealthier and more powerful than ever before. The highly interactive lecture for schools, was developed for an audience of students in year nine, and more motivated students in years seven and eight, and was designed with the Key Stage Three "citizenship" curriculum in mind.

3 Engaging communities and working in partnership

LSE has a long tradition of students giving up their time to help the local community. LSE Student Recruitment Office also runs a number of projects which work with local schools and colleges to raise aspirations and achievement amongst pupils and students in the London area. In order to keep these successful projects running, we rely on LSE students to volunteer their time and take part in these projects, and we are very grateful to those who have volunteered in past years.

Throughout its outreach programmes, conferences and publications LSE Cities reaches large and diverse audiences both nationally and globally. Its signature programme, the Urban Age, has engaged thousands of urban policymakers, practitioners and activists in cities like Johannesburg, Mexico City, London and Sao Paulo. The centre's staff is actively involved in major projects like the London Olympics, as well as the United Nations Environment Programme and UN Habitat. Its research and publications have become an authoritative source of comparative data on global cities, available to local governments, city-makers and educators alike. In the last year 4,500 Londoners have attended free public lectures organised by LSE Cities at the School, and its websites received some 300,000 hits.

Dr Chaloka Beyani, Department of Law, a member of the Committee of Experts on Constitutional Review, contributed to the preparation of the new Kenyan constitution adopted in August 2010.

4 Informing public policy and the professions

Almost all departments make significant contributions to the professions: the department of accounting is particularly active in this area. Professor Al Bhimani is a member of the Research Board of the Chartered Institute of Management Accounting (CIMA). Professor Wim Van der Stede, CIMA Professor of Accounting and Financial Management was President of the management accounting section of the American Accounting Association in 2010-11 and serves on its Council and Finance Committee. Professor Richard Macve is academic advisor to the Institute of Chartered Accountants of England and Wales' Centre for Business Performance. Professor Michael Power provided evidence to the House of Lords Economic Affairs Committee in October 2010 and addressed the Treasury Select Committee on the performance of the audit profession in the context of the banking crisis of 2008-09.

Professor Eileen Munro, Social Policy, member of Council, published her third and final report of her review of the child protection service in England, commissioned by Michael Gove, secretary of state for education.

Professor Julian Le Grand, Department of Social Policy, is to lead a new Mutuals Taskforce, with the prime minister's backing, to drive reform at the centre of government, applying his expertise in employee-opened mutuals and professional partnerships role improving public services.

Professor Kevin Featherstone, European Institute, was the first non-Greek national to be appointed to the Greece National Council for Research and Technology.

Professor Ian Begg, European Institute, was appointed by the House of Lords European Union Select Committee to serve as special adviser for an inquiry into the future of economic governance in Europe.

5 Stimulating local economic and social development

IGC, the International Growth Centre, offers independent advice on economic growth to governments of developing countries. Based at LSE and in partnership with Oxford University, the IGC was initiated and funded by DFID. It is directed by a steering group with executive and deputy directors at LSE and academic representation from LSE, the University of Chicago, and Oxford University.

IGC has active country programmes in Bangladesh, Ethiopia, Ghana, India (Central and Bihar), Pakistan, Sierra Leone, Tanzania, Mozambique, Zambia and Rwanda and supports over seventy individual research projects on issues of governance, human capital, agriculture, infrastructure, trade, firm capability, state capacity, macroeconomics and political economy.

In September 2011, IGC hosted the second "Growth Week", the annual conference of the IGC, bringing together the IGC's international network of scholars, institutional partners and policy makers in partner countries in Africa and South Asia for three days. Growth Week is unique: no other event combines a critical mass of decision makers with stellar academics. It embodies the mission of the IGC to bring together researchers and policy makers with the purpose of supporting policy with a foundation of rigorous evidence.

Adam Austerfield, LSE Enterprise Ltd, was appointed for a four year term as Vice President of the British Chamber of Commerce in Spain.

Yury Bikbaev, LSE Enterprise Ltd, was awarded an honorary professorship by the Academy of Public administration under the President of the Republic of Kazakhstan in recognition of the knowledge transfer generated by LSE Enterprise Limited customised training for the Kazakh civil service.

6 Building international connections

LSE is an international university in London with students and faculty from across the world, studying global issues. It has active alumni groups in over 50 countries. It is the second most internationally oriented university in the world according to the *THE* 2010-11 world rankings.

The School conducts the General Course: an undergraduate programme welcoming around 300 students per year to a study year abroad at LSE.

Public benefit at LSE continued



The School's collaborative activities include degree education, including double and joint degree programmes; other education, including a summer school in China and an executive training programme for Chinese civil servants; PhD student and staff exchanges and international events.

LSE has developed institutional partnerships with Columbia University (New York), Sciences Po (Paris), Peking University (Beijing), National University of Singapore and the University of Cape Town (South Africa).

LSE has developed double masters degree programmes with Fudan University, Shanghai, Hertie School of Governance, Berlin, Lee Kuan Yew School of Public Policy, National University of Singapore, and the Annenberg School for Communication, University of Southern California, and an Erasmus Mundus double master's degree programme with Leipzig, Roskilde, Vienna and Wrocław universities.

LSE offers the TRIUM Global Executive MBA programme jointly with NYU Stern School of Business, New York, and HEC School of Management, Paris. It is held in five international business locations over a 16-month period. The TRIUM Global EMBA class comprises diverse, experienced senior level executives from around the world. Its students live and work in more than 30 different countries. It is ranked number two in the world by the *Financial Times*.

LSE is a founding member of the Global Public Policy Network (GPPN), a network of institutions offering teaching and conducting research in a range of global policy-oriented disciplines.

The School also contributes to the University of London International Programmes (UoLIP), which offer a wide range of diplomas and degrees through distance learning to students worldwide.

Widening participation

LSE is committed to recruiting the best possible students with the highest academic and intellectual potential, regardless of their economic or social background. We offer a range of activities for schools and colleges in the UK and overseas, such as campus visits and schools' talks. Many of these are open to all, regardless of sector or location. However, we do recognise that not all applicants are afforded the same educational opportunities. To this end, in addition to our ongoing general recruitment activities, LSE has been involved with a number of widening participation and access initiatives since 1998, with the aim of raising the aspirations of school and college students. These schemes are not just aimed at increasing the number of applications to LSE, but are also aimed at encouraging students to apply to the best university for them to fulfil their potential.

LSE's extensive programme of widening participation activities was recognised by an award for the "Best Widening Participation Programme" for encouraging inner city students to go to university. The award was presented at a special ceremony at the House of Lords in July 2011, co-hosted by Lord Wei and the charity, Excellence in Education.

LSE makes available over £12 million annually in financial support for its students via a range of scholarships, bursaries and award schemes. The School would like to thank the many donors who have contributed to the New Futures Fund, which provides funds for a number of discretionary scholarships.

The School's library, The British Library of Political and Economic Science, and its archives, are available to other academic institutions and to members of the public.

The School makes significant investments to ensure that its resources and benefits are available beyond the geographic boundaries of Houghton Street. The "Burning Issues" lectures have been televised for broadcast, the LSE "Big Question" lecture had a UK school audience and over 13 million lectures and events have been downloaded as podcasts during the year.

LSE Research Online is being developed to become a complete database of a publicly accessible collection of research produced by LSE academics. Its aims are to include citations to the work of all LSE academic and support staff, to provide open access to full text research where permitted by publishers and copyright law, to provide stable links to published items and items not held by LSE Research Online, to be a reliable source of information on LSE research for all audiences, to share openly its information with internal and external services, such as LSE Experts and Google, and to preserve research for posterity.

LSE Experts is an A to Z online resource giving access to information about LSE people's expertise, from Professor Emeritus Peter Abell to Dr Radoslaw Zubek.

Looking forward

We have already mentioned some of the new activities that are being developed for the future, including the Firoz and Najma Lajji Programme for African Leadership.

The School will be responding to the new £9,000 fee cap for home/EU undergraduates with a substantial expansion of bursary and widening participation arrangements to ensure that people from all economic backgrounds are able to benefit from an LSE education. There is a concern that proposals for regulations of student numbers for students without at least "AAB" at A-level might inhibit our ability there. LSE's unique decision amongst Russell Group universities to set a 2012-13 fee below £9,000 (at £8,500) is an important signal that we are open to all.

At its awayday in September 2011, Council approved in principle the establishment of new general endowments for fundraising to support bursaries and research, and also the establishment of new long term investment of short term "windfall" surpluses and earnings from non-core activities, to assure the sustainability of LSE to deliver its charitable objectives with much less reliance on government funding in the future.

Finally, we the trustees of the School would like to thank the many generous donors and sponsors, without whom LSE's public benefit activities would not be sustainable at their current scale.

Accounting policies



*From the left:
Passfield Hall of Residence;
Nick Clegg, UK deputy
prime minister speaking at
LSE, September 2011*

The School is an exempt charity within the meaning of Schedule Two of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 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 School receives partial exemption in respect of Value Added Tax, and is unable to recover the majority of VAT paid to suppliers.

The School is incorporated under the Companies Act as a company limited by guarantee.

The accounts set out on pages 21 to 42 have been prepared in accordance with the following accounting policies.

(a) Basis of accounting

The consolidated financial statements have been prepared on the historical cost basis of accounting as modified by the revaluation of investments and in accordance with applicable United Kingdom Accounting Standards.

(b) Format of the accounts

The accounts are prepared to conform to the Companies Act 2006 and also with the Statement of Recommended Accounting Practice (SORP): Accounting for Further and Higher Education dated July 2007.

(c) Basis of consolidation

The consolidated financial statements consolidate the financial statements of the School and all its subsidiary undertakings for the financial year as set out in Note 12.

The consolidated income and expenditure account includes the School's share of the income and expenditure of associated undertakings and joint ventures, while the consolidated balance sheet includes investment in associated undertakings and joint ventures at the School's share of their net tangible assets.

The consolidated financial statements do not include those of the Students' Union as it is a separate entity in which the School has, under existing arrangements, no financial interest and no control or significant influence over policy decisions.

(d) Income and expenditure account

The income and expenditure account reflects all expenditure and general unrestricted income associated with the performance of the principal objects of the School, teaching and research, and also includes restricted income to the extent that expenditure has been incurred.

(e) Income recognition

Funding Council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which the students are registered. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating income. Where the School disburses funds it has received as paying agent on behalf of the Funding Council or other body, and has no beneficial interest in the funds, the receipt and subsequent disbursement of the funds has been excluded from the income and expenditure account.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers against the order received or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Increases/decreases in value arising on the revaluation or disposal of endowment assets, ie, the appreciation/depreciation of endowment assets is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset and crediting or debiting the endowment fund and reported in the statement of total recognised gains and losses.

Funding Council Matched Funding is accounted for on a receivable basis. The income is included as part of the surplus or deficit for the year and transferred to endowments.

(f) Land and buildings

Land and buildings are capitalised in the School's balance sheets at historical cost.

The Finance Committee have reviewed the usable lives of the School's buildings and the depreciation policy is based on this.

Freehold land separately identified since 2005, is not depreciated. Freehold buildings are depreciated straight line over the remainder of their useful economic lives which range between six and 75 years. Where applicable, freehold buildings are depreciated by components as follows:

Building – 75 years

Roof – 25 years

Mechanical services – 15 years

Lifts – 10 years

Leasehold buildings are depreciated over the remaining period of the lease.

Costs incurred in relation to buildings after their initial acquisition are capitalised only to the extent that they increase the expected future benefits. The costs of such enhancements are depreciated over the remaining life of the asset.

Fire Certification Works at the School's student residences are depreciated over a period of 15 years. Capital projects which are still under construction are capitalised but not depreciated.

Accounting policies continued



An annual review for impairment of fixed assets is carried out by the Finance Committee to determine whether events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable and for assets deemed to have an economic life in excess of 50 years. No impairment has been charged to the 2010-11 accounts.

(g) Furniture, equipment and software

Equipment, including computers and software, costing less than £30,000 per individual item or group of related items is expensed in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its useful life which varies between three and 10 years.

(h) Operating leases

Costs in respect of operating leases are charged on a straight line basis over the period of the lease term.

(i) Stock

Stocks, which are primarily catering supplies, are valued at the lower of cost and net realisable value.

(j) Investments

Listed investments are stated at their market value on the balance sheet date. Unlisted investments, including investment in subsidiary companies, are stated at the lower of cost or valuation. Investments that are held to maturity are stated at the lower of costs or present value of estimated future cash flows. Investments held on behalf of endowment funds are included in endowment assets in the balance sheet at market value.

(k) Joint venture entities and associates

The School's share of income and expenditure in joint venture entities is recognised in the institution's income and expenditure account in accordance with Financial Reporting Standard 9. Similarly the institution's share of assets and liabilities in associate entities is recognised in the institution's balance sheet in accordance with Financial Reporting Standard 9.

In accordance with Financial Reporting Standard 9 the gross equity method is used when consolidating joint venture entities and associate entities are consolidated using the equity method entities.

(l) Provisions

Provisions are recognised when the School has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(m) Foreign currency

Transactions denominated in Euros and other 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 recognised as part of income and expenditure.

(n) Pensions

The School participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL).

Both are defined benefits schemes and are separately funded and contracted out of the State Second Pension (S2P) Scheme. The assets of the schemes are held in separate trustee-administered funds. The School is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reliable basis and, therefore, accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

A provision has been made in respect of pension enhancements payable to staff who have retired under the previous superannuation scheme for academic and related staff, FSSU.

(o) Charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received.

Endowment funds

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are two main types:

- 1 Restricted expendable endowments – the capital may be used in addition to the income for the objective specified by the donor.
- 2 Restricted permanent endowments – the capital fund is maintained but the income can be used for the objective specified by the donor.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as deferred capital grants. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

(p) Financial instruments

The School uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods or the contracts.

(q) Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand net of overdraft and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value including term deposits.

(r) Agency arrangement

Funds the School receives and disburses as paying agent on behalf of the Funding Council or other body, where the School has no beneficial interest in the funds, the receipt and subsequent disbursement of the funds are excluded from the income expenditure accounts.

Consolidated income and expenditure account



From the left:
Saad Hariri, president of the
Council of Ministers of the
Lebanese Republic, LSE public
lecture; Michelle Bachelet,
executive director of UN
Women, at LSE, May 2011

	NOTES	2010-11 £'000	2009-10 £'000
INCOME			
Funding Council grants	1	29,652	30,616
Tuition fees and education contracts	2	114,705	106,613
Research grants and contracts	3	24,068	23,856
Other income	4	59,237	53,804
Endowment and investment income	5	6,041	4,805
VAT claim	6	–	1,224
Total income		233,703	220,918
EXPENDITURE			
Staff costs	7	121,338	117,905
Other operating expenses	8	84,745	75,162
Depreciation	11	5,600	5,421
Interest payable	9	3,160	3,201
Total expenditure		214,843	201,689
Surplus on continuing operations after depreciation of tangible fixed assets at cost and before exceptional items and tax		18,860	19,229
EXCEPTIONAL ITEMS			
Surplus from sale of fixed assets	10	2,299	–
Surplus on continuing operations after depreciation of tangible fixed assets at cost and before tax		21,159	19,229
Surplus on continuing operations after depreciation of tangible fixed assets at cost and tax		21,159	19,229
Transfer to endowment within general reserve	21	(1,216)	(1,034)
Surplus for the year retained within general reserve	22	19,943	18,195

The income and expenditure account is in respect of continuing activities.

As permitted by Section 408 of the Companies Act 2006, the income and expenditure account of the Company is not presented as part of these financial statements. Of the total surplus for the year of £19,943,000, a surplus of £20,153,000 was made by the Company.

There is no note of historical cost surpluses and deficits as the reported surplus has been calculated on the historical cost basis.

Statement of total recognised gains and losses



	NOTES	2010-11 £'000	2009-10 £'000
Surplus on continuing operations after depreciation of tangible fixed assets at cost and tax		21,159	19,229
New endowments	21	10,755	15,149
Endowment withdrawn	21	(5,838)	(5,161)
Appreciation of endowment asset investments	21	2,954	4,242
Total recognised gains and losses relating to the year		29,030	33,459
Reconciliation of movement in reserves and endowments			
Opening reserves and endowments		244,546	211,087
Total recognised gains and losses for the year		29,030	33,459
Closing reserves and endowments		273,576	244,546

Balance sheets



From the left:
Anna Diamantopoulou,
Greek minister for education,
lifelong learning and religious
affairs at an LSE public lecture;
Sir Nicholas Macpherson,
permanent secretary to the
treasury at LSE, May 2011.

Company Registration No 70527

	NOTES	Group 2011 £'000	School 2011 £'000	Group 2010 £'000	School 2010 £'000
Fixed assets					
Tangible assets	11	288,749	288,223	247,427	246,892
Investments in subsidiary undertakings	12	–	150	–	150
Investments	13	19,314	19,221	417	–
		308,063	307,594	247,844	247,042
Endowment assets	14	81,717	81,717	72,630	72,630
Current assets					
Stock		88	88	86	86
Debtors	15	24,681	25,844	20,842	22,225
Cash at bank and in hand	16	21,091	18,636	18,009	15,527
Bank deposits	16	15,000	15,000	75,000	74,000
		60,860	59,568	113,937	111,838
Creditors: amounts falling due within one year	17	(53,464)	(51,809)	(63,607)	(61,022)
Net current assets		7,396	7,759	50,330	50,816
Total assets less current liabilities		397,176	397,070	370,384	370,488
Creditors: amounts falling due after more than one year	17	(31,410)	(31,410)	(33,382)	(33,382)
Pension provision	19	(181)	(181)	(193)	(193)
NET ASSETS		365,585	365,479	337,229	336,913
Deferred capital grants	20	92,009	92,009	92,683	92,683
Endowments					
Expendable	21	46,951	46,951	40,541	40,541
Permanent	21	34,766	34,766	32,089	32,089
		81,717	81,717	72,630	72,630
Reserves					
General reserve	22	191,859	191,753	171,916	171,600
		191,859	191,753	171,916	171,600
TOTAL		365,585	365,479	337,229	336,913

Peter Sutherland
Chair of Court and Council

Professor Judith Rees
Director

Consolidated cash flow statement



	NOTES	2010-11 £'000	2009-10 £'000
Cash flow from operating activities	23	12,732	36,702
Returns on investments and servicing of finance	24	(235)	(1,224)
Capital expenditure and financial investment	25	(67,240)	(8,997)
Management of liquid resources	26	60,000	(29,000)
Financing/loan repayment	27	(1,800)	(1,800)
Increase/(decrease) in cash in the period	28	3,457	(4,319)
Reconciliation of net cash flow to movements in net funds/debt			
Increase/(decrease) in cash in the period		3,457	(4,319)
Cash (inflow)/outflow (from)/to liquid resources	26	(60,000)	29,000
Changes in net debt resulting from cash flows	27	1,800	1,800
Movements in net debt in period		(54,743)	26,481
Net funds at 1 August 2010		78,931	52,450
Net funds at 31 July 2011	28	24,188	78,931

Notes to the accounts



From the left:
The Nobel Prize winner Professor Christopher Pissarides delivering his special LSE celebratory public lecture, February 2011; "Square the Block" by Richard Wilson RA on the north west exterior of the LSE New Academic Building

1 FUNDING COUNCIL GRANTS	NOTES	20010-11 £'000	2009-10 £'000
From the HEFCE			
Block recurrent		24,661	27,156
Library grants		209	234
Higher Education Innovations Fund Round 4		1,677	793
Matched Funding for voluntary giving		1,216	1,034
Other specific grants		1,165	476
Deferred capital grants released in year	20	611	661
Total HEFCE		29,539	30,354
Joint Information Systems Committee and other grants		113	262
		29,652	30,616
2 TUITION FEES AND EDUCATION CONTRACTS			
Tuition fees:			
Home/EU students		33,080	31,096
Overseas students		70,671	65,740
TRIUM MBA		1,737	1,748
Short courses		9,005	7,597
Examination and other fees		212	432
		114,705	106,613
3 RESEARCH GRANTS AND CONTRACTS			
Research councils		5,909	6,981
Government departments		5,193	3,976
Charities		798	1,224
European community		5,956	5,865
Other outside bodies		3,490	3,477
Specific endowments	5	2,722	2,333
		24,068	23,856

Notes to the accounts continued



		2010-11	2009-10
		£'000	£'000
4 OTHER INCOME	NOTES		
Residences and catering		28,869	26,249
Rental income		1,411	1,267
Other services rendered		7,141	3,524
Publications		1,167	1,071
Library		668	1,229
University of London International Programmes		7,077	6,523
LSE Enterprise consultancy services and executive education		5,582	7,748
VAT recovery		2,063	1,321
Staff and student facilities		668	666
Academic department income attributable to other activities		2,733	2,512
Release of deferred capital donations	20	593	579
Sundry		1,265	1,115
		59,237	53,804
5 ENDOWMENT AND INVESTMENT INCOME			
Income from expendable endowments		850	563
Income from permanent endowments		1,214	906
Income from endowments	21	2,064	1,469
Released from endowments		5,838	5,161
		7,902	6,630
Research grants and contracts funded by endowments (included in note 3)			
Expendable endowments		(2,131)	(1,825)
Permanent endowments		(591)	(508)
	3	(2,722)	(2,333)
Investment of general funds		861	508
Interest and dividends receivable		6,041	4,805
6 VAT CLAIM			
VAT refund		–	1,224
		–	1,224



From the left:
LSE public lecture by Lord
Turner, October 2010; A
reading of *The Very Hungry
Caterpillar* by Eric Carle at
the LSE Literary Festival 2011;
Red lighting illuminates the
underside of the high level
walkway that links LSE Old
Building with East Building

	2010-11	2009-10
	£'000	£'000
7 STAFF COSTS		
Total staff costs for the year were:		
Wages and Salaries	101,276	98,551
Social security costs	8,280	7,993
Other pensions	11,782	11,361
	121,338	117,905
The average weekly number of persons employed by the School during the year expressed as full-time equivalents was:	Number	Number
Research and teaching	932	920
Operational services	1,192	1,191
Medical services	1	1
Subsidiaries	18	17
	2,143	2,129
HIGHER PAID EMPLOYEES' REMUNERATION	£'000	£'000
Directors		
Emoluments (2010-11 – nine directors; 2009/10 – nine directors)	1,015	953
Emoluments of the Directors as a Director serving during the year were:		
Current Director		
Salary	42	0
Benefits in kind	0	0
	42	0
Employer's pension contributions	0	0
	42	0
Former Director		
Salary	184	243
Benefits in kind	5	4
	189	247
Employer's pension contributions	29	38
	218	285

Howard Davies left the School on 30 April 2011. Professor Judith Rees was appointed as the Director from 1 May 2011.

Salaries are stated at gross, before deductions of pension contributions made under the salary sacrifice scheme. All directors joined the pension salary sacrifice scheme to make pension contributions. The former Director's salary included £15,000 of pension contributions made under the salary sacrifice scheme.

Notes to the accounts continued



7 STAFF COSTS cont...

The number of other higher paid staff (excluding the director) but including directors who received emoluments including benefits in kind but excluding employer's pension contributions in the following ranges was:

	Higher paid employees	
	2010-11 Number	2009-10 Number
£100,001 – £110,000	51	42
£110,001 – £120,000	17	18
£120,001 – £130,000	6	14
£130,001 – £140,000	11	14
£140,001 – £150,000	11	11
£150,001 – £160,000	5	6
£160,001 – £170,000	5	2
£170,001 – £180,000	3	2
£180,001 – £190,000	5	2
£190,001 – £200,000	1	2
£200,001 – £210,000	2	0
£210,001 – £220,000	0	1
	117	114

Total remuneration includes salaries and other additional payments relating to Summer School, TRIUM and consultancy and executive education delivered via LSE Enterprise Limited. It does not include payments for private consultancy or income earned from activities outside LSE and its subsidiaries. The highest paid member of staff listed in the above table is an academic, not a Director of the School. Payments for compensation for loss of office related to members of staff included in the above salary bands total £nil (2009-10 – £50,000). The School has implemented the LSE Voluntary Leavers Scheme, which was open for applications on 18 July 2011 and closed on 18 November 2011. The total cost in 2010-11 was £nil.



From the left:
LSE public lecture by Sandra Day O'Connor, former associate justice of the US Supreme Court, May 2011;
The main reception in LSE Old Building; A lunchtime concert in the LSE Shaw Library, part of the LSE Events programme

	2010-11	2009-10
	£'000	£'000
8 OTHER OPERATING EXPENSES		
Academic departments	6,991	7,163
Library and IT Services	8,248	8,247
Research grants and contracts	6,404	5,973
Scholarships and general educational expenditure	13,475	13,828
Premises	14,000	12,478
Administration and central services	3,680	2,792
Staff and student facilities	1,804	1,627
Residences and catering*	17,129	16,308
Miscellaneous	13,014	6,746
	84,745	75,162

*Since 2010-11 it has been School policy to recharge the cost of space dedicated to catering services. Residence and catering expenses include £409,000 space charges for locations occupied by the catering outlets on campus.

Other operating expenses include:

Fees payable to the School's external auditor for the audit of the annual accounts	57	55
Fees payable to the School's external auditor and its associates for other services:		
Audit of the annual accounts of the School's subsidiaries	8	6
Other services relating to taxation	17	7
All other services	10	7
	92	75

9 INTEREST PAYABLE

Loans not wholly repayable within five years	3,160	3,201
	3,160	3,201

10 EXCEPTIONAL ITEM

Surplus from sale of Anson and Carleton Road residences	2,299	—
	2,299	—

The School entered an agreement to sell Anson and Carleton Road Hall of Residence in July 2011. The buyer assumed property risks from the date of the agreement.

Notes to the accounts continued



11 TANGIBLE FIXED ASSETS	LAND AND BUILDINGS		EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
	£'000	£'000	£'000	£'000	£'000
	FREEHOLD	LONG LEASEHOLD			
Group					
COST					
As at 1 August 2010	245,846	24,142	10,652	6,646	287,286
Additions in year	42,293	18	780	3,867	46,958
Complete and transfers	3,385	–	–	(3,385)	–
Disposal in year	(58)	–	–	–	(58)
As at 31 July 2011	291,466	24,160	11,432	7,128	334,186
DEPRECIATION					
As at 1 August 2010	27,880	4,312	7,667	–	39,859
Charge for year	4,211	587	802	–	5,600
Disposal in year	(22)	–	–	–	(22)
As at 31 July 2011	32,069	4,899	8,469	–	45,437
NET BOOK VALUE					
As at 1 August 2010	217,966	19,830	2,985	6,646	247,427
As at 31 July 2011	259,397	19,261	2,963	7,128	288,749
School					
COST					
As at 1 August 2010	245,846	23,492	10,410	6,646	286,394
Additions in year	42,293	18	770	3,867	46,948
Transfer	3,385	–	–	(3,385)	–
Disposal in year	(58)	–	–	–	(58)
As at 31 July 2011	291,466	23,510	11,180	7,128	333,284
DEPRECIATION					
As at 1 August 2010	27,880	4,193	7,429	–	39,502
Charge for year	4,211	587	783	–	5,581
Disposal in year	(22)	–	–	–	(22)
As at 31 July 2011	32,069	4,780	8,212	–	45,061
NET BOOK VALUE					
As at 1 August 2010	217,966	19,299	2,981	6,646	246,892
As at 31 July 2011	259,397	18,730	2,968	7,128	288,223

Group and School

Fixed assets acquired by the School are funded from various sources including HEFCE grants and donations. Many assets have conditions attached in the case of disposal and the proceeds may therefore not be available to the School. The HEFCE Exchequer Interests are disclosed in Note 20.



From the left:
Trees on campus; Ed Balls,
shadow chancellor of the
exchequer speaking at an LSE
public lecture, June 2011

12 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS	Group 2011 £'000	School 2011 £'000	Group 2010 £'000	School 2010 £'000
Subsidiary Companies	–	150	–	150

Principal subsidiaries are:

Name	Nature of business	Shareholding £1 ordinary shares	Number of shares
LSE Enterprise Limited	Consultancy	100%	150,000
LSE LETS Limited	Vacation lettings	100%	2
VELSE Limited	Dormant	100%	0
LSE Asia Limited	Dormant	100%	0

All of the above are registered in England.

LSE Foundation Inc. (registered in the United States) has no share capital but is owned by the School and carries out fundraising activities in the United States. The results of the LSE Foundation Inc. have been included on the face of the income and expenditure account.

13 INVESTMENTS	Group 2011 £'000	School 2011 £'000	Group 2010 £'000	School 2010 £'000
Joint Ventures	93	–	417	–
Gilts	19,221	19,221	–	–
	19,314	19,221	417	–

The School has a 50 per cent share in the *Journal of Transport Economics and Policy* being a joint venture with the University of Bath. Accounts have not yet been received for 2010-11 but the 2009-10 accounts show the School's share of turnover to be £52,000 and operating surplus to be £4,045. The 2009-10 results have been included on the income and expenditure account.

The School has a one third share in the TRIUM MBA course being a "Joint arrangement that is not an entity" with NYU Stern and HEC Paris. This has been consolidated on a proportional basis in accordance with FRS9.

Notes to the accounts continued



14 ENDOWMENT ASSETS – Group and School	2011 £'000	2010 £'000
Movement in the year:		
Balance at 1 August 2010	72,630	57,366
Additions	13,341	10,569
Disposals	(7,848)	(1,904)
Appreciation of assets including reinvested profits on sales	3,219	4,242
Increase in cash balance	375	2,357
Balance at 31 July 2011	<u>81,717</u>	<u>72,630</u>
Analysis of closing balance:		
UK equities	24,708	28,777
Overseas equities	12,027	8,713
Gilts	134	143
UK corporate bonds	18,416	8,950
Other	18	172
Money market funds	<u>6,784</u>	<u>6,620</u>
Invested	62,087	53,375
Share of freehold property	33	33
Cash on deposit	<u>19,597</u>	<u>19,222</u>
	<u>81,717</u>	<u>72,630</u>

The freehold property is an investment of £33,000 in CVCP Properties PLC representing the School's allotment of shares that enabled the university sector to purchase the freehold of the Universities UK's headquarters in Tavistock Square.



From the left:
Traian Băsescu, president of
Romania in the green room
after an LSE public lecture;
Students studying in the
Shaw Library; Plaza Cafe, LSE

	Group 2011 £'000	School 2011 £'000	Group 2010 £'000	School 2010 £'000
15 DEBTORS				
Amounts falling due within one year:				
Trade debtors	6,229	4,514	8,292	5,691
Accrued research income	4,533	4,533	4,697	4,697
Amounts due from subsidiary undertakings	–	2,894	–	4,001
Staff loans for housing	36	36	40	40
Other debtors	9,754	9,740	5,386	5,371
Prepayments and accrued income	3,884	3,882	1,983	1,981
	24,436	25,599	20,398	21,781
Amounts falling due after more than one year:				
Trade debtors	35	35	190	190
Staff loans for housing	210	210	254	254
	245	245	444	444
TOTAL	24,681	25,844	20,842	22,225
16 CASH AT BANK AND IN HAND				
Cash at bank	21,091	18,636	18,009	15,527
Fixed term deposits	15,000	15,000	75,000	74,000
	36,091	33,636	93,009	89,527
17 CREDITORS				
Amounts falling due within one year:				
Bank loans	1,800	1,800	1,800	1,800
Trade creditors	5,384	5,218	4,025	3,818
Research creditors and prepayments	17,679	17,679	11,756	11,756
Short courses	200	200	148	148
Amounts due to subsidiary undertakings	–	1,352	–	1,041
Taxation and social security	2,940	2,940	2,917	2,917
Other creditors	2,998	2,998	2,251	2,251
Accruals and deferred income	22,463	19,622	40,710	37,291
	53,464	51,809	63,607	61,022
Amounts falling due after one year:				
Bank loans	29,700	29,700	31,500	31,500
Deferred VAT payments	1,710	1,710	1,882	1,882
	31,410	31,410	33,382	33,382

Notes to the accounts continued



	Group 2011 £'000	School 2011 £'000	Group 2010 £'000	School 2010 £'000
18 BORROWINGS				
Bank loans are repayable as follows:				
In one year or less	1,800	1,800	1,800	1,800
Between one and two years	1,800	1,800	1,800	1,800
Between two and five years	5,400	5,400	5,400	5,400
In five years or more	22,500	22,500	24,300	24,300
	31,500	31,500	33,300	33,300

The School has arranged a £75,000,000 amortising loan facility repayable by December 2028 secured over three properties. £31,500,000 was drawn down at the balance sheet date.

The School has entered into interest rate swap agreements with a nominal value totalling £65,000,000. The effective fixed rate costs of the loans and swaps taken together is between 5.0 per cent and 5.5 per cent. The swap agreements had a mark to market value of £14.5m (2009-10 – £12.7m) at the balance sheet date.

19 PENSION PROVISION

**Total
£'000**

Group and School	
As at 1 August 2010	193
Transferred from income and expenditure account	(12)
As at 31 July 2011	181

The pensions supplementation provision is in respect of pension enhancements payable to staff who have retired under the previous superannuation scheme for academic and related staff, FSSU, in accordance with FRS 12, "Provisions, contingent liabilities and contingent assets".

20 DEFERRED CAPITAL GRANTS	NOTES	Funding Council £'000	Other grants and donations £'000	Total £'000
Group and School				
As at 1 August 2010		55,366	37,317	92,683
Cash Received		191	472	663
Released to income and expenditure account – School	1 & 4	(611)	(593)	(1,204)
Released to income and expenditure account – residence		(45)	(88)	(133)
As at 31 July 2011		54,901	37,108	92,009

The deferred capital grants include indexed exchequer interests of £66.4 million at the balance sheet date.



From the left:
LSE honorary fellow Angela
Mason CBE (centre), at the
LSE Presentation Ceremony
in the Peacock Theatre, July
2011; Students in the Sheikh
Zayed Theatre, New Academic
Building; Student using an
i-roam laptop in the LSE Library

21 ENDOWMENTS	NOTES	Restricted expendable £'000	Restricted permanent £'000	Restricted total £'000	Total £'000
Group and School					
As at 1 August 2010		40,541	32,089	72,630	72,630
Capital value		37,924	29,317	67,241	67,241
Accumulated income		2,617	2,772	5,389	5,389
At 1 August 2010		40,541	32,089	72,630	72,630
Transfer		1,795	(1,795)	–	–
Net additions		7,103	3,652	10,755	10,755
Appreciation of endowment asset investments		2,182	772	2,954	2,954
Investment income	5	850	1,214	2,064	2,064
Expenditure for the year	5	(6,736)	(1,166)	(7,902)	(7,902)
HEFCE Matched Funding		1,216	–	1,216	1,216
At 31 July 2011		46,951	34,766	81,717	81,717
Represented by:					
Capital value		44,063	32,252	76,315	76,315
Accumulated income		2,888	2,514	5,402	5,402
		46,951	34,766	81,717	81,717

The Charity Commission approved the School's request to transfer certain restricted permanent to restricted expendable endowments in April 2011.

22 MOVEMENTS ON GENERAL RESERVE	Group 2011 £'000	School 2011 £'000	Group 2010 £'000	School 2010 £'000
As at 1 August 2010	171,916	171,600	153,721	153,298
Surplus for the year	19,943	20,153	18,195	18,302
As at 31 July 2011	191,859	191,753	171,916	171,600

Notes to the accounts continued



23 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2011		2010	
	£'000	£'000	£'000	£'000
Surplus of income over expenditure for the year on total activity before tax		21,159		19,229
Adjustment for depreciation and deferred capital grants				
Depreciation	5,600		5,421	
Profit on sale of tangible fixed assets	(2,324)		3	
Deferred capital grants released	(1,337)		(1,347)	
		1,939		4,077
Adjustment for investment and financing cash flows				
Investment income receivable	(2,535)		(2,019)	
Interest payable	3,160		3,201	
		625		1,182
Adjustment for restricted fund cash flows				
Transfer to income and expenditure account	(7,902)		(6,630)	
Additions to funds	9,539		14,149	
		1,637		7,519
Adjustment for investments		324		1
Adjustments to working capital				
(Increase)/decrease in stocks	(2)		4	
Increase in debtors	(3,839)		(1,387)	
(Decrease)/increase in creditors	(10,315)		5,064	
Transfer to endowment	1,216		1,034	
		(12,940)		4,715
Adjustment for pension provision		(12)		(21)
Net cash Inflow from operating activities		12,732		36,702



From the left:
The new LSE campus signage
in vitreous enamel; Sigbjørn
Johnsen, Norwegian minister
of finance at an LSE public
lecture, May 2011; Cycle park
outside the Old Building,
Clare Market

Company Registration No 70527

24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2011 £'000	2010 £'000
Income from endowments	2,064	1,469
Other investment income	861	508
Interest payable	(3,160)	(3,201)
	<u>(235)</u>	<u>(1,224)</u>

25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Payments to acquire tangible fixed assets	(46,958)	(10,596)
Proceeds from sale of tangible fixed assets	2,360	–
Payments to acquire endowment investments	(13,241)	(10,569)
Payments to acquire other investments	(19,611)	–
Receipts from sales of investments	7,483	1,904
Deferred capital grants/donations received	663	8,795
Endowments received	2,064	1,469
	<u>(67,240)</u>	<u>(8,997)</u>

26 MANAGEMENT OF LIQUID RESOURCES

Cash withdrawn/(added) from/(to) fixed term deposits	<u>60,000</u>	<u>(29,000)</u>
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27 FINANCING

Bank loan repayments	<u>(1,800)</u>	<u>(1,800)</u>
	<u>(1,800)</u>	<u>(1,800)</u>

28 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2010 £'000	Cash flows £'000	Other changes £'000	At 31 July 2011 £'000
Cash at bank and in hand	18,009	3,082	–	21,091
Endowment cash	19,222	375	–	19,597
Less: fixed term deposits within endowment cash	<u>(20,000)</u>	<u>0</u>	<u>–</u>	<u>(20,000)</u>
	17,231	3,457	–	20,688
Fixed term deposits	95,000	(60,000)	–	35,000
Debt due within one year	(1,800)	1,800	(1,800)	(1,800)
Debt due after one year	<u>(31,500)</u>	<u>–</u>	<u>1,800</u>	<u>(29,700)</u>
	<u>78,931</u>	<u>(54,743)</u>	<u>–</u>	<u>24,188</u>

Notes to the accounts continued



29 PENSION COMMITMENTS

The School participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). Both are defined benefits schemes and are externally funded and contracted out of the State Second Pension (S2P) Scheme.

Pension scheme	USS		SAUL	
	2011	2010	2011	2010
Active members	1,228	1,176	520	539
Contribution rate made by School	16%	16%	13%	13%
Contribution made (in £'000)	10,392	9,769	1,607	1,640

(i) USS

The appointment of directors to the board of the trustee is determined by the trustee 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; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted 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.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The School is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest available triennial actuarial valuation of the scheme was at 31 March 2008. This was the first 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 actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3 per cent from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2 per cent for CPI which corresponds broadly to 2.75 per cent for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4 per cent per annum (which includes an additional assumed investment return over gilts of 2 per cent per annum), salary increases would be 4.3 per cent per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for the past service liabilities) and pensions would increase by 3.3 per cent per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down one year
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Female members' mortality	PA92 MC YoB tables – no age rating
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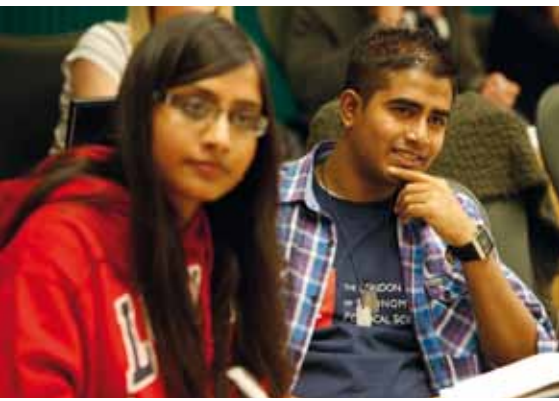
Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
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Males (females) currently aged 45	24.0 (25.9) years
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At the 2008 valuation date, the value of the assets of the scheme was £28,842.6m and the value of the scheme's technical provisions was £28,135.3m indicating a surplus £707.3m. The assets therefore were sufficient to cover 103 per cent of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of the past service liabilities of 4.4 per cent per annum (the expected return on gilts) the funding level was approximately 71 per cent. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107 per cent funded; on a buy-out basis (ie, assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79 per cent of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5 per cent per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104 per cent.



From the left:
Steve Ballmer, chief executive officer of Microsoft Corporation speaking at an LSE public lecture, October 2010; Students enjoy a class; Gunilla Carlsson, Swedish minister for international development cooperation

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change in the inflation measure used in determining the "Official Pension Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3 per cent pa to 2.9 per cent pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103 per cent to 98 per cent (a deficit of circa £700 million). Over the previous twelve months, the funding level has improved from 91 per cent as at 31 March 2010 to 98 per cent. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using a AA bond discount rate of 5.5 per cent per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86 per cent. An estimate of the funding level measured on a buy-out basis at that date was approximately 54 per cent.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce combination requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Increase/decrease by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

(ii) SAUL

The School participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate trustee-administered funds. The School has adopted FRS17 for accounting for pension costs. It is not possible to identify the School's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie, cash amounts) in accordance with paragraphs 8-12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method	Projected unit	
	Past service	Future service
Investment return on liabilities		
before retirement	6.9% p.a	7.0% p.a
after retirement	4.8% p.a	5.0% p.a
Salary growth (excluding an allowance for promotional increases)	4.85% p.a	4.85% p.a
Pension increases	3.35% p.a	3.35% p.a

Notes to the accounts continued



The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,266m representing 100 per cent of the liability for benefits after allowing for expected future increases in salaries. Based on the strength of the employer covenant and the trustee's long-term investment strategy, the trustee and the employers agreed to maintain employer and member contributions at 13 per cent of salaries and six per cent of salaries respectively following the valuation. A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008). The next formal actuarial valuation is due at 31 March 2011 when the above rates will be reviewed.

(iii) FSSU

The pensions of ex-members of staff who retired under the previous superannuation scheme for academic and related staff (FSSU) are supplemented as of right under the National Scheme for Supplementation of Superannuation Benefits. This supplementation is payable during the lifetime of the ex-member of staff and is increased each year by comparison with increases in public service pensions authorised under the Pensions (Increase) Act 1971. At the year end a provision has been established to meet the future obligations, see Note 19.

	Group 2011 £'000	School 2011 £'000	Group 2010 £'000	School 2010 £'000
30 CAPITAL COMMITMENTS				
New Students' Centre	32,580	32,580	–	–
Wayfinding	141	141	–	–
Tower One	3,960	3,960	187	187
Old Building	–	–	884	884
	36,681	36,681	1,071	1,071

Capital commitments reflect the cost to complete the projects.

	Group 2011 £'000	School 2011 £'000	Group 2010 £'000	School 2010 £'000
31 OPERATING LEASES				
At 31 July the School had annual commitments under non-cancellable operating leases as follows:				
Within one year	6,367	6,367	6,402	6,402
Between two and five years	27,582	27,582	25,298	25,298
	33,949	33,949	31,700	31,700

32 RELATED PARTY TRANSACTIONS

The School has maintained a Register of Interests of all Council members. Written assurances have been obtained from all Council members in respect of themselves and their close family that for the year ended 31 July 2011, they have not unduly influenced any transaction between the School and a related party. Due to the nature of the School's operations and the composition of the Court of Governors it is inevitable that transactions will take place with organisations in which a member of the Court of Governors may have an interest. All transactions involving organisations in which a member of the Court of Governors may have an interest are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures. The activities of the LSE Students' Union have not been consolidated on the grounds that the School does not have dominant influence over its activities. During 2010-11, the Students' Union received financial support from the School. There were also transactions between the Students' Union and the School for services and goods provided by each party. The General Secretary of the Students' Union is a member of Council.

The School received payments for services, billed at commercial rates, from Morgan Stanley Inc. Howard Davies, former Director of the School, is a board director of the Morgan Stanley Inc. The School received payments for services, billed at commercial rates, from the Russell Group. Howard Davies, was a board director of the Russell Group. The School received payments for career fairs, billed at commercial rates, from the Government of Singapore Investment Corporation. Howard Davies, is an advisor to the Investment Committee of the Government Investment Corporation of Singapore. The School received payments for career fairs, billed at commercial rates, from Clifford Chance LLP. Mr Alan Elias, a Council member of the School and Chairman of the Audit Committee, is a consultant to Clifford Chance LLP.

The School conducted a review of linked charities in 2010-11 and found no associated entities falling within the definition set out in paragraph (w) of Schedule Two of the Charities Act 1993.



From the left:
Professor Tim Allen speaking
as part of the televised
"Burning Issue" lecture series;
Rajiv Shah, administrator of
USAID giving an LSE public
lecture; LSE Teaching Day

33 CONTINGENT LIABILITIES

The School has potential liabilities relating to the outcome of individual employee related cases and commercial contract negotiations on eligibility of recharges for research services. A provision of £133,000 for employee related cases was made at the balance sheet date. No provision is made for potentially ineligible research recharges.

34 SCHOLARSHIPS AND ACCESS FUNDS

	2011 £'000	2010 £'000
Student support provided by School's general funds and endowments	10,418	10,363
Access funds		
Balance unspent as at 1 August	13	18
Funding council grants	37	48
Interest earned	1	1
Disbursed to students	(37)	(54)
Balance unspent as at 31 July	14	13

Access funds provided by the Funding Council are available solely for students; the School acts as a paying agent. In addition to HEFCE Access Funds, the School also disburses ESRC and US federal loans as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

	At 1 August 2010 £'000	Additions funded by loans and general reserves £'000	Additions funded by deferred capital grants £'000	Depreciation £'000	At 31 July 2011 £'000
35 FUNDING OF TANGIBLE FIXED ASSETS					
Land and buildings	244,442	45,479	663	(4,798)	285,786
Equipment	2,985	780	—	(802)	2,963
	247,427	46,259	663	(5,600)	288,749
Funded by:					
Deferred capital grants	92,683				92,009
Bank loans/creditors	34,782				33,210
General reserves	119,962				163,530
	247,427				288,749

36 TRUSTEE EXPENSES

During 2010-11 no employee trustees received any expense reimbursement in relation to their role as trustees. No payments were made to any trustee for serving as a trustee. A payment of £2,200 was made to Kate Jenkins, vice chair of Council, for delivery of lectures and related academic supervision activities for Gurukul scholars.

Notes to the accounts continued



37 FIVE YEAR GROUP FINANCIAL SUMMARY

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Income					
Funding council grants	29,652	30,616	29,549	29,701	28,250
Tuition fees and education contracts	114,705	106,613	96,679	91,371	80,462
Research grants and contracts	24,068	23,856	20,272	17,772	16,085
Other income	59,237	53,804	49,021	42,744	38,204
Endowment and investment income	6,041	4,805	7,205	8,324	5,716
VAT claim	–	1,224	–	–	–
Total income	233,703	220,918	202,726	189,912	168,717
Expenditure					
Staff costs	121,338	117,905	107,726	95,159	85,813
Other operating expenses	84,745	75,162	69,818	62,100	55,726
Depreciation	5,600	5,421	5,184	3,688	3,422
Interest payable	3,160	3,201	2,445	2,519	2,583
Total expenditure	214,843	201,689	185,173	163,466	147,544
Exceptional item	2,299	–	–	302	3,339
Surplus before tax	21,159	19,229	17,553	26,748	24,512
Taxation	–	–	–	56	(64)
Transfer to endowment	(1,216)	(1,034)	–	–	(65)
Surplus retained within general reserve	19,943	18,195	17,553	26,804	24,383
Net assets					
Deferred capital grants	92,009	92,683	85,235	77,744	73,476
Endowments	81,717	72,630	57,366	56,853	53,550
Reserves	191,859	171,916	153,721	136,168	109,364
Total	365,585	337,229	296,322	270,765	236,390

Corporate governance, internal control and Council's responsibility statement



From the left:
Nobel Prize winner Joseph Stiglitz speaking at LSE, February 2010; Graduates pose for pictures on Houghton Street, July 2011

The following statement is provided to help readers of the annual accounts to gain an understanding of the governance structure of the School and to indicate the School's internal control and risk management arrangements.

The School is an exempt charity and a company limited by guarantee. The Memorandum and Articles of Association form LSE's constitutional documents. The School complies with the Committee of University Chairmen's (CUC) Governance Code of Practice and General Principles (2009); and Governors are expected to uphold the seven Principles of Public Life advocated by the Nolan Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

On 1 June 2010, the Higher Education Funding Council for England (HEFCE) became the principal regulator of the School as an exempt charity. HEFCE's Model Financial Memorandum sets out the terms and conditions for payment of HEFCE grants to institutions and imposes on them additional reporting requirements aimed at ensuring compliance with the Charities Acts. Members of Council are our charity trustees and are required to discharge their duties of compliance with prudence and care and to accept ultimate responsibility for the affairs of the School. The ways in which LSE provides public benefit are documented separately in these accounts.

The principal governance bodies of the School are as follows:

The Court of Governors (which constitutes the members of the company)

As guardian of the School's constitution, the Court has the following formal powers: the appointment of members of Court, its sub-committees and of the Council; election of the Chair and Vice Chairs of the Court and Council and honorary fellows of the School; amendment to the Memorandum and Articles of Association; and appointment of LSE's external auditors. When the Directorship of the School is to be considered by the Directorship Selection Committee, the Court advises the committee about the criteria for the Directorship and about the long term issues the next Director should address. As members of the company, governors have the power of recall under the Companies Acts. If governors are dissatisfied with a decision made by the Council, they (ie, ten members according to the Companies Acts) can requisition a special meeting of the Court. Such a meeting would be for discussion only, or, if due notice was given, could in extreme circumstances involve the removal of the Council.

There are specific arrangements in place to ensure the cross-reporting of business between the Court and Council.

The Council (The full voting members of the Council are the directors of the company)

The Council is the governing body of the School and its formal powers and terms of reference are set out in the articles. Its primary role is to agree strategic direction and to maintain a focus on areas identified in the strategic plan. It has specific responsibilities in relation to: the monitoring of institutional performance; finance and financial sustainability; audit arrangements; estate strategy; human resource and employment policy; equality and diversity; health and safety; "educational character and mission", and the student experience.

Council is supported in carrying out its role by a number of committees which report directly to it. These are the: audit, estate

strategy, finance, health and safety and remuneration committees. The Chairman's Group of the Council, has power to act during vacations and between meetings of the Council, in any urgent matter which would normally come before the Council, within prescribed limits.

The last routine (triennial) review of Council effectiveness was completed in 2010. Following implementation of revised arrangements for the operation of the Council and its committees from 21 September 2010 onward, an internal audit of corporate governance was undertaken in June 2011. The internal auditor identified no further areas for improvement and found that: "there is a sound system of internal control designed to achieve system objectives" and that "the controls that are in place are being consistently applied".

Certain powers are reserved to the Council by the School's Memorandum and Articles of Association; these may not be delegated. However, the Council has a formal Scheme of Delegation, setting out those areas where authority has been delegated by the Council to the Director or individual members of the Director's Management Team. This is being reviewed.

The Director and Director's Management Team

The Director is the head of the School and its chief executive officer, responsible for the executive management, and direction of the School and leadership on academic issues. The Director reports to and is accountable to the Council. The Director is also the accountable officer for the purposes of the Higher Education Funding Council for England (HEFCE) Financial Memorandum. The School's current Director is Professor Judith Rees. The selection process for her successor has involved consultation with the Court of Governors, Academic Board and the Council.

The Academic Board

The Academic Board, which also reports to the Council, is the principal academic body of the School. It considers all major issues of general policy affecting the academic life of the School and its development. It is supported by its own structure of committees and there are mechanisms for ensuring the exchange of business between it and the Council. The Vice Chair of the Academic Board serves as a non-director member of the Council and makes a termly report to the Council. The last routine review of the effectiveness of the Academic Board was completed in 2010 and it did not generate any substantial recommendations for improvement. During 2010-11, the Academic Board met seven times. Key areas for discussion included assessment; support for doctoral students; and setting of fee levels for home/EU undergraduate students from 2012.

Controls framework

The governance arrangements set out in the guide issued by the Committee of University Chairmen (CUC) in 2009 have been reviewed in detail and the Council confirms that it complies with the recommendations of the guide in all material respects.

As the governing body of the School, the Council has responsibility for maintaining a sound system of internal control that supports

Corporate governance, internal control and Council's responsibility statement continued

the achievement of strategic and operational objectives, while safeguarding the public and other funds and assets for which it is responsible under the terms of the Articles and the HEFCE Model Financial Memorandum. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve objectives, including missing appropriate opportunities; it can therefore only provide reasonable and not absolute assurance of effectiveness.

All members of the Council receive the HEFCE assessment of institutional risk, the most recent version of which stated that the School was "not at higher risk"; this being the highest available level of assurance.

The Audit Committee, which meets five times per year, is responsible inter alia for advising the Council on the effectiveness of the School's risk management and controls systems. Controls come from a variety of sources, including:

- Monitoring by the Director's Management Team (DMT) of success or otherwise in implementing strategic plan objectives, with progress reported to Council;
- Regular review by DMT of policy issues and problems;
- Annual monitoring of "institutional health" on the basis of KPIs which are discussed at Council;
- Termly meetings between DMT and service leaders to review progress and issues of concern arising from operational activities;
- Risk review by senior managers (via a termly questionnaire);
- The secretary and director of administration, director of finance and facilities and the chief information officer hold regular policy meetings; and the director meets regularly with the heads of academic departments;
- Annual Service Development Reviews, which include SWOT (strengths, weaknesses, opportunities, and threats) analyses;
- A full-time post at senior level devoted to business continuity planning and formulation of plans to enable the School to respond effectively to externally driven operational threats;
- A professional, independent internal audit team, whose annual programme is approved by the Audit Committee and endorsed by the Council, and whose head provides the Council and the Committee with a report on internal audit activities within the School and an opinion on the adequacy and effectiveness of the School system of internal controls;
- Comprehensive financial regulations, detailing financial controls and procedures, approved by the Finance Committee on behalf of the Council;
- Clearly 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 the Council;
- Scrutiny of policy and practice by committees of the Council, such as estates and finance;
- Regular review of the effectiveness of the Council and its sub-committees;



- A written scheme, setting out delegation of executive authority from the Council to the Director and to DMT;
- Constitutional documents (the Memorandum and Articles of Association), which reserve certain powers to the Council and Court of Governors;
- The Strategic Risk Register, reviewed by DMT and considered by Audit Committee and Council on a termly basis.

Within this governance framework, the Audit Committee plays an important role in assessing whether the controls in place to manage strategic risk are adequate. The Committee reviews risk controls and reports to Council on a termly basis.

During the 2010-11 academic year, several areas were identified where improvements were required to internal controls. The key issues and the School's proposed responses to them were considered by the Audit Committee at its September and November 2011 meetings. These concerned: reputational risk, fundraising policy and country monitoring; IT management and governance; and governance of research centres. The Audit Committee also continued to monitor the implementation of an action plan to improve assurance in the area of data quality throughout the academic year.

In addition to remedial work in areas where weaknesses were identified, actions were taken in-year to strengthen internal controls. Examples include:

- Implementation of the recommendations of the Council Effectiveness Review Group 2009-10, designed to deliver on a number of areas including: transparency in delegation of authority; improvements in the scope and content of collective working by the Council; and adequate protected time for discussion of strategic issues;
- Improvements to the effectiveness of the Audit Committee (including increased independent and expert membership; increased frequency of meetings; introduction of closed sessions between Committee members and the internal and external auditor at each meeting; expansion of access to sources of assurance beyond those provided by the Internal Audit Service; and regular reports by the Chair to Council);
- Efforts to raise the profile of the Internal Audit Service amongst service leaders and heads of department, with expectations of both parties clarified in a new internal audit procedure;
- Implementation of recommendations arising from the work of the Financial Controls Improvement Group; including the introduction of a new "End of Year Control Grid" to facilitate reporting on financial risks and controls in place; and
- Commissioning of an independent inquiry (the Woolf Inquiry) into the School's relationship with Libya, which will inform the future work programme in a number of areas, specifically acceptance and treatment of inbound monies.

In October 2011, members of the Audit Committee were provided with two internal audit reports which were critical to the School's IT controls. Work is already underway to address the areas of concern identified in the reports. Whilst several areas for improvement were identified during the course of the year, IT project management and IT security were the only areas where the Audit Committee issued a qualified opinion in respect of the School's internal controls.



*From the left:
Archbishop Vincent Nichols
at the Forum on Religion
public lecture, March 2011;
Ivy hanging from window
baskets on the outside of
the Old Building, Houghton
Street; Informal study area,
LSE Library*

The Audit Committee have continued to advise upon the presentation and usefulness of the Strategic Risk Register. The Register has been revised by the secretary and director of administration and DMT to provide an assessment of net (as opposed to gross) risk and to incorporate a "traffic light" system. The risks are plotted in relation to both likelihood and impact. The current layout enables readers to see at a glance the "direction of travel" in relation to any particular risk. It is a "living" document and is subject to continuous updating.

In addition to monitoring of strategic risk and internal controls, the Audit Committee have continued to exercise their duties in relation to: financial reporting, data quality, effective governance and value for money. The opinion of the Audit Committee and of the head of internal audit as to the School's arrangements for ensuring economy, efficiency and effectiveness (value for money) were presented to the Council at its November 2011 meeting, where these annual accounts were approved.

Following the departure from the School in June 2011 of the directly employed head of internal audit, the School's internal audit service is currently provided by BDO LLP in the medium term. The head of internal audit, a partner at BDO, regularly reports to the secretary and director of administration and to the Audit Committee on the adequacy and effectiveness of the constituent elements of the School's system of internal control, together with recommendations for improvement. Internal audit's work includes continuing review of the strategic and operational risks associated with key School systems and units.

Given the need to undertake full market testing, a tender process was run during 2010-11 for the School's External Audit Service. Following approval by the Court of Governors in June 2011, the School's external audit provider will transfer in 2011-12 from Grant Thornton UK to PricewaterhouseCoopers. We thank Grant Thornton, and in particular Judith Newton, for their service.

The Finance Committee also plays a significant role in relation to risk by advising Council on financial risks to the strategic plan. This includes considering the financial implications of non-financial risks. The Finance Committee receives regular reports from the Ancillary Programmes Board on non-core activities which attract additional income; an increasingly vital income stream for the School. The Finance Committee have also liaised closely with the Special Economies and Revenue Generation group established in 2009-10 to facilitate the achievement of a five per cent improvement in the overall financial position through a "bottom up" approach to cost efficiencies and additional income generation.

The main activities of the Finance Committee relate to the following areas: financial strategy and risk; funding adequacy, cash flow and investment; financial forecasting and budgets; financial policies and regulations; evaluation of major commitments; and review of financial performance at aggregate level. The Finance Committee has both lay and expert membership and is supported in its work by the following sub-groups/committees: Investment; business modelling; auxiliary programmes; endowment management; and the Annual Fund Advisory Group. A Financial Controls Improvement Group was established as a "task and finish" group and it concluded its work at the end of the 2010-11 academic year.

The Financial Regulations are regularly updated and set out policies and procedures related to purchasing. The purchasing manager reports annually to the Academic Planning and Resources Committee on value for money related to purchasing activities. The Financial Regulations set out policies and procedures related to capital

expenditures. In practice, the School has three main categories of capital expenditure: buildings and estate related; IT related; and catering equipment. All items of expenditure in excess of £1 million require approval of Council. All estates capital items require approval of the Estates Strategy Committee, and all IT related items require approval of the Library and Information Services Committee.

All academic and service departments are subject to annual review of progress with Departmental Development Plans or Service Development Plans. During 2010-11 all departments have been required to review their income and expenditures to contribute to financial improvements. A report of the outcomes of the Special Economies and Revenue Generation Group has been made to APRC and Finance Committee.

The Remuneration Committee oversees remuneration arrangements, which operate within a national job evaluation and pay negotiation framework. There are controls on hiring of staff and headcount operated by HR and Finance to ensure that staff are only recruited where budgets are approved, and budgets are only approved following review of progress on DDPs/SDPs.

The Remuneration Committee is also responsible for succession planning at DMT level. In 2012-13, Professor Paul Kelly will take over from Professor Janet Hartley as pro-director for teaching and learning. The succession planning arrangements for the secretary and director of administration and chief administration officer are also at an advanced stage.

There is a multifactor resource allocation model for academic departments to ensure that staff and non-staff budgets are determined based on a fair allocation of resources in relation to student numbers and other key factors.

There is a strong budgetary control process, with a high degree of decision autonomy delegated to budget controllers on how to spend budgets but very limited opportunity to overspend.

There are additional processes for administration and control of research grants, donations and endowments where there are specific conditions on how the grant may be spent.

The School has continued to develop its business continuity arrangements. The principal objective of these arrangements is to mitigate the potential impact on the School's teaching and research activities should any of the identified principal continuity risks crystallise. A dedicated webpage provides staff and students with up to date information about current significant risks to the continuity of their work. It also provides advice to help mitigate those risks through links to external sites that provide additional information.

Declaration of the Council

In accordance with the Companies Act 2006 the Council, as directors, are responsible for the administration and management of the School's affairs, including running an effective system of internal controls, and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the School and enable it to ensure that the financial statements are prepared in accordance with the Companies Act 2006, the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial

Corporate governance, internal control and Council's responsibility statement continued



Memorandum between the Higher Education Funding Council for England and the Council of the School, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the School and of the surplus or deficit and cash flows for that year. The designated office holder for this purpose is the Director.

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

- suitable accounting policies were selected and applied consistently;
- judgements and estimates made were reasonable and prudent;
- applicable accounting standards had been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements were prepared on the going concern basis.

The Council is satisfied that the School has adequate resources to continue in operation through 2011 and 2012; 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:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the School and to prevent and detect fraud;
- secure the economical, efficient and effective management of the School's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly 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 the Council;
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Finance Committee on behalf of the Council;
- a professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Council and whose head provides the Council (through the Audit Committee) with a report on internal audit activities within the School and an opinion on the adequacy and effectiveness of the School's system of internal controls, including internal financial controls.

The maintenance and integrity of the London School of Economics and Political Science website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



LSE Environmental Policy and report on environmental progress



*From the left:
Carlos Mesa, former
president of Bolivia speaking
at an LSE public lecture;
Recycling points are located
across the campus*

The 2010-15 LSE strategic plan “values and commitments” includes “respect for the environment” and states “we will manage the School’s resources in ways that meet the needs of the present without compromising the options of future generations”. In the service divisions, the most important objectives include “achieving the commitments to environmental sustainability set down in the School’s 2009 Environmental Policy; and continuing to play a leading role in the UK Universities’ commitment to sustainability”. Details of activities are available at the LSE and Environment website www.lse.ac.uk/sustainableLSE

1 Progress on Environmental Policy 2010-11 objectives

1.1 To integrate sustainable development within all staff roles and responsibilities

HR job description templates now include delivery of the Environmental Policy in all new roles and a sustainability briefing is included in staff induction. For contractors, sustainability is integrated in both tender qualification and contract processes.

1.2 To educate and encourage sustainable choices

Staff engagement takes the form of the DEFRA funded Green Impact project: teams complete a workbook of easy to implement criteria which deliver the Environmental Policy in offices. In its second year, Green Impact had 31 teams, involving 136 staff and students in 23 buildings with 25 volunteer auditors trained and 73 guests at the celebration event hosted by Janet Hartley.

Student engagement during Go Green Week reached 1,800 students. In halls there were 450 Eco-Power Rangers (saving 6.5 per cent on energy bills with Carr Saunders performing the best) and 42 residences sustainability champions as well as an active Sustainable Futures student society.

1.3 To promote leadership with the support of an enhanced communications strategy

To promote leadership with the support of an enhanced communications strategy, a terms *Green News* is published along with regular weekly news and views features and the Sustainability in Practice public lecture series continues to be popular.

LSE co-chairs the London University Environment Group (LUEG) and organises monthly workshops welcoming 20-40 London university colleagues and plays an active role on the HEFCE Sustainable Development Steering Committee.

The Sustainable Projects Fund was established from LSE Catering’s water bottle tax of 10p on each plastic water bottle sold since 2008. The competitive fund was awarded to three groups of eight students to implement bee hives, a green roof and to further support SU rooftop food growing.

Biodiversity projects are used as a communication and engagement tool.

Campus Capital Growth rooftop gardens have over 300 followers on Twitter and financial support from the Annual Fund. LSE Residences first official orchards were planted at Rosebery and Passfield Halls – students, staff and local community members planted 20 different varieties of fruit trees, harvesting cherries and blueberries in the Summer. The Passfield Hall Honey: two bee hives yielded a small harvest and survived their first very cold winter on site.

1.4 Embedding environment and sustainability into School wide activities, developing our systems and capacity

Hall environmental action plans baseline data is available publicly and updated annually. The Estates Environmental Management Working Group leads on the integration in Service Development Plans of Environmental Action Plans to deliver the Environmental Policy objectives. EcoCampus Gold was awarded in August 2011. It focuses on operational roles and responsibilities, training, document control and business continuity.

1.5 Maintain and where possible improve upon successes in external awards/measures for environmental work:

1.5.1 External awards

A sustainability awards cabinet in Old Building Foyer displays the latest awards.

In 2011, the NAB (New Academic Building) was shortlisted twice and highly commended once. LSE’s Zero Waste RETHINK work was shortlisted twice (results pending) and highly commended once.

Catering won two awards, the Students’ Union one.

1.5.2 Measures for environmental work

Internationally, Davos receives progress reports on the ISCN-GULF Charter to which LSE was a founding signatory. Nationally, the People and Planet Green League 2011 awarded LSE a “First”, placing us 22nd.

1.6 Achieve quantifiable targets for reuse/recycling/waste, energy use and CO₂ emissions as laid down in the Environmental Policy:

1.6.1 Waste – reuse and recycling

LSE achieved zero waste to landfill in October 2010, increasing campus recycling to 54 per cent (up from 48 per cent) and residences recycling rates to 33 per cent (up from 31 per cent). Communal recycling stations in the NAB resulted in 89 per cent recycling (up from 76 per cent) and are being rolled out across the estate. The towers refurbishment reused over 200 items internally saving c£30k and the Estates Division sent 59 tonnes of items to reuse charities. There was one incident of non-compliance due to contractor default. Corrective actions included a new procedure and training of relevant staff.

1.6.2 Energy (and emissions) and water (and discharges) – carbon management plan

The carbon management plan is now publicly available on the Sustainable LSE website. It states that total emissions for the baseline 2005-06 academic year are 14,484 tCO₂e, and 15,324 tCO₂e for the 2009-10 academic year. The School has a reduction target of 54 per cent (with an aspirational target of 57 per cent) on the 2005-06 baseline year, by 2020. This is to be achieved through energy efficiency, capital investment programmes, improvements in space utilisation and behavioural change programmes.

1.6.3 Water management

A feasibility study for grey water irrigation and other water saving possibilities has been commissioned for the whole estate.

Endowment investment performance



Investment income of £2.1m from the School's various endowments along with tuition fees, HEFCE grants, research grants and related philanthropy are the School's main sources of income. Endowment support is the only form of income that can put the School in control of its own long term financial destiny. Throughout the School's history, endowed gifts have made a meaningful but limited contribution to the School's portfolio of research and teaching. In an ever changing sector, the challenge facing LSE is to make endowment an integral part of its financial health.

As of 31 July 2011 the School's endowments totalled £81.7m. The majority of this capital has come from private donations which have established research centres, chairs, lectureships, and scholarships. An increasing number of individual donors and foundations are recognising this form of support as vital to LSE's unique public benefit as a charity focused on the "betterment of society". This is particularly the case with regards to scholarship as the international reach, degree courses and research of students are dependent on fee income.

The School's endowment funds that have been invested are split into three separate pools. The basis of their operation has been subject to approval by the UK Charity Commission. The Endowment Management Group (EMG) sets the endowment budget, the investment return target and the level of payout based on a long term view of investment performance and endowment commitments. The Investments Sub-committee (IC) sets the investment strategies and determines the asset allocation to achieve the return target set by the EMG. Both EMG and IC report to the Finance Committee (FC). The FC reports annually to the School's Council, the governing body of LSE and trustee of all endowment funds. The investment strategy of the

School's Investments Committee is implemented by the LSE Finance Division using index tracking funds managed by BlackRock. When seeking endowed philanthropic donations the School's preference is to use a total return endowment strategy where the capital appreciation and investment income are used to generate an income for the purposes stipulated in the agreement between the School and a donor.

The Investments Sub Committee meet regularly to monitor performance and receive professional advice from our external advisors, Stanhope Jewson, who are engaged to advise on investment strategy.

The School's endowment funds that have been invested are split into three separate pools approved by the Charity Commission.

Pool A – manages the investment on a total return basis.

Pool B – manages the investment on an income basis.

FER – separate investments are maintained for the Foundation for Economic Research that supports a research centre.

Pool A and Pool B are run as a unit trust with individual endowments holding a number of units in either Pool A or Pool B, sharing in the dividend income and capital growth in proportion to the number of units held.

The total return based on the opening market value for 2010-11 of Pool A and Pool B and FER is 9.7 per cent, 9.8 per cent, and 9.1 per cent respectively.

Asset allocation targets and tolerance bands for each pool have been set by Investments Committee as follows:



Endowment investment performance continued



From the left:
The Odette sculpture
"Salutation" in stainless
steel by Ralph Hicks next
to the Peacock Theatre on
LSE campus; Red lighting
illuminates the entrance
to the Old Building on
Houghton Street

ENDOWMENT INVESTMENT PERFORMANCE	Market value 31 July 2011	Asset allocation target	Tolerance band	31 July value actual
POOL A	£	%	%	%
UK equities	14,630,415	40	55-80	39
Overseas equities	11,084,340	30		30
Bonds	5,868,964	15	0-20	16
Absolute return	17,416	0	0	0
Cash	5,838,535	15	0-15	15
	<u>37,439,670</u>	<u>100</u>		<u>100</u>
POOL B				
UK equities	4,360,919	45	50-60	46
Overseas equities	942,860	10		10
Bonds and gifts	3,620,084	40	40-50	39
Cash	508,606	5		5
	<u>9,432,469</u>	<u>100</u>		<u>100</u>
FER				
UK equities	5,716,145	40	35-45	38
Bonds and gifts	8,927,316	58	55-65	59
Cash	436,636	2		3
	<u>15,080,097</u>	<u>100</u>		<u>100</u>
Other gilts	134,145			
Freehold property	33,501			
Cash on deposits	19,596,716			
Total Portfolio	<u>81,716,598</u>			

Further information on the School's endowment assets and endowment funds is in Notes 14 and 21.

Report of the independent auditors to the Court of Governors of the London School of Economics and Political Science



We have audited the financial statements of the London School of Economics and Political Science ("the School") for the year ended 31 July 2011 which comprise the accounting policies statement, the group income and expenditure account, the group statement of total recognised gains and losses, the group and School balance sheets, the group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body, in accordance with paragraph nine of the School's articles of government, section 124B(3) of the Education and Reform Act 1988 and Chapter Three of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Court of Governors and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the corporate governance, internal control and Council's responsibility statement set out on page 43, the Council (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Education and Reform Act 1988 and the Companies Act 2006 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the School have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respect, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ("the funding council").

We read the Report of the Chairman of the Council and Court of Governors, the Report of the Director of the School, the report of the directors, public benefit at LSE, the corporate governance, internal control and Council's responsibility statement, the LSE environmental policy and report on environmental progress and endowment investment performance and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the corporate governance, internal control and Council's responsibility statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the School's affairs as at 31 July 2011 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters

In all material respects:

- income from the funding council, grants and income for specific purposes and from other restricted funds administered by the School during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- in all material aspects, income during the year ended 31 July 2011 has been applied in accordance with the School's statutes and, where appropriate, with the financial memorandum with the funding council.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the School, or returns adequate for our audit have not been received from branches not visited by us; or
- the School financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the governing body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Judith Newton

Senior Statutory Auditor for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes
17 November 2011

Officers responsible for the School's finances



Peter Sutherland KCMG

Chairman
Court of Governors



Professor Judith Rees

Director (since 1 May 2011)



Ms Kate Jenkins

Vice-chairman
Court of Governors



Professor Janet Hartley

Pro-director



Ms Anne Lapping

Vice-chairman
Court of Governors



Professor George Gaskell

Pro-director



Mr Brian Smith

Chairman
Finance Committee (until 31 July 2011)



Professor Stuart Corbridge

Pro-director



Mr Mark Molyneux

Chairman
Finance Committee (since 1 August 2011)



Mr Adrian Hall

Secretary and director
of administration



Mr Richard Goeltz

Vice-chairman
Finance Committee (until 31 July 2011)



Mr Andrew Farrell

Director of Finance and Facilities



Mr Tim Frost

Vice-chairman
Finance Committee (since 1 August 2011)



Mr Mike Ferguson

Director of the Finance Division



Howard Davies

Director (until 30 April 2011)



Ms Ashley Wang

Financial controller



Directors of the School and the members of the Council during the year 2010-11



Ex-officio members

Peter Sutherland

Chairman of the Court and Council

Ms Kate Jenkins

Vice Chairman

Mrs Anne Lapping

Vice Chairman

Howard Davies (until 30 April 2011)

Director of the School

Professor Judith Rees (from 1 May 2011)

Director of the School

Professor Stuart Corbridge

Pro-director of the School

Professor George Gaskell

Pro-director of the School

Mr Brian Smith (until 31 July 2011)

Chairman of the Finance Committee

Mr Mark Molyneux (from 1 August 2011)

Chairman of the Finance Committee

Ms Charlotte Gerada (until 3 July 2011)

General Secretary of the Students' Union

Ms Alex Peters-Day (from 4 July 2011)

General Secretary of the Students' Union

Lay members

Professor Martin Anthony

Ms Lis Astall (from 1 August 2011)

Mr Stephen Barclay (until 31 July 2011)

Ms Virginia Beardshaw (from 1 August 2011)

Ms Vivina Berla

Ms Angela Camber

Ms Shami Chakrabarti (until 31 July 2011)

Mr Adam Connell (from 17 March 2011)

Ms Bronwyn Curtis

Mr Alan Elias

Dr Matthew Engelke

Mr Mario Francescotti (until 31 July 2011)

Mr Tim Frost

Mr Richard Goeltz

Mr William Nigel Hugill

Professor Janet Hunter

Professor Emily Jackson

Professor Paul Kelly

Professor Eileen Munro

Ms Harriet Spicer (from 1 August 2011)

Members of the Council not directors of the School

Professor Janet Hartley

Pro-director of the School

Professor David Marsden

Vice Chairman of the Academic Board

Professor David Stevenson

Vice Chairman of the Appointments Committee

Company secretary

Mr Adrian Hall



LSE academic departments

Accounting
Anthropology
Economics
Economic History
European Institute
Finance
Gender Institute
Geography and Environment
Government
International Development
International History
International Relations
Language Centre
Law
Management
Mathematics
Media and Communications
Methodology Institute
Philosophy, Logic and Scientific Method
Social Policy
Social Psychology
Sociology
Statistics

Research centres

Asia
Biosciences and Society (BIOS)
Cities
Climate Change Economics and Policy (CCCEP)
Diplomacy and Strategy (IDEAS)
Economic Performance (CEP)
Economics and Related Disciplines (STICERD)
Financial Markets (FMG)
Grantham Research Institute (GRI)
Health and Social Care
Human Rights
International Growth (IGC)
Middle East
Philosophy of Natural and Social Science (CPNSS)
Social Exclusion (CASE)
Spatial Economics (SERC)
Time Series (CATS)

