



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■

Financial Statements

For the year ending 31 July 2021 ■

London School of Economics
and Political Science
Company Number 00070527

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Report of the Chair of the Council



The past year has brought unprecedented challenges. I am grateful to colleagues across the School who, under the outstanding leadership of our Director, have pursued the LSE's strategic aims under extraordinary circumstances. The contributions of our broader LSE community – alumni, partners and friends from all across the globe – have been a critical aspect of our strength and success this year.

Despite the difficult circumstances, Council has continued to oversee the School's considerable progress in the delivery of the LSE 2030 Strategy last year. We prioritised our student and staff wellbeing, and the provision of excellent education and the highest quality research, while ensuring the School's financial sustainability.

Our governance has had to be flexible and adaptable during this period to assure rigorous decision making with appropriate transparency and accountability. We completed a thorough KPMG-led Governance Review in the autumn of 2020 that confirmed our strong governance foundations and clarified objectives for the coming year. Our committees, particularly the Finance and Estates Committee and Audit Committee, have had to work especially hard this year to respond nimbly to the uncertainty and frequent changes we have faced, taking into account the School's short-, medium-, and long-term financial situation and risk management.

Throughout this period, the School has demonstrated its financial resilience in the face of adversity, adopting a robust approach to scenario planning, prudent operational management, shrewd borrowing decisions, and exploration of new opportunities to expand income generation. We continued to make progress in increasing philanthropic income, ahead of the formal public launch of the School's Shaping the World Campaign in autumn 2021.

As we begin the new year, we intend to continue the approaches we followed in 2020-21 to ensure that we respond in an agile fashion to the continuing risks the pandemic presents. Council will focus on protecting and delivering the strategy and priorities set out in LSE 2030 and optimising institutional strength and flexibility, including: working toward a robust technology infrastructure essential for our evolving educational, research, and global public engagement offerings; continued campus development; exploration of new ways of working; and further diversification of our funding model. We prioritise the well-being of our community and equity, diversity and inclusion in all areas of governance.

To underpin the governance support for this work, Council has recruited new members during the year with relevant expertise to deliver the School's priorities, particularly in the areas of finance and technology. Council welcomed a new Chair of the Investments Sub-Committee, as well as expanded expert membership to oversee work in this specialist field. We have also recruited external expert members to some of our Council committees.

As ever, I am indebted to my fellow Council Members for their commitment, expertise and unwavering support for the School and so honoured to serve as Chair of Council during this challenging time. The LSE community has proved remarkably resilient during this extraordinary year, and I am confident it will emerge even stronger in the future.

Dr Susan Liautaud

Chair of Council



Welcome from the Director



When I reflect on the achievements of the past academic year, it is with a sense of pride in the way the School has come together under a time of incredible pressure and change. Our community of staff, students, friends, alumni and other partners responded to the pandemic with relentless energy to rise to challenges, creativity, imagination, commitment and care for each other. Clearly the pandemic posed risks to our finances and beyond, including to our ability to collect tuition fees, reduced income from Summer School and from halls of residence as well as the new costs of keeping the campus coronavirus secure. Our medium-term targets will require sustained discipline in expenditure coupled with good levels of income. While we hope for easier circumstances in 2021-22, I know that our community will rise to meet whatever challenges we have before us.

Despite the pandemic, we made substantial progress in our strategy. Our mission, vision and strategic objectives as set out in LSE 2030 hold true despite the circumstances we find ourselves in. The strategy was written to guide our decision-making through uncertainty, then represented by political upheaval and funding uncertainty. As we navigate new circumstances and adapt our priorities and resources to respond to the new world post pandemic, our focus remains on upholding the quality of our education provision and research and prioritising the wellbeing of all our students and staff.

In terms of our education, we are now realising the work to deliver the 2020-21 academic year in a hybrid model. This remarkable effort has showcased the ability of the full range of our community, to work together towards a common goal. Our strong teaching provision is reflected in course level survey scores, but we need to work further on the consistency of our students' experience and on building their sense of belonging. The switch to online education has also laid the foundation for the future to complement our on-campus provision and we are developing our extended education offer through online certificate courses and our first online undergraduate degrees through the University of London International Programmes. In terms of research, the key landmark of the year was the successful submission to Research Excellence Framework, the UK's measure of research excellence in universities. We await the results in 2022 with confidence that the quality of our research and support environment, as well as the impact of our research on the economy and society globally, will once again be recognised as internationally excellent and world-leading. We have also shaped global debate to help create a social sciences response to the pandemic, and we have reviewed and continued to develop the support structures for research, and we have engaged an international public audience to promote our scholarship and build our brand. We continue to develop our community through action on Athena Swan and Race Equity. Through the pandemic we continued to develop our campus, with the new Marshall Building due to open during Michaelmas Term 2021.

Like many organisations we are seeking to embed some of the benefits that this extended period of remote working has brought, especially in terms of staff flexibility rather than a blanket return to a full campus presence. These initiatives will require investment in technology to ensure the

seamless integration of remote and campus work, investment to create new types of space on campus, and cultural change including a comprehensive management training programme. Blended working enables us to progressively release expensive leased space and reduce our campus and carbon footprint. Clearly, the full economic effects of the pandemic will be felt for many years to come, in the higher education sector and society at large, and it is vital that we remain focused on diversifying our funding model and ensuring that the School remains financially robust in the face of this uncertain environment. Shaping the World, our Campaign in support of LSE 2030, is rapidly advancing from leadership phase to public phase, supported by our many generous donors and funders.

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Overall, it has been a remarkably successful year for LSE despite the unprecedented challenges. In a strange way, getting through this crisis together has made our community stronger. I feel more honoured than ever to lead our School and have the privilege to work with so many remarkable colleagues, students, alumni and friends of LSE.

Baroness Shafik

Director

Strategic Report and Report of the Directors

School Mission and Strategy

Mission and ambition

LSE 2030 stays true to the founding purpose of the School: to know the causes of things for the betterment of society.

The strategy lays out the guiding principles and strategic priorities that will help us shape the world's future, and achieve our ambition: to be the leading social science institution with the greatest global impact.

Guiding principles

We will sustain excellence through an inclusive and diverse community.

We will ensure our work has global impact and reach.

We will ensure a sustainable future, for LSE, the social sciences, and the world.

Strategic Priority 1: Educate for Global Impact

We are committed to working closely in partnership with students to find innovative ways of learning, creating and collaborating, supporting them to better understand and shape our rapidly changing world.

This year we have sustained and enhanced our educational provision despite the difficulties that COVID-19 has posed to us. Through the Curriculum Shift 2021 we moved our teaching fully online through the winter and early spring of 2021 while maintaining key indicators of student satisfaction for teaching quality. Our success has gained widespread recognition and credit in the sector, through the Russell Group of top UK institutions, showcased as a model for others to follow.

We completed the first year of our Student Futures programme, which brings together transformational learning experiences from across our School that take place outside the classroom to empower students' academic, personal and professional growth. This programme unlocks new ways to make an impact on the world and unleash students' potential as creators, innovators and leaders.

We have set in place robust and dynamic governance arrangements for the future development of our Extended Education provision, to widen the reach of our educational offer to allow us to embrace diversity as we seek to shape the world. We have significantly expanded our Online Certificates and have brought to market cutting-edge fully online undergraduate degrees.

We overhauled our Welcome offer to students in 2020 to provide them with an exciting and inclusive introduction to our community. To ensure that we promote diversity and inclusion in all our educational offer, we have appointed Attainment Leads in all academic departments to keep under review the grades we award to each demographic group of our community. In order to continue our commitments to wellbeing, we have appointed a new Head of Student Wellbeing to drive further improvements in our offer and support in these challenging times.

Strategic Priority 2: Research for the World

We are committed to building on our strengths as international, interdisciplinary and issue-oriented to take the lead in securing and defining the future of social sciences across the globe.

The key landmark of the year for our research was the successful submission to Research Excellence Framework, the UK's measure of research excellence in universities. We await the results in 2022 with confidence that the quality of our research and support environment, as well as the impact of our research on the economy and society globally, will once again be recognised as internationally excellent and world-leading.

To ensure that this world-leading research is not adversely impacted by the pandemic, we have developed and promoted a Research Support Fund targeted at those in our research community, particularly junior academics, who need additional support to maintain their research presence and outputs given the demands on their career of teaching and, in many cases, domestic priorities. 17 projects were selected for funding of which 15 address one of our key institutional thematic areas (environmental sustainability, race equity, and shaping the post-COVID world). In addition, nine projects are led by Assistant Professors/Assistant Professorial Research Fellows, with a further five led by Associate Professors, indicating that the scheme was successful in targeting more junior researchers.

Moving online owing to the pandemic has provided an unexpected bonus in the extended reach of our events programme. Through our LSE Festival, for example, which was themed around Shaping the Post-COVID World, we reached a live audience of nearly 9,000 and our dedicated media player had 56,000 unique visitors with Festival podcasts and videos viewed and downloaded nearly half a million times. We have also had a record year in terms of our research commercialisation, with a turnover in 2020-21 of more than £5 million from consulting activity.

An important objective of LSE 2030 is to advocate for, and demonstrate the value of, social sciences, and to ensure these disciplines are properly represented in policy and funding decisions. Throughout the coronavirus crisis, we have collaborated with Universities UK and the Russell Group, and provided private briefings to the government and policy advisors, to make the case for sustaining the UK's social sciences and broader research base.

LSE has also collaborated with the British Academy and Arts Council England to promote the SHAPE initiative, highlighting the crucial importance of the social sciences, humanities and arts in understanding our world and maintaining wellbeing, community, the economy and the environment in the face of global challenges.

LSE's new online research magazine Research for the World delivers the power of social science to readers everywhere, opening up the many ways our academics are helping to shape the world's political, economic and social future. Since launch in January 2021, the website has been viewed over 95,000 times by people in over 100 different countries worldwide.

Strategic Priority 3: Develop LSE for Everyone

We are committed to investing in our community and enhancing our services and infrastructure, so that we continue to attract the best and brightest and enable every member of our community to excel.

With the pandemic causing so much harm through the year, our key priority has been the wellbeing and safety of our community of staff and students. We operated a rigorous COVID-19-secure regime on campus and in our Halls of Residence and succeeded in avoiding major outbreaks in our community. Coupled with physical safety, we have prioritised mental health and wellbeing for both students and staff. Since the launch of LSE 2030, we have established the thematic framework of **Inclusive LSE**, **Healthy LSE** and **Empowered LSE** to help connect and align the work of various teams towards making LSE as welcoming and supportive as possible for all our staff and students. We have acted upon the findings of internal "Pulse" surveys of our staff to find new ways of working for the post-COVID-19 world that enable our staff to use new technologies to work more effectively and efficiently while balancing their home and professional lives.

We have diversified our community in various ways: by delegating the award of PhD studentships to department level; by training Fair Recruitment Advisers to improve the ethnic diversity of our senior professional roles; and, on the academic side, by consistently achieving 30 per cent BAME hires at Assistant Professor level. Through the hard work of our whole community and the vision of our Sustainability Team articulated through the Sustainable LSE strategic action plan, we have become carbon neutral in 2020-21 for the emissions we currently measure.

LSE opened its doors on 10 October 1895 and celebrated its 125th anniversary during the academic year 2020-21, sharing inspirational community stories from the past to the present day which in total received over 49,500 website views and 3.1 million impressions on social media. The launch event with LSE alumna Kristalina Georgieva of the World Bank took place live online and as a result reached a broader international audience, with 12,000 live views and over 28,000 podcast downloads.

In Michaelmas term 2021 we completed our new Marshall Building, were in the final stages of agreeing terms for the development of a new purpose-built hall of residences and are starting the process to develop our next campus initiative at 35 Lincoln's Inn Fields.

As we look forward to the end of the pandemic and all the challenges that it brought, we turn our attention to the future and in particular capitalising on the benefits we have seen through the deployment of technology. With this ambition in mind, we have allocated substantial resources over the next few years to invest in our technology infrastructure, strengthening core services to ensure they are resilient and flexible and genuinely enhance the student experience.



Our Shaping the World Campaign

While our celebration of our 125th anniversary has been somewhat muted by the pandemic, it has been a progressive year for our fundraising and philanthropy initiatives. We closed the year with new pledges of £49.7 million (including single transformational gifts over £12 million); an increase of £7.8 million (18.6 per cent) from last which means we are well placed to move into the public phase of our Campaign in the 2021-22 academic year.

On 2 November 2021 we publicly launched our major philanthropic and engagement Campaign, Shaping the World. It will help to realise LSE2030 strategic priorities and enable the School to increase further our positive global impact to achieve our mission as we advance knowledge and understanding, support potential, and create a more hopeful, equitable and sustainable world. During the launch we announced two significant gifts towards our Campaign: Sir Paul Marshall has committed £50 million to create the Marshall Impact Accelerator for social impact ventures and alumnus Firoz Lalji has pledged \$35 million to create the Firoz Lalji Global Hub at LSE.

Scope of the Financial Statements

These financial statements comprise the consolidated results of the School and its subsidiaries. The operations of these subsidiaries cover the vacation letting of student accommodation, consultancy services, exploitation of intellectual property, the provision of customised executive education programmes, and overseas fundraising. For commercial, legal, and taxation reasons these activities are channelled through limited companies which, where appropriate, transfer their profits to the School through an annual payment of Gift Aid.

In addition, the School is a partner in the TRIUM Executive MBA programme with New York University and HEC in Paris and the School's share of this programme is incorporated in these consolidated accounts on a proportional basis.

The LSE Students' Union is a separately constituted body over which the School does not exert significant influence and so it is not consolidated in these financial statements.

Financial Review

Despite the challenges presented by the pandemic the School's financial position remains robust with a strong balance sheet and ample liquidity to manage the financial challenges presented by the current crisis. Our key strengths include:

- Demand for our courses remains strong
- We have a proven record of effective financial management
- We have an exceptional global profile both domestically and internationally, with consistent top rankings for our social sciences and management subjects
- Our revenues are diversified with full time undergraduate and postgraduate programmes, a substantial portfolio of Extended Education activities including an expanding portfolio of online courses
- World-class faculty as reflected in recent Research Excellence Framework results.

These factors, which were key in managing through the pandemic, will prove instrumental in taking us forward post-pandemic to deliver our LSE 2030 strategy goals.

This Financial Review frames the School's 2020-21 financial results in the context of our financial planning and the vision for the LSE set out in LSE 2030.

We are reporting an accounting surplus before other gains of £57.4 million for 2020-21 compared with £81.1 million in 2019-20 and net operating cash inflow of £63.6 million (2019-20 £10.3 million outflow). Comprehensive income for the year (accounting surplus including gains and losses on investments and the change in the market value of our interest rate swaps) was £113.1 million compared to £74.8 million in 2019-20. These headline figures include some substantial items which do not reflect an underlying change in the School's financial performance: changes in the USS pension past service deficit cost provision; significant endowment funds received in year related to future spending; and movements in the market value of the endowment investments. Adjusting for these items shows an underlying improvement, year on year that reflects the impact of the prompt actions taken at the outset of the pandemic and successfully carried on throughout 2020-21.

	2020-21 £m	2019-20 £m
Adjusted Comprehensive income	43.9	-12.9
Adding back one-off items:		
Pension provision movements	+13.0	+41.7
Change in the market value of endowment investments	+49.1	-3.7
Endowments received	+7.1	+49.7
Total Comprehensive income for the year	113.1	74.8

2020-21 Financial Review

	2020-21		2020-21	2019-20	Change	
	Unrestricted funds	Restricted or designated funds	Total	Total		
	£m	£m	£m	£m	£m	%
Operating income	362.7	16.0	378.7	360.9	17.8	4.9
Capital grant	1.7	–	1.7	1.5	0.2	13.3
Donations and endowments	–	14.4	14.4	58.5	(44.1)	(75.4)
Total income	364.4	30.4	394.8	420.9	(26.1)	(6.2)
Operating expenses	(317.9)	(7.9)	(325.8)	(356.8)	31.0	(8.7)
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	46.5	22.5	69.0	64.1	4.9	7.6
Change in USS past service deficit provision			13.0	41.7	(28.7)	(68.8)
Depreciation			(15.5)	(15.0)	(0.5)	3.3
Interest and other finance costs			(9.0)	(9.7)	0.7	(7.2)
Surplus			57.4	81.1	(23.7)	(29.2)
Gains/(loss) on investments			49.1	(3.7)	52.8	
Change in the fair value of hedging financial instruments			6.6	(2.6)	9.2	
Comprehensive income for the year			113.1	74.8	38.3	51.2
BALANCE SHEET						
Fixed assets			683.9	641.8	42.1	6.6
Endowment assets and investments			351.1	296.8	54.3	18.3
Net current liabilities			(50.6)	(24.1)	(26.5)	110.0
Creditors over one year			(188.0)	(218.6)	30.6	(14.0)
Pension liabilities and provisions			(38.7)	(51.3)	12.6	(24.6)
Net assets			757.7	644.6	113.1	17.5
LIQUIDITY						
Operating cash generated/(utilised) during the year			63.6	(10.3)	73.9	
Cash and cash equivalents			110.0	21.5	88.5	
Investments			351.1	296.8	54.3	18.3
Loans			(239.9)	(164.6)	(75.3)	45.7
Net Funds			211.7	153.7	58.0	37.7
STUDENT NUMBERS						
			Nos	Nos		
Undergraduate			5,627	5,331		
Postgraduate – taught			5,505	5,030		
Postgraduate – research			557	421		
Total Full-time student numbers			11,689	10,782		
Part-time			544	404		
Others (visiting, executive)			46	1,449		
Total Part-time and other student numbers			12,279	12,635		
London Summer Schools and Executive Summer Schools			2,448	451		
Beijing and Cape Town Schools			-	472		
University of London International Programme – LSE programmes			12,176	14,425		
On-line			9,079	6,850		
Total student numbers			35,982	34,833		

As we reported last year, the School entered this unprecedented period of uncertainty and challenges with a strong balance sheet and a robust and resilient financial model. Nevertheless, the last 18 months have been of enormous challenge for our students and staff. From March 2020 we took early and decisive action securing access to additional credit facilities; postponing capital and planned maintenance; and implementing a conditional hiring freeze. Our 2020 Financial Plan agreed by Council in June 2020 and revised in February 2021 established three guiding principles for the School's financial response to the impact of pandemic with the ultimate purpose of restoring stability to our finances to ensure the continued delivery of our mission:

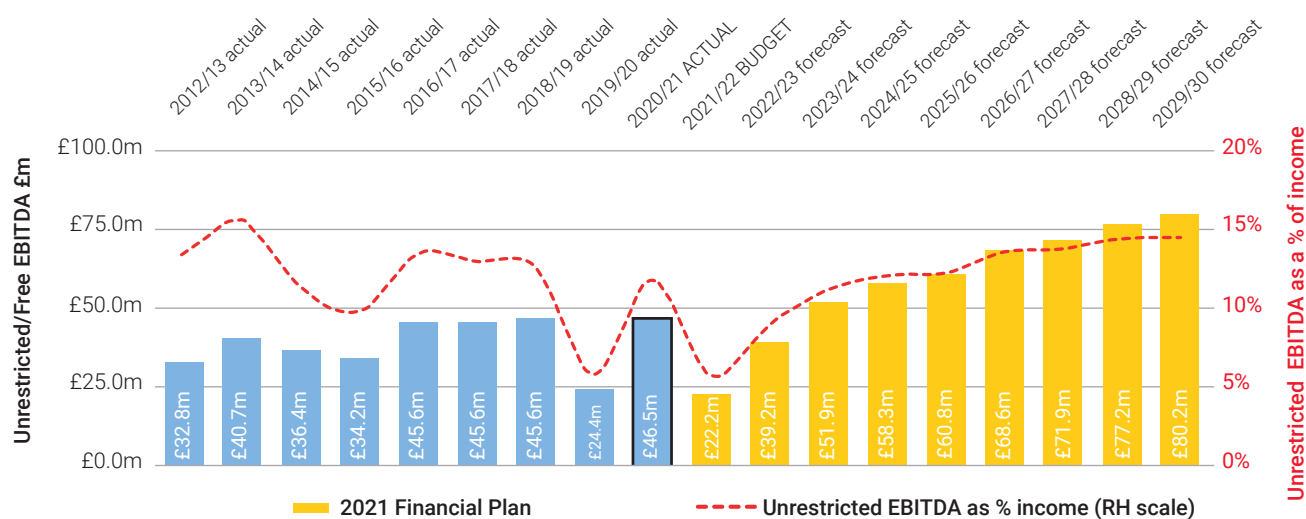
- Protect the School's ability to retain and recruit world-class faculty to undertake research and provide the best possible educational experience for our students.
- Financial commitments should only be made or continue where there is clear evidence of a robust revenue stream to support them.
- To protect the School in the event of further financial shocks we should aim to reduce operational gearing and increase unrestricted earnings before interest depreciation and amortisation (uEBITDA).

Our financial planning has had to adapt rapidly to the evolving situation, moving from a medium/longer term planning tool that focussed on the long-term sustainability of the School and delivery of our LSE2030 Strategy to shorter-term cost controls objectives. We have done this through developing a set of detailed planning scenarios running across the phases of the pandemic and updating them as the situation developed, each time testing against a set of worse case scenarios.

Having lost our summer school in summer 2020 and faced with a risk that the uncertainty regarding overseas travel might reduce the conversion rate for offers to registrations, we increased the numbers of places offered for study in 2020-21 above our normal target ratios. We are fortunate that the strong demand for our courses allowed us to do this without lowering entry standards. In the event, an offer to study at LSE proved decisive for many of our offer holders and led to recruitment above our target for the year. After allowing for the additional costs of teaching and support this has contributed to a positive financial outcome this year.

We estimate that we have had to invest over £10 million since the start of the pandemic in measures to enable us to continue to deliver teaching and a meaningful student experience in a safe and effective manner. These costs range from technology for the hybrid teaching, additional teaching assistants to support faculty whilst delivering their teaching online to additional software licenses to manage and operate hybrid and online teaching. We have upgraded most of our teaching rooms to support audio and visual links for students unable to attend in person and repurposed many of our meeting rooms for teaching to provide the greater capacity needed to accommodate social distancing.

To enable us to provide some of the most important milestones for a student studying at LSE – Welcome week when they arrive and graduation events – we have hired marquees to fill outdoor spaces. To ensure a safe environment for students and staff we have invested in a significant amount of on-site equipment and signage and created testing capacity to reduce the risk of mass outbreaks of COVID-19.



The School's preferred measure of financial performance for internal financial planning purposes is Earnings before Interest, Taxation, Depreciation, and Amortisation (EBITDA) adjusted for any significant donations that we have received in the year and any associated expenditure. This measure excludes the volatility that a large gift can create and avoids a mismatch in subsequent years, when reporting expenditure funded by that gift. We call this measure, unrestricted EBITDA (uEBITDA).

Financial strategy, financial sustainability and going concern

Each year, the School Management Committee (SMC) and Council approve a 10-year Financial Plan, prepared using a set of prudent assumptions and long-term financial targets. The Plan's sensitivity to these assumptions is assessed along with the current risks identified in the School's Strategic Risk Register to ensure we have a reasonable expectation of maintaining a sustainable long-term financial position. In accordance with our funding principles, any significant investments and associated returns are evaluated against this Plan and, on a standalone basis, before a final decision to invest is made. This ensures rational financial decisions can be

made within a transparent and clear framework that focuses on ensuring the financial sustainability of the School.

The 2021 Financial Plan was developed in April and May 2021 and approved by Council in July 2021. It was based on our latest round of the financial scenario planning process that has been developed over the past 18 months to model the financial implication of the pandemic.

We take a prudent approach to financial planning in general, adjusting our plans if the situation looks to be improving. Based on our 2020-21 experience, the 2021 Financial Plan and budget for 2021-22 includes less provision than our 2020 Financial Plan but retains the realistic and prudent approach we took during 2020-21 and ensures we have the capacity for quick and decisive action should the need arise. For example, we will continue to operate a conditional hiring freeze on posts as they become vacant and we had delayed the release of some additional investment funds until our 2021 student recruitment position was clear.

In September 2020 revolving credit facilities (RCFs) were agreed and the School participated in the Bank of England Covid Corporate Financing Facility (CCFF), drawing down £80 million in March 2021 as these were the lowest cost funds available to the School. To date, the CCFF funds have not been called upon but

they remain available until repayment is due in March 2022 when we will draw upon the RCFs as required.

Based on the 2021 Financial Plan, the recent level of student registrations, and a robust financial planning process, SMC and the School's Council have concluded that the School is operating in a financially sustainable manner and that it is appropriate that the financial statements are prepared on the basis that the School is a going concern.

The 2021 10-year Financial Plan confirmed the School's financial strategy of targeting a long-term uEBITDA target of 15 per cent of revenue. This will be achieved over the next few years through cost control coupled with additional revenue generation and diversification of revenue generation. Council considers this level of uEBITDA necessary to fund:

- Technology infrastructure to support the innovation and diversification of research and teaching that is at the heart of LSE 2030
- Enhance institutional resilience and build School reserves.
- Support the repayment of debt.

Income

	2020-21	2019-20	Change	
	Total £m	Total £m	£m	%
Tuition fees	250.8	228.1	22.7	10.0
Funding Council grants	35.3	27.8	7.5	27.0
Research grants	34.9	34.3	0.6	1.7
Other income	54.4	66.9	(12.5)	(18.7)
Investment income	3.3	3.9	(0.6)	(15.4)
Total income before capital grants, endowments and donations	378.7	361.1	17.7	4.9
Capital grants	1.7	1.5	0.2	13.3
Donations and endowments	14.4	58.5	(44.1)	(75.4)
Total income	394.8	421.0	(26.2)	(6.2)

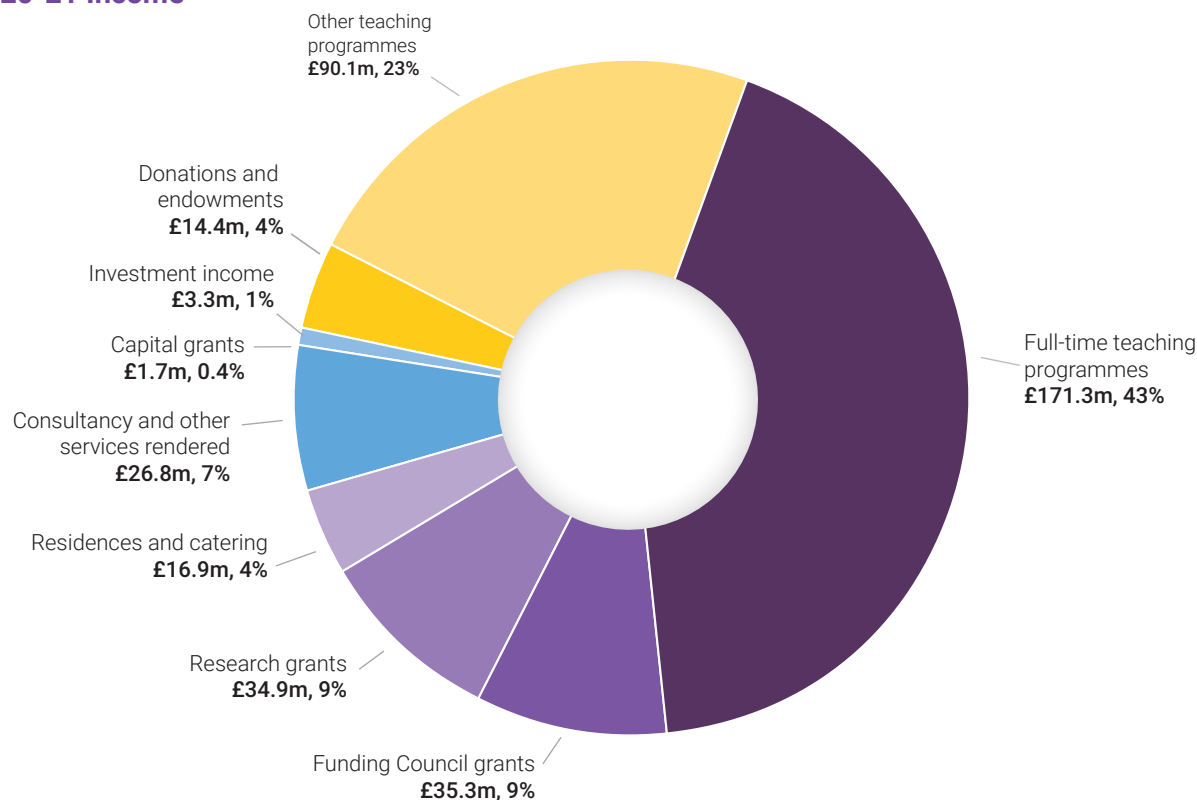
Total income before unrestricted grants and donations was £378.7 million, a 4.9 per cent increase compared to 2019-20. Tuition fees increased to £250.8 million because of higher postgraduate and overseas fees coupled with a year-on-year increase in student numbers. The fall in Other Income reflects the impact of the pandemic on our residences and catering activities. In common with many universities, LSE refunded student hall fees when government advice prevented us continuing with in person teaching and later in 2020-21 when we had to move examinations on-line.

Our LSE 2030 strategy challenges the School to broaden its educational offer by looking at ways to broaden our teaching with a more flexible and diverse offering. The pandemic has accelerated

this shift, initially online in summer term 2020 and since then to a hybrid model of online and in-person teaching. It will be an important part of the School's work post-pandemic to take the lessons learned from this change and build on them to secure greater diversity and resilience in our educational offer.

As we have moved forward the ambitions of LSE 2030, recognising the continuing impact of COVID-19, philanthropic gifts at every level have been significant. Philanthropic income has supported students impacted by the pandemic and helped to advance our research and public engagement that will help to inform future policy for maximum global impact.

2020-21 Income



Students, education, and tuition fees

Demand measured by applicants per place remains high for our full-time courses with 12.8 applicants per place for undergraduate study and 6.4 per place for postgraduate taught programmes. We registered 11,671 full-time students in 2020-21, 889 more than the previous year. We do not have plans to grow the full-time student

population significantly over the next few years and whatever growth there is will be accompanied by investment to maintain the best educational experience for our students.

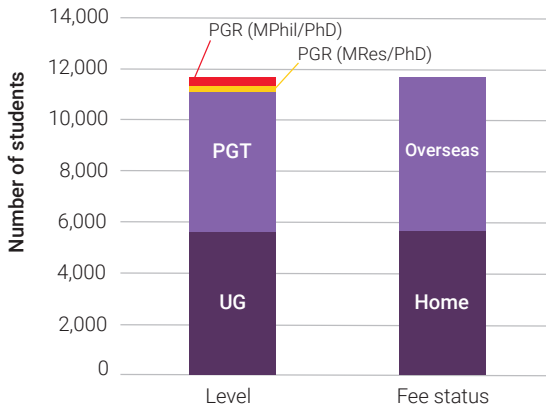
LSE is a London-based institution with a global focus, and this is most clearly evidenced by the composition of the students we welcome here each year.

Full-time students by domicile in 2020-21

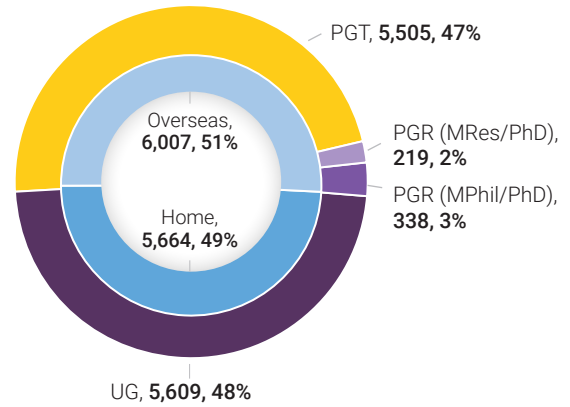
Full time students by domicile* 2020-21	Student numbers	Full time students by domicile* 2020-21	Student numbers
UK	3,825	Thailand	74
China	2,018	Netherlands	67
USA	603	Russia	65
Germany	432	Chile	58
France	393	Indonesia	57
India	390	Austria	56
Singapore	351	Australia	55
Hong Kong	334	Colombia	53
Malaysia	318	Cyprus	53
Italy	253	Taiwan	53
Canada	169	Japan	51
Spain	136	22 with between 20 and 50 students each	733
South Korea	135	16 with between 10 and 19 students each	222
Poland	119	77 with fewer than 10 students each	230
Switzerland	107	Total	11,671
Pakistan	96		
Greece	86		
Belgium	79		

*HESA category domicile data.

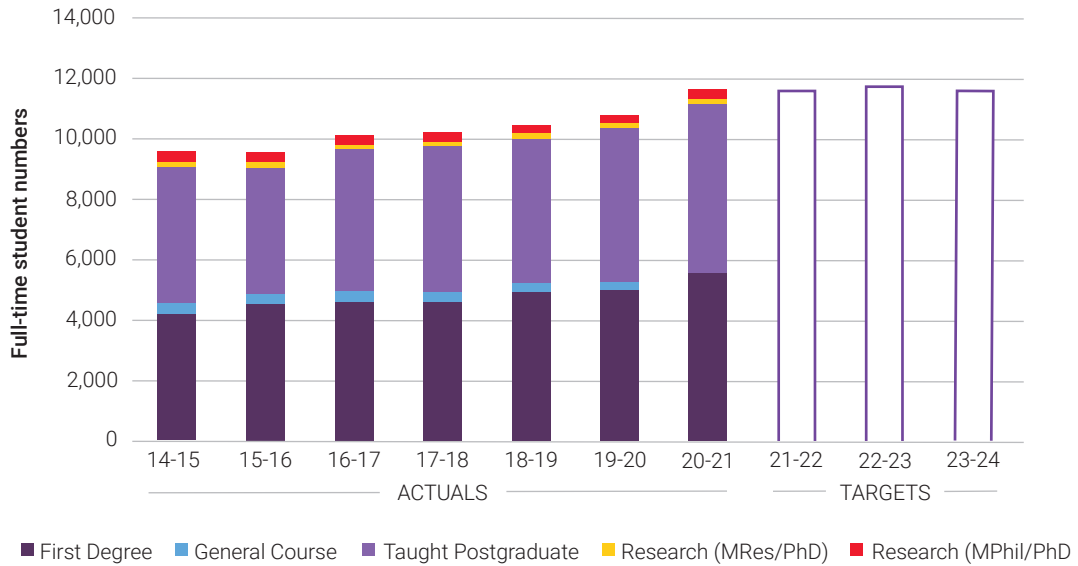
Full-time students in 2020-21



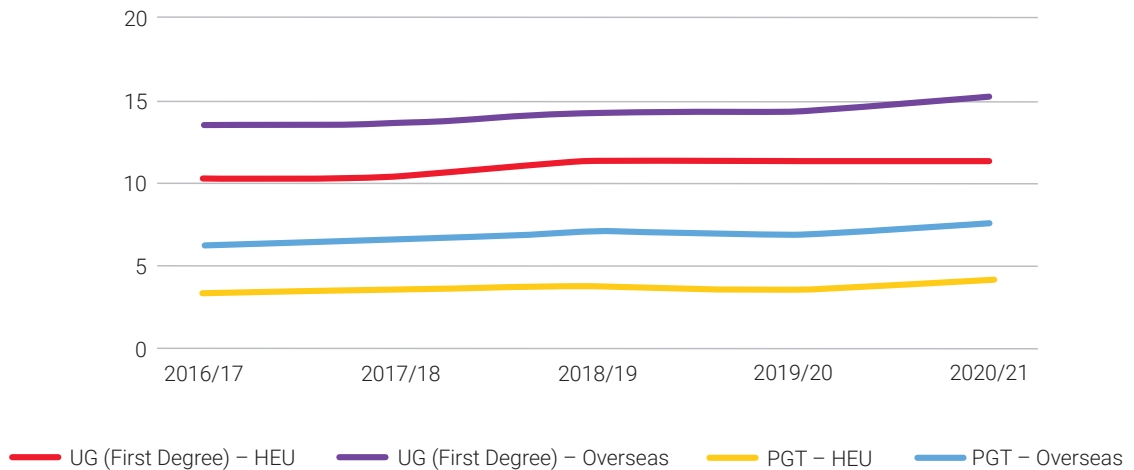
Full-time students in 2020-21 by level and fee status



Full-time student recruitment and planned growth



Applications per place



PhD scholarships and bursaries

The School has two flagship funding schemes for doctoral students: our own LSE PhD Studentship scheme which supported 276 (2019-20: 255), fully-funded students, across four years of study and the Economic and Social Research Council Doctoral Training Centre (DTC) and the Doctoral Training Partnership (DTP) schemes supporting a further 155 (2019-20: 129).

In addition, PhD students are funded by philanthropic support and other Research Councils, and some institutes and departments provide scholarships from their own resources.

All these awards provide a stipend to cover living costs and the PhD tuition fee. They are awarded on academic merit and research potential and are highly competitive.

Across all these schemes 67 per cent per cent of doctoral students enrolled at the School had full funding. Additionally, the School provides funds to support conference attendance and the writing-up period for all our PhD students. LSE also offered additional funds to support students impacted by COVID-19 in the form of extensions to their funding, and a specific Digital Support Fund to assist with the cost of distance teaching and learning.

Undergraduate and postgraduate scholarships and bursaries

As part of the School's commitment to widening participation in higher education in 2020-21 the School spent £22.1 million from general resources on bursaries and scholarships for undergraduates and postgraduates to enable them to study at the School. Undergraduate students classified as Home UK qualify for bursaries up to the value of £4,000 per year for each year of study. In addition to this, we offer residential bursaries at our halls of residence to help with the cost of accommodation in London.

For UK undergraduates, the School continues to support commitments set out in our Access and Participation Plan with the Office for Students to widen access to higher education in general and to LSE specifically for students from under-represented groups. Despite the challenges posed by the COVID-19 pandemic, in 2020-21 we engaged over 1,700 young people on virtual pre-university widening participation programmes and events, including activities with third-sector partner organisations. This comprehensive work before application, our evolving approach to contextual admissions and our generous financial support package have resulted in increasing numbers of students meeting widening participation criteria, obtaining offers, and taking up places at LSE. In 2020-21 the total amount for this programme of funding and support was £5.4 million (2019-20 £4.6 million) (note 8).

After LSE

A degree from LSE is internationally recognised and respected and our graduates go on to pursue highly successful careers in a wide variety of sectors across the world. Employers value an LSE education because of the intellectual rigour of our programmes and the breadth of our students' experiences both within and alongside the curriculum. LSE had an Employer Reputation score of 99.7 per cent in this year's QS World Rankings.

LSE prepares students for success in the labour market by providing an extensive programme of careers support and skills development opportunities. Of those who graduated in 2018-19 (most recent data), 92.8 per cent progressed on to employment or study within 15 months, with 96.1 per cent of employed graduates working in roles defined as "professional level".

Our graduates are regularly cited as being among the highest earning in the UK. The median salary of our graduates at approximately 15 months after graduation was £35,000, compared with, for example, the HESA median salary band of £24,000-£26,999. After graduation, 52.1 per cent of graduates were working in the UK, 17.2 per cent were working elsewhere in Europe and 30.7 per cent were working in the rest of the world.

LSE Careers engages thousands of employers across a wide variety of sectors in the UK and globally. A key differentiator in terms of accessing employment is meaningful work experience. Towards the goal of ensuring that all students can access relevant opportunities, including within the charity and development sectors, the School has initiated several internship schemes. Our internal LSE Graduate Internship scheme offers graduates significant work experience whilst providing departments an opportunity to utilise the talents of individuals who understand the LSE context and who can provide insight into the student perspective. We ran 22 internships under this scheme during 2020-21 with 20 of those centrally funded. In addition, we have developed a range of fully funded work-based learning programmes in line with LSE 2030 strategy, including a Micro Internships Programme and three-week Virtual Summer Consultancy Project to help undergraduate students with limited work experience. We also run a number of external internships schemes to support a selection of our academic departments.

LSE Careers ran several themed programmes which include a range of seminars, workshops, alumni panels and networking events on specific career areas, including Public Sector and Policy, International Development, Sustainability, Data and Tech, Political Risk and Creative Industries. We also ran several Diversity and Inclusion programmes to provide support to students from underrepresented backgrounds.

LSE Careers is at the forefront of the sector in terms of development and delivery of international careers events. We run a programme of events for students and alumni looking for work in China (Mainland and Hong Kong SAR), Brussels, and the US.

International Organisations' Week is a highly regarded conference for masters students and provides a range of opportunities for students to hear from and engage with representatives from multilateral organisations. Organisations range from the World Bank to UNDP. It was the first event of its kind in Europe and attracted applications to attend from numerous HEIs, including over 1,000 LSE students, and 400 external to the School.

LSE Careers' delivery and service provision is based around a fluid, non-linear career development cycle. The model helps to lay the foundations of effective ongoing career management, providing opportunities to network and connect with organisations, employers, and alumni and empowering students and alumni to learn, grow, and succeed.

Extended Education – Executive Programmes, Short Courses and other non-traditional taught courses

Following the cancellation of the 2020 Summer School due to COVID 19, we were pleased, despite the ongoing pandemic, to offer a Summer School in 2021. Students were able to join the programme in two ways, on campus for socially distanced face to face teaching or alternatively students were able to study remotely from wherever they were based in the globe.

A total of 2,448 students enrolled, 1,293 on campus and 1,155 remotely. We are delighted with this turnout and proud that we were the only summer school of its size and reputation to offer an in-person education experience in summer 2021. Our focus for

summer 2022 and beyond will be to restore our summer school to its pre-pandemic size and reach although we do anticipate it may take a little longer to rebuild in key markets such as China and Australia.

Our online learning programmes are a key part of LSE's Extended Education offer, delivering our research and teaching to a business, professional and practitioner audience more flexibly than traditional

degree programmes. 2020-21 saw continued strong growth across the online portfolio, with 20 courses (compared with 10 in 2020) reaching 9,079 participants (6,850 in 2019-20). During the academic year we have diversified the range of the online provision to reach new audiences with a series of shorter masterclasses and long career accelerator, delivered for the first time in 2021-22.

	2020-21 £m	2019-20 £m	Change £m	%
Grants related to teaching (OfS)	1.6	1.7	(0.1)	(5.9)
Recurrent research grant (UKRI) and GCRF	22.5	19.9	2.6	13.1
Higher Education Innovations Fund (HEIF)	6.2	3.4	2.8	82.4
Other specific grants	6.7	4.3	2.4	55.8
	37.0	29.3	7.7	26.3

Office for Students (OfS) and UK Research Innovation (UKRI) grants

The School's primary sources of direct public funding were OfS and UKRI recurrent and capital grants. Our recurrent quality-related research funding (QR) and specific research grant funding now fall under Research England. The elements of teaching funding that remain following the introduction of higher fees in 2012 are mainly initiatives to mitigate the impact of higher fees on the diversity of, and access for, students to higher education and the higher costs of delivering teaching in central London. Teaching funding comes within the ambit of OfS.

In 2020-21, the School recognised recurrent research funding (QR) of £22.5 million (£19.9 million in 2019-20) but this included £1.2 million (£0.75 million in 2019-20) of QR GCRF (Global Challenge Research Funds) and £0.33 million (£0.34 million in 2019-20) of QR SPF (Strategic Priorities Fund) which have specific conditions regarding their use. QR GCRF has now been withdrawn, following Government cuts in the Overseas Development Agency (ODA) budget. The School's notes with continuing concern that the QR research grant allocation, along with contract research grant funding does not cover the costs of the School's research activity. Faced with this funding shortfall, the School has for many years been supporting research with income from other activities, particularly in the Extended Education area. The pandemic has highlighted the risks in this operating model and consequently threatens our ability to continue to support research to the extent we have hitherto. This has important implications, not only for the School but for other research intensive HEIs who have adopted the same approach, and consequently the UK's research base.

Higher Education Innovation Funding (HEIF) and Commercialisation activities

A research commercialisation service supports the School's core mission of the betterment of society in the context of our HEIF strategy. Research commercialisation seeks to exploit the full potential of the School's research, extending our impact beyond conventional public policy interventions to engage and leverage private enterprise to facilitate the delivery of insights from our academic endeavours to meet the School's core mission. A Connecting Capabilities Fund (CCF) grant of £7.4 million from Research England has given the School the opportunity, with its institutional and business partners, to establish Aspect (A Social sciences Platform for Entrepreneurship, Commercialisation and Transformation of the contribution social sciences makes to society), which is creating a global network of excellence in social sciences research commercialisation. HEIF National Productivity

Investment Funding (NPIF) and Aspect funding have allowed the School to build a research commercialisation service, to establish with its institutional partners the foundation of a global network, working together to share and develop best practice, and to partner with Zinc (an LSE start-up which builds companies to address social challenges), in a novel approach to social sciences research commercialisation.

Our research commercialisation service works alongside the School's consulting activities, LSE Consulting, and our student entrepreneurship programme, LSE Generate, within the Research and Innovation Division.

Research grants and contracts

The past 18 months has seen the most significant change to research practices in a generation. Lockdowns and social distancing have separated researchers from key resources, such as libraries, archives, and software and at the same time from society itself, limiting access to research participants and opportunities for international collaboration. Alongside changes to research, fundamental aspects of academic culture; conferences, teaching, mentoring, as well as public engagement and impact activities have all had to be reviewed in the face of the pandemic. This has all taken place against a backdrop of a rapidly changing research policy and funding landscape, UK Government cuts to overseas funded budgets for international research and the growing penetration of digital media into academic activities that had up to now remained firmly analogue.

Despite these challenges, research grants and contracts income has increased to £34.9 million; from £34.2 million in 2019-20, a 2.0 per cent increase and represents a 9.2 per cent share of School income before endowments and donations. Income from UKRI, EU and UK Government continue to be our main source of research funding, contributing to 74 per cent of LSE's total research income. We have done particularly well in awards funded by the UK Research Councils, Royal Society, British Academy, with income of £11.3 million from 148 projects and Centre awards, compared to £9.5 million from 128 awards in 2019-20. £0.6 million of this income was from the £1.0 million UKRI Costed Extension Award, provided to support UKRI funded awards impacted by the COVID-19 pandemic.

Highlights during the year include:

In September 2020, we launched a new research and public engagement initiative "Shaping the Post-COVID World". The initiative builds on the highly successful public events and research dissemination platform we delivered to showcase the contributions of LSE research and expertise in tackling the COVID-19 pandemic and its consequences. The initiative convenes a debate about the

direction the world could, and should, be taking after the crisis, and is focused around ten themes.

Continued success at a European level has been achieved through the award of a new ERC Advanced Grant to Professor Daniel Strum in Economics and ERC Consolidator Grant to Professor Camille Landais, also an Economist, and a competitive grant by the European Commission.

The Firoz Lalji Institute for Africa (FLIA) and LSE Behavioural Lab for Teaching and Research (BL) joined the PERISCOPE (Pan-European Response to the Impacts of COVID-19 and Future Pandemics and Epidemics) consortium.

The School is a member of the CIVICA, an alliance of eight leading European higher education institutions in the social sciences, humanities, business management and public policy. In 2021 we participated in the launch of CIVICA Research, the alliance's long-term research and innovation agenda. The aim of such research calls is to foster new, innovative research and deepen cooperation between CIVICA's eight member universities.

Following the success of LSE's COVID-19 Fund in 2020 we created the LSE Research Support Fund with the aim of supporting world-class research conducted by our faculty and researchers with awards of up to £20,000 for highly original project ideas which could be implemented immediately. To achieve synergy with the School's strategic framework and priorities, the fund particularly encouraged applications aligned with the current LSE priorities, namely environmental sustainability, race equity, and shaping the post-COVID world, as well as research that is likely to have an impact on policymaking. In recognition of the diminishing number of opportunities available externally for smaller grants to support faculty and researchers at an early career stage, an additional goal was to channel at least 40 per cent of available funding to staff at this level. A total of 17 projects were selected to receive funding, with an overall value of roughly £250,000. A particularly encouraging element of the response was the readiness of LSE's research community to respond to the strategic priorities of the School: 15 out of the 17 projects selected for funding directly address one of the highlighted thematic areas. In addition, nine successful projects are led by Assistant Professors/Assistant Professorial Research Fellows, with a further five led by Associate Professors and three by Professors.

In London, LSE is a partner in the Bloomsbury SET (Science, Economics, Technology) Programme, a Connecting Capabilities Fund (CCF) Programme with the Royal Veterinary College (RVC), London School of Hygiene and SOAS. Worth nearly £5 million, this partnership has generated various projects, innovation fellowships, technology transfer opportunities and follow-on collaborations. The programme's main aim was to address solutions that could combat the threat from infectious diseases and anti-microbial resistance through innovative multidisciplinary collaborations.

Five LSE academics, Professor Laura Bear, Professor Catherine Boone, Professor Vernon Henderson and Professor Jouni Kuha are among the 84 distinguished scholars who have been elected as new Fellows of the British Academy, in recognition of their outstanding contributions to the humanities and social sciences and Baroness Minouche Shafik, Director of LSE, has also received an Honorary Fellowship.

As part of the Celebrating Impact Prize 2020, ESRC recognised Professor Lord Richard Layard with a Lifetime Achievement Award to celebrate the outstanding contribution he has made to social science and society in the UK and beyond. Lord Layard was the founder and Director of ESRC's Centre for Economic Performance and is currently Co-director of the Centre's Community Wellbeing Programme.

Xavier Jaravel in the Department of Economics was awarded the "Prix du meilleur jeune économiste de France 2021" (Best young French economist award 2021). This annual Le Monde and Le Cercle des économistes award is given to a French economist under the age of 40. He follows in the footsteps of Camille Landais, who won the award in 2016.

International Historian Kristina Spohr's latest monograph *Wendzeit: Die Neuordnung der Welt* (DVA, 2019) [Engl. orig. *Post Wall, Post Square: Rebuilding the World after 1989* (William Collins, 2019 / Yale UP, 2020)] was conferred the prize for best book in political science 2020 in Germany. This prestigious book prize is awarded every two years by the German Society for Political Science (DGfP) and the Foundation for Science and Democracy (SWUD).

The School's submission to the Research Excellence Framework (REF2021) was submitted in March 2021. The REF results are expected to be announced in April 2022.

Other income

In addition to our core activities of teaching and research the School generates significant revenues from a range of additional activities:

- Consultancy and custom executive education activities delivered through LSE Enterprise Limited. The surpluses generated from these activities are remitted to the School and used to support teaching and research.
- Other services rendered which are predominantly the service provided to the UK Foreign, Commonwealth and Development Office by our International Growth Centre (IGC).
- The International Programme which operates under a collaboration agreement with the University of London International Programme. Through these programmes, over 12,000 students world-wide studied a curriculum and examination set by LSE academics.
- Our Residences and Catering services operate over 4,000-bed spaces at ten halls of residence, University of London halls, and with commercial partners. Unlike commercial providers of student accommodation, we can offer 38-week contracts to undergraduate students, making our residences far more affordable. This is something we have been able to do by generating income from commercial letting during vacation periods. The 2020-21 fall in residences and catering services income reflects the impact of the pandemic as fees were refunded as students vacated halls early.
- Where appropriate, funds received as part of the government's Coronavirus Job Retention Scheme Staff have been reported under Other Income.

Investment income, cash, and treasury management

Our cash and investments comprise cash, currency, bonds and equities and are actively managed to ensure we maximise return within a set of risk parameters that are appropriate to the purpose for which the funds are held.

Investment income comprises realised investment returns from the School's working capital, bond funds and equity-based investments. Total investment returns including realised and unrealised gains and losses was a gain of £49.1 million as markets regained the previous

year's losses due to the pandemic. The main investment portfolios, which hold endowment funds and the School Endowment Fund achieved returns over 22 per cent.

We continue to make good progress in delivering on commitments made in our Socially Responsible Investment Policy having substantially reduced our exposure to companies that derive significant revenues from thermal coal, tar sands, indiscriminate armaments, and tobacco manufacturer coupled with a programme of active engagement with the fund managers with whom we invest our portfolios. That programme of engagement has seen a marked

change in the approach of fund managers and, in cases where we have not seen this progress, we have moved investments. The School is undertaking a review of its Socially Responsible Investment policy during 2021-22.

The School recognises the importance of effective and responsible investment and investment management, especially as we embark on an ambitious programme to seek philanthropic support for our LSE 2030 vision – further detail on our approach to the investment and custodianship of endowments funds is set out in the Endowment Investment Performance report on page 39.

	School general and designated funds	Endowment funds	2020-21 Total	2019-20 Total
	£m	£m	£m	£m
Investment income	1.0	2.3	3.3	3.9
Unrealised gain/(loss) on investments	8.9	40.2	49.1	(3.7)
Total return	9.9	42.5	52.4	0.2
Long term investments	111.2	239.9	351.1	296.8
Cash and cash investments*	100.5	–	100.5	21.5
	211.7	239.9	451.6	318.3
Held as:				
Cash and working capital	100.5	–	100.5	21.5
Capital Projects Portfolio	41.9	–	41.9	41.8
Gift Matching Portfolio	–	22.1	22.1	21.7
Growth Portfolio	43.4	185.9	229.3	187.0
FER Portfolio	–	31.9	31.9	26.5
Strategic Investment Fund	25.0	–	25.0	19.8
Shared equity housing loans	0.9	–	0.9	-
31 July 2021	211.7	239.9	451.6	318.3
31 July 2020	119.9	198.4	318.3	

*excluding balances held on behalf of TRIUM

The Strategic Investment Fund is a portion of School reserves that have been set aside on a long-term basis provide a “sinking fund” for the repayment of debt and leverage philanthropic support, enabling the Fund to grow over time to support scholarships and research from its annual investment returns.

Philanthropic support received in 2020-21

The School received a total of £14.4 million in donations and endowments during 2020-21, including receipts from pledges secured in previous years.

Philanthropic income secured through new commitments (gifts and pledges) in 2020-21 totalled £49.7 million, an increase of 18.6 per cent from 2019-20.

Further to the strong philanthropic performance of 2019-20 and 2020-21, planned expenditure to publicly launch a major philanthropic campaign for LSE 2030 has now been approved and recruitments are being made in readiness.

Alumni and supporter engagement

With in-person activity restricted by the COVID-19 pandemic, throughout 2020-21 we continued to deliver remotely all our programmes, resources, communications and events for alumni and supporters. While virtual connections are very different to face-to-face interactions, this new environment has helped to enhance the ways in which we embrace and share LSE experiences with our global community.

Alumni volunteer leadership convened monthly virtual meetings with PAGE colleagues to help develop volunteer opportunities, and to advance the range of lifelong learning resources and content we offer to alumni across the world. In May 2021, the Alumni Association Executive Committee of alumni leaders was joined virtually by Minouche Shafik for its annual May meeting.

In the fourth quarter, we advanced plans for the public launch of LSE's Campaign. This will comprise new opportunities for alumni and supporters to benefit from their lifelong connection to the School, and to participate in a reciprocal relationship shaping the future of LSE – as advocates, volunteers and donors.

Fundraising statement

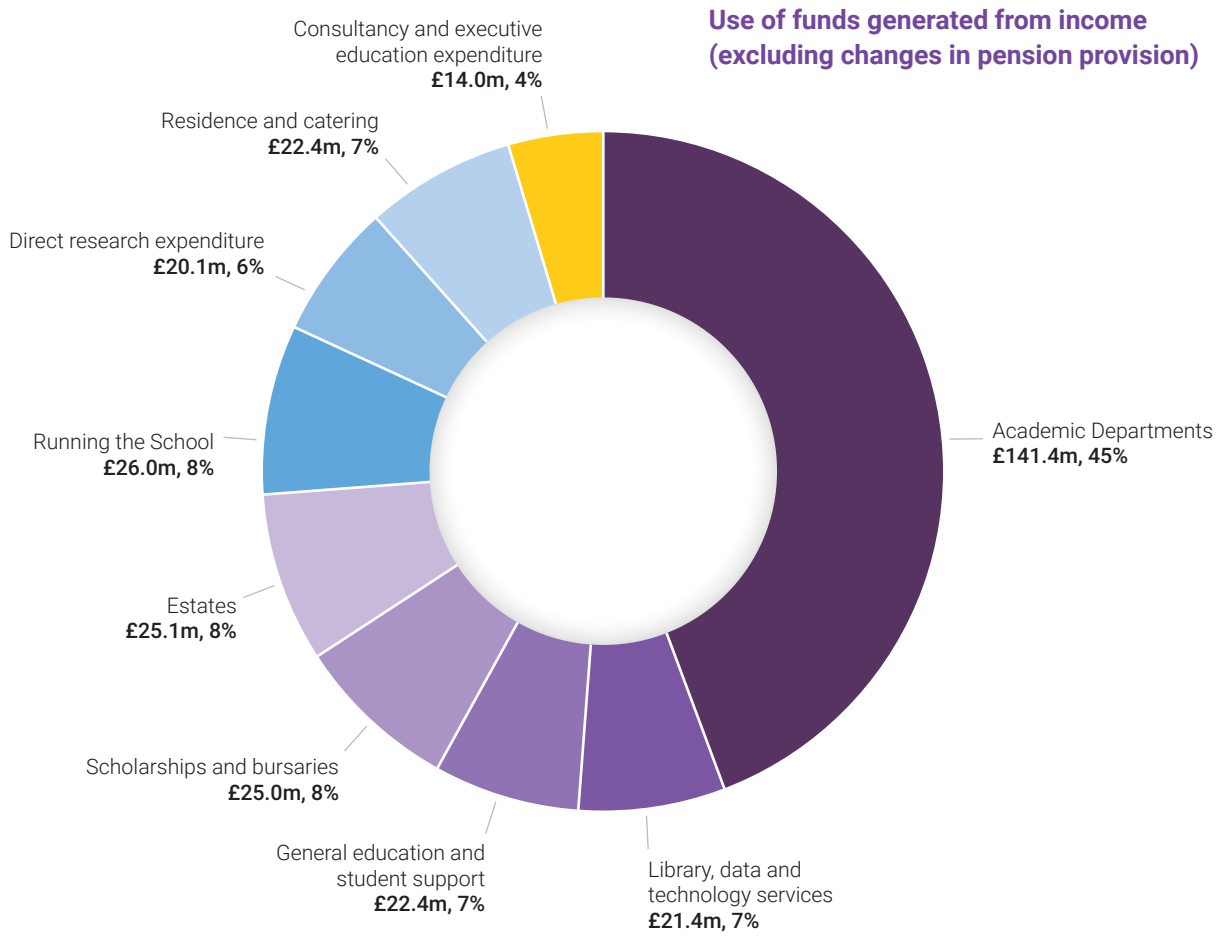
The School is registered as a levy payer with the Fundraising regulator, demonstrating our commitment to good fundraising practice and to abide by the Code of Fundraising Practice and Fundraising Promise. There were no complaint returns or adjudications and investigations in 2020-21.

Expenditure

Total expenditure disclosed in the Consolidated Statement of Comprehensive income and expenditure decreased by £2.4 million however, both years include one-off changes that make comparisons difficult. Excluding the impact of the changes in USS provision, which is accounted for through total expenditure, expenditure year on year decreased by £31.1 million (8.2 per cent). Of this decrease, £3.6 million relates to pay costs. This fell during the year as a result of the conditional hiring freeze that operated to ensure posts were only filled where necessary. These saving were offset to an extent through hiring additional staff to support the increase in student recruitment in 2020-21.

Non-pay operating costs fell by a significant amount – £27.5 million year on year. There are several factors that contributed to this reduction although the main elements are: deferral of long-term maintenance, a significant reduction in travel and associated costs; direct cost savings in areas such as catering which were closed for much of the year; and reductions in temporary agency staff. Offsetting these reductions were the costs of measures to make the campus COVID-19 secure for students and staff although it is the case that a disproportionate amount of this costs was incurred during 2019-20 slightly distorting the year-on-year comparison.

Much of these savings were the result of the steps taken early in the pandemic to cut non-pay budgets by the equivalent of 10 per cent and to implement a conditional freeze on spending from academic departments' financial reserves. Overall, these results show that although the School operates with a significant proportion of fixed costs there is a degree of short-term cost flexibility available that is an important factor in considering the School's financial resilience.



Academic departments

Delivery and support of research-led student learning and teaching and student research projects. Includes academic and departmental support staff salary costs and resources.

Library, data, and technology services

Includes IT and library resources provided by the School.

General education and student support

Includes counselling services, careers advice, Students' Union, registry, admissions and health services.

Estates

Cost of maintaining and running the campus, teaching spaces, student support spaces, and sports facilities.

Running the School

Includes centrally managed services such as admissions, finance, human resources, communications, planning, and strategy deliver.

Procurement

The Procurement team are central to the Schools ability to be commercially responsive whilst observing good governance controls, complying with its legal obligations as well as striking a balance of value for money and social & environmental concerns. LSE is committed to acting responsibly and sustainably and sets out its commitments in a range of policies including our Sustainability Policy, Energy Policy, Modern Slavery Statement, Responsible Procurement Policy and Socially Responsible Investment Policy. This also forms a core element of the School's Ethics code and LSE 2030 vision for the School.

The nature of the School's sources of funding mean that we are not bound by the Public Contracts Regulations, to secure value for money, the School is guided by the same principles through competitive tendering, regular benchmarking, use of collaborative frameworks and close working with the London Universities Purchasing Consortium (LUPC).

Whilst much of work needed to make the campus COVID-19 safe was completed in the previous year, we have continued to work proactively with our key suppliers and continue to monitor them to ensure our supply chains remain robust.

In 2021 we contacted all our suppliers to urge them to consider how they will play their part addressing the climate crisis, letting them know sustainability considerations will be an increasingly important aspect of our relationship with them.

In addition to working with the human rights labour organisation Electronics Watch, the School signed an agreement with NetPositiveFutures in order to support our suppliers on their own journeys to net zero by checking actions, progress and offering support through individual action plans. Such initiatives act as a mechanism to embed sustainability, equality in the workplace and drive out issues such as forced labour, health, and safety risks, and other human rights abuses from the supply chain.

The total expenditure that was influenced by our Procurement team in 2020-21 was £155 million (2019-20 £131 million) and we awarded 193 contracts compared to 111 in the previous financial year. We estimate our procurement process delivered savings of over £2.6 million - annualised savings based on comparison with average tendered or incumbent supplier's price.

The School recognises its responsibility to meet contractual obligations in a timely fashion and to this end works to pay all approved invoices following agreed terms of payment. The School's standard payment terms are 30 days net. On 31 July 2021 the amount due to trade creditors was equivalent to 17 days of purchases compared to seven days at the end of 2019-20. There were no payments made under the Late Payments of Commercial Debts (Interest) Act 1998

Pension schemes

LSE staff on salary band 6 and above are eligible to join the Universities Superannuation Scheme (USS). An "Exclusivity" agreement between the School and USS prevents the School from enrolling eligible staff in any other pension scheme and requires that a significant payment be made if the School wished to opt out of the scheme. All other staff can join the Superannuation Arrangements of the University of London (SAUL).

The Trustee of each scheme must carry out a full actuarial valuation at least every three years in order to determine whether it has sufficient funds to pay the pensions promised, or a credible plan to recover any shortfall (via a deficit recovery plan which must, by law, aim to eliminate any deficit).

The actuarial valuations undertaken by the Trustee are calculated based on the level of risk the schemes' plan to take in the long term, in pursuit of investment returns (which part-fund pensions), expected returns and planned contribution income.

SAUL scheme

The SAUL scheme provides pensions to staff at a number of universities and related employers in and around London on a collective basis. The latest full actuarial valuation for the SAUL pension scheme was carried out with an effective date of 31 March 2020 which showed a shortfall in the funding position of the whole scheme amounting to £217 million at the valuation effective date. When concluding the valuation date, the Trustee and the Employers agreed to allow for post-valuation experience up to 30 April 2021. This resulted in the scheme holding assets valued at more than the fund required to pay out the pension benefits promised at that date, with a surplus of £357 million at that date. In between full valuations, the Trustee undertakes a mini assessment of the financial health of the scheme and the latest funding check undertaken as of 31 March 2021 showed an increased surplus of £379 million at that date.

The Trustee and the Employers have agreed that the ongoing Employers' contributions will increase from a rate of 16 per cent of CARE salaries to 19 per cent from 1 April 2022 and to 21 per cent from 1 January 2023. There will be no associated increase in employee contributions for existing members – they will remain at 6 per cent of pay.

The next full actuarial valuation will be prepared with an effective date of 31 March 2023.

USS scheme

The latest full actuarial valuation for the USS pension scheme was carried out with an effective date of 31 March 2020 which revealed a shortfall in the assets against the Scheme's technical provisions. The size of the shortfall is dependent on whether anticipated benefit structure reforms and covenant support measures are implemented in the anticipated timescales. The determining criterion is whether a Benefit Change Deed is implemented on or before 28 February 2022. If a deed effecting these changes is entered into on or before 28 February 2022, the shortfall as at 31 March 2020 would have been £14.1 billion. If no deed is entered into the reduced level of covenant support results in an increase to the Technical Provisions and the shortfall as at March 2020 would have been £18.4 billion.

A statutory employer consultation with all affected employees and their representatives is taking place between 1 November 2021 and 17 January 2022. If the outcome of this consultation exercise results in different benefit changes being implemented to those proposed, then a revision to the contribution requirements shown below may be necessary. Given the financial position the sector finds itself in as a result of the pandemic, it is unlikely that further increases in the contributions to address the Scheme's shortfall will be affordable for many Higher Education Institutions.

Assuming the Benefit Change Deed is entered into by 28 February 2022 the Employers' deficit contributions will be, as a percentage of uncapped salaries: 6.3 per cent of salary from 1 April 2022

If no Benefit Change Deed is entered, the deficit contributions will be as follows:

From 1 October 2022 to 31 March 2023: 3 per cent of salary
 From 1 April 2023 to 30 September 2023: 6 per cent of Salary
 From 1 October 2023 to 31 March 2024: 9 per cent of Salary
 From 1 April 2024 to 30 September 2024: 12 per cent of Salary
 From 1 October 2024 to 31 March 2024: 15 per cent of Salary

From 1 April 2025 to 30 September 2025: 18 per cent of Salary
From 1 October 2025 onwards: 20 per cent of Salary

Accounting standards require that a provision for the discounted value of the future contributions to cover this deficit is included in the balance sheet (note 19). As the 2020 valuation was not filed with the Pensions Regulator until October 2021, the balance sheet provision is calculated on the schedule of contributions implemented by the Trustee and applicable as at 31 July 2021.

It should be noted that the provision is not the same as the School's share of the total scheme deficit which, as it is not separately

identifiable, does not require recognition nor does it represent the cost of exiting the scheme – a so-called "Section 75" charge. This figure is significantly higher.

The School remains fully committed to providing all its staff with attractive and affordable pension benefits and is committed to working with all stakeholders to explore alternative scheme designs to provide better benefits for the same or lower contribution rates and ensure that there are flexible lower cost options available. The School views the outcome of the 2020 valuation as a short-term solution whilst investigation takes place for a more sustainable solution which provides the best possible value to staff and the School.

Past, current and potential contribution rates (as a percentage of pensionable salary)	Total	Employer	Employee	Past service deficit contribution
Until April 2019	26.0%	18.0%	8.0%	2.10%
From April 2019	28.3%	19.5%	8.8%	Not specified
From October 2019	30.7%	21.1%	9.6%	2.0%
From October 2021	31.2%	21.4%	9.8%	-
From April 2022 – if Benefit Change Deed agreed by 28 February 2022	31.2%	21.4%	9.8%	6.3%
From April 2022 to July 2032 – if Benefit Change Deed is not agreed by 28 February 2022	34.7% - 57.0%	23.7% - 38.2%	11.0% - 18.8%	0.0% - 20.0%
From August 2032 – if Benefit Change Deed is not agreed by 28 February 2022	37.0%	25.2%	11.8%	-

Balance sheet

We are pleased to report continued growth in the School's balance sheet, with net assets increasing by £113.1 million (17.5 per cent) during 2020-21 to £757.7 million. The reduction in the USS pension provision accounts for £12.6 million of this increase.

The net current liability position at both year ends is a consequence of two factors: our treasury management strategy which leads us from time to time, to hold cash balances in bonds, deposit and money market accounts that are disclosed under Investments rather than current assets; and classification to Creditors: falling due within one-year related to deferred income in 2021-22.

	2021	2020	Change	
	£m	£m	£m	%
Tangible and intangible assets	683.9	641.8	42.1	6.6
Investments	351.1	296.8	54.3	18.3
Total non-current assets	1,035.0	938.6	96.4	10.3
Current assets				
Stock	0.3	0.2	0.1	50.0
Debtors	46.2	54.3	(8.1)	(14.9)
Cash and cash equivalents	110.0	36.1	73.9	204.7
Total current assets	156.5	90.6	65.9	72.7
Creditors: falling due within 1 year	(207.1)	(114.7)	(92.4)	80.6
Net current liabilities	(50.6)	(24.1)	(26.5)	110.0
Total assets less current liabilities	984.4	914.5	69.9	7.6
Creditors: falling due after 1 year	(188.0)	(218.6)	30.6	(14.0)
Pension provision	(38.7)	(51.3)	12.6	(24.6)
Net Assets	757.7	644.6	113.1	17.5
Expendable endowments	119.7	101.7	18.0	17.7
Permanent endowments	121.1	96.7	24.4	25.2
Endowment reserves	240.8	198.4	42.4	21.4
Restricted reserves	11.7	10.1	1.6	15.8
General reserve	505.2	436.1	69.1	15.8
Total Reserves	757.7	644.6	113.1	17.5

A year-on-year comparison of balance sheets highlights several substantial changes: the continued investment in assets as work on the Marshall building continues and associated with this is

maturing of bonds held within the Capital Projects bond portfolio; the increase in endowments due to market conditions; and the decrease in the USS pension discussed earlier.

Funding strategy

In 2017-18 Council adopted a Statement of Funding Principles which provides a framework for borrowing, investing, and applying surpluses. This embodies the School's strategy to fund capital development on a portfolio basis rather than on a building-by-building, using cash flow and cash reserves to leverage external grants and donations and periodically raise funds through long-term debt.

The School believes that it is appropriate to make use of long-term borrowing to fund the development of its asset base and uEBITDA to fund development of the technology infrastructure. Funding new facilities or major modernisation work using long-term borrowing ensures that the cost is borne by those who benefit from the investment in the future.

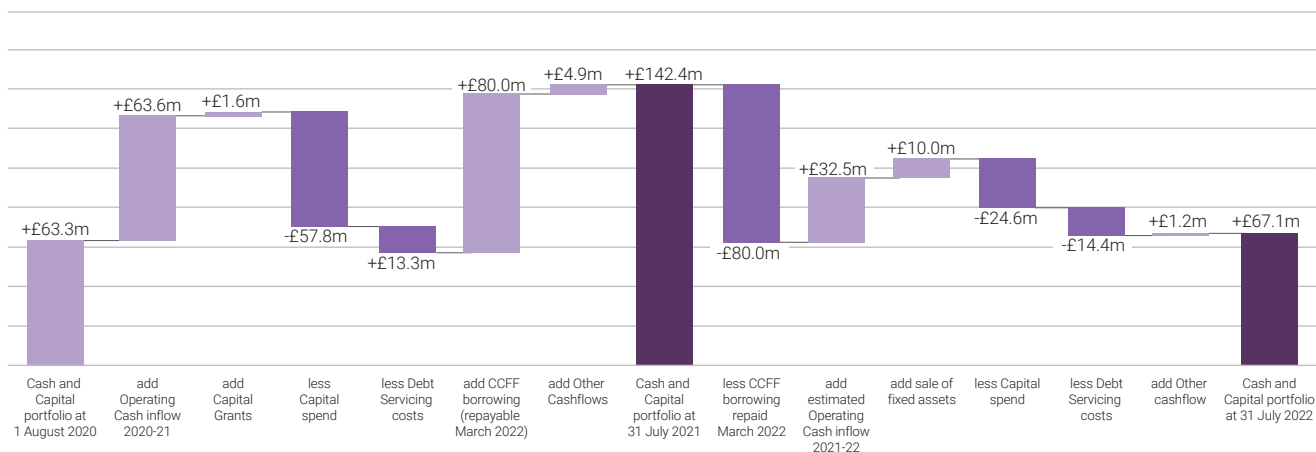
The impact of the pandemic was evident in the financial results for last year and for 2020-21, albeit offset to some extent by the measures we have been able to put in place such as deferring expenditure and reviewing all staff hiring. We have put in place additional credit facilities, available until 2025 to spread the financial impact of the pandemic.

Cash movements

An important aspect of our financial planning process is cash flow management. During 2020-21 there was a net cash inflow from operating activities of £63.6 million (compared with net out flow of £10.3 million in 2019-20). During the same period, capital spending on the Marshall building redevelopment and other capital investment was £58.1 million and we drew £80 million from the Bank of England's CCF Fund which will be repaid in March 2022.

The chart shows our current budgeted cashflows for 2021-22 based on the School 2021 Financial Plan, this Plan will be updated for 2021 student recruitment but is not currently expected to show any decline in budgeted cash inflow for 2021-22. The opening balances in the chart include the Capital Projects investment portfolio which is a short-dated investment-grade corporate bond fund with maturities designed to match the cashflows of our Marshall Building redevelopment.

Note that the chart excludes funds held by the School on behalf of the partnership arrangements associated with the TRIUM programme.



Capital expenditure

At the start of the pandemic in early 2020 we immediately reviewed our capital plans and where possible delayed, deferred or cancelled planned expenditure. Consequently, the main capital expenditure during 2020-21 was the redevelopment at 44 Lincoln's Inn Fields of our new Marshall academic building, this accounted for £52.6 million of the total £57.8 million capital additions during 2020-21.

In Michaelmas Term 2021 we completed the Marshall Building development. Located in a prominent position on Lincoln's Inn Fields, this 10-storey 18,200 square metre purpose-built academic building will provide state of the art teaching space, house our Accounting, Finance and Management departments and their associated Research Centres, and the Marshall Institute for Philanthropy and Social Entrepreneurship. In addition, the building will also provide facilities for the whole School community, including a Great Hall, multi-purpose sports hall, squash courts, a dynamic weights room, arts rehearsal studio, music practice rooms, and a Café. The building was designed by award winning Grafton architects who were selected following an international design competition and have worked collaboratively with the whole community to design a building that will meet our current and future requirements. In line with the School's Sustainability Strategy, the building has achieved a BREEAM Excellent rating.

As part of our financial planning process for the 2021-22 budget we have carefully reviewed our medium-term capital investment plans and have reinstated these plans where appropriate for investment during 2021-22 and beyond.

We report fixed assets at cost less accumulated depreciation. After careful consideration, we have concluded that while the market value of the School's estate is significantly higher than book value, to show all or some of the properties at market value would not offer the reader of these statements any greater insight into the School's operations. Had that approach been taken we estimate that the value of the School's freehold and leasehold property would have been approximately £1.3 billion. The option to adopt a revaluation policy remains available and it will be reconsidered periodically.

Taxation

The School is an exempt charity within the meaning of the Charities Act 2011 and recognised as a charity by HM Revenue and Customs. Our commercial trading activities are undertaken through subsidiary companies.

Indirect tax (VAT) and payroll taxes collected and paid to HMRC (PAYE, National Insurance contributions, student loan repayments, and Apprenticeship Levy charges) amounted to £15.2 million and £59.5 million respectively.

LSE is committed to ensuring that it continues to meet its responsibility for governance, risk management, and decisions made in relation to taxation. We aim to comply fully with our legal obligations and engage openly with tax authorities and other stakeholders whilst also effectively managing our tax expense. Each year we review our tax strategy and publish it on our website.

Strategic Risks

Understanding our risks

The vision articulated in LSE 2030, of sustaining excellence through an inclusive and diverse community, extending our impact and reach, and ensuring a sustainable future, will always carry certain risks. Effective risk management helps to achieve these strategic objectives, whilst protecting the School's stakeholders, reputation, and sustainability.

Risk management processes

The School Management Committee (SMC) monitors and reviews emerging and changing risks throughout the year. These processes are reviewed by Audit Committee, and a termly report is made to Council.

The Strategic Risk Register acts as the main tool for the evaluation of risk and aligns with LSE 2030 through the dashboard targets. The management of each strategic risk is formally assessed by the risk owner at least once each term and reviewed by the SMC, which ensures that the risks are being actively managed, with the appropriate strategies in place.

Each strategic risk is graded with a level of risk tolerance. Once tolerance has been defined, SMC evaluates what action needs to be taken to address the risk. The School's approach is to minimise its exposure to reputational, compliance and financial risk, while accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its tolerance for risk varies according to the activity undertaken.

Strategic risks are now evaluated along with the most pressing or relevant endogenous and exogenous risks mapped across three further central registers:

The Political Risk Register evaluates the exogenous risk environment to the School, by examining the risks posed by changes in UK government policy, as well as the impact international politics may have on the LSE's sustainability.

The Business Model Risk Register evaluates endogenous and exogenous risks to the School's business model, considering risks associated to the Financial Plan posed by external factors such as the valuation of the pension scheme, and the costs involved with internal processes, such as faculty appointment and improvements to existing information architecture.

The Operational Risk Register evaluates endogenous risks arising from the School's processes and systems, including IT security and travel safety.

Key operational risks in academic departments and service areas are identified and managed at the appropriate level within the organisation. Internal Audit undertakes reviews of key areas throughout the year, and these are reported to the School's Audit Committee.

All major projects have individual risk registers and risk assessment is incorporated into planning and decision-making processes. Risk assessment training and awareness is promoted through the management structure by the Risk Manager.

COVID-19

As with any large-scale exogenous event, the continuing COVID19 pandemic has the potential to have an impact at all levels of the risk framework. The agreement of an emergency budget early in the crisis mitigated immediate risks to the School's finances, and in terms of strategic risks related to student numbers, the Admissions Group has spent the build-up to the new academic year monitoring data on student recruitment to understand the potential impact on the student intake for 2021-22. The impact of COVID-19 on the higher education sector remains at the forefront of SMC's strategic thinking, considering the exogenous risk environment, with both the political handling of the crisis, and known risks relating to pensions and research activity. In terms of operational activity, the School will keep the safety and wellbeing of staff, students, and visitors at the forefront of planning as we begin opening up the campus again.

The continued uncertainty will doubtless bring short- and medium-term challenges and the School will need to take a strategic view of the threats and opportunities to generate positive longer-term outcomes. Remaining true to our mission, we intend the School to remain at the forefront in understanding, forecasting, analysing, and explaining these changes, as they occur.

Business model

The exogenous threat posed by the global pandemic has accentuated the threat posed by increasingly strong competition to the School's portfolio for Extended Education, both in the UK and abroad, and the emergence of private providers remains an issue that will be monitored carefully in the coming years. The drive to diversify revenue away from student fees has also led to an increased focus on philanthropic development.

While the impact on recruitment markets posed by COVID-19 is still being understood, the School will continue to face serious competition to recruit and retain its best faculty. The challenge remains to ensure that an effective reward policy is developed to attract new talent and retain existing faculty while ensuring long-term affordability. The REF Strategy Committee allows long term planning and oversight of research issues in a manner consistent with the School's principles of academic freedom, while the School continues with its rigorous approach to research mentoring and appraisal. The continuing work on support and incentives for externally funded research also mitigates these risks.

The School will continue to monitor the impact of recent events on staff recruitment. Irrespective of the funding environment, a serious risk to the School is a "talent drain" of faculty. Our strategy for research continues to recognise this risk, as the loss of key staff would both reduce the School's ability to attract and retain the best academics and recruit the brightest students.

Pensions

A pension is an important element in the offer the School makes to our employees. We are therefore concerned that the current valuation issues with the USS scheme which are described elsewhere in this report threaten to devalue this benefit or, through increases in contribution rates and lack of scheme flexibility, make it unaffordable for an increasing number of our staff. The current proposals that are in consultation seek to begin a process to address this and the School remains committed to contributing to positive engagement in Scheme reform.

Equity and diversity

The School is committed to embedding and mainstreaming equity, diversity, and inclusion. This includes proposing and implementing various initiatives to foster equitable treatment for all. Equity, Diversity and Inclusion (EDI) ensures legal compliance through the Equality Act 2010 by making sure policies, procedures and proposals are inclusive and reporting on the Public Sector Equality Duty.

The launch of LSE 2030 strategy provides an opportunity to thread EDI into everything we do, which has now translated to various initiatives and achievements as outlined below:

LSE is successfully using equality charter marks as frameworks for conducting a “deep dive” audit of specific EDI areas. They provide a useful external check, and validation, of LSE’s EDI work. The following charter marks and accreditations have been achieved or are in progress:

- Following our institutional Bronze Athena Swan award, the Department of Statistics were awarded a Bronze award, and the Department of Mathematics have recently applied for a Silver award
- We are working towards an application for the Advance HE Race Equality Charter
- The Race Equity Framework follows many conversations and extensive research that has taken place in recent years at LSE, bringing together meaningful action now with our School’s longer-term strategic vision. The Framework is designed to build on work already underway, expand our actions further and keep us focused and accountable. It is organised into three strands aligned to LSE 2030 to maintain momentum:

- 1 Education** – to make sure an LSE education reflects the diverse world around us and empowers students to shape more equitable communities
- 2 Research** – to make sure our School’s research and knowledge engagement activities contribute to understanding race equity within and beyond LSE
- 3 Our People** – to make sure policies and practices support racial equity and cultural change across our School.

The 2020-21 academic year has also seen some important progress in Race Equity work. We have:

- Promoted and provided funding for support to research on race (through the Research Support Fund)
- Nominated an academic lead in each department to analyse and to help close awarding gaps
- Promoted diverse hiring at the Assistant Professor level, such that we are consistently achieving 30 per cent BAME hires at the Assistant Professor level
- Audited PhD student recruitment and methods for awarding scholarships, as the supply chain for future academia, and developed standard practices for departments to follow ensure equitable recruitment
- Launched a fair recruitment advisor initiative
- Launched a BAME mentoring scheme.

EDI work is collaborative, with input from across the School and from external expert organisations. As well as having top level commitment and accountability, we emphasise staff and student engagement and empowerment. Our key networks are:

- DAWN, our disability and wellbeing network
- EmbRace, our BAME staff network
- LSE Power, focusing on women PS staff
- Parents and Carers Network
- Spectrum, our LGBTQ+ staff network

We have invested heavily in ensuring staff and students are able to easily report instances of sexual violence, bullying and harassment, and are fully supported when instances occur. To date, we have prioritised support and prevention of sexual violence, and were pleased to see the OfS raise this as an issue for the higher education sector as a whole in April 2021. Working collaboratively with Student Services, the student body and the counselling service we have implemented a suite of trainings and support mechanisms.

- Recruited and launched 39 Safe Contacts who are trained volunteer staff members that provide a confidential listening and signposting service to the LSE community. Most of the Safe Contacts have received sexual violence training
- Launch “Making a Choice” which is a central hub of resources for bullying harassment and sexual violence
- Continued our partnership with Rape Crisis South London and the Consent Collective. Our partnership with Rape Crisis includes a sexual violence support worker who provides appointments for staff and students, either online or in person. Our membership with Consent Collective includes access to a wide range of resources to help people understand consent, learn about sexual harassment, find out how to support people who have experienced sexual violence, learn how to support themselves if they’ve experienced sexual or domestic abuse, and learn how to be an active bystander in their community
- The Diversifying LSE PhD Students Project Board set up by the EDI unit have been meeting with each academic department and research centre to consider the diversity of their PhD cohort, within the context of their discipline informed by data to which, in some cases, Departments have access for the first time. The implementation of actions arising will be supported by the EDI team
- Provided more training on the Equality Impact Assessment (EIA) process. Eight comprehensive training sessions were commissioned with AdvanceHE and delivered to 96 attendees from a wide range of divisions and departments. In 2020-21, EDI launched the Equity Assessors scheme and now have a group of 31 trained Equity Assessors staff volunteers, who routinely review EIAs on behalf of the School and we are grateful for their support during such a challenging year. During the pandemic the School rolled out two additional EIAs: Curriculum Shift and Return to Campus EIAs. Along with this the EDI team provided student and staff data dashboards and guidance to help support colleagues in completing Return to Campus EIAs. We are now developing tailored approaches for academic departments, building on our race-specific work in the next academic year.

LSE is committed to long term, systemic development of our approach to EDI. The examples listed above are not an exhaustive list and EDI will continue to launch and maintain initiatives that aim to proactively advance equity wherever possible.

Public benefit statement

As an exempt charity, the School is responsible for ensuring its work provides public benefit. The School's Articles of Association set out: "The Object of the School is to advance education, learning and research for the public benefit". Delivery for the public benefit has remained core since the School's foundation and is underpinned by the School's strategy, LSE 2030.

Council members, as trustees, take regard of the guidance on public benefit, as published by the Charity Commission, in exercising their powers and duties.

The following narrative illustrates some of the School's activities that contribute to the public benefit.

Providing liberal and quality education

We believe it is our social responsibility to support all students with the ability to benefit from higher education to do so, irrespective of their background. This includes enabling students to explore their options, make decisions about their futures, and access and succeed at university if that is their preferred route. LSE has been working for more than two decades to address the under-representation of certain groups in higher education. Key elements of this work are articulated in our Access and Participation Plan 2019-20 to 2024-25, approved by the Office for Students.

Our work with schools and colleges

The LSE widening participation team continues to work closely with school and college pupils from under-represented groups in the UK. The team delivers a wide range of events and long-term programmes to inform students about higher education, raise their attainment and help them to make informed choices about their future, including supporting them to make competitive university applications. Information about all current widening participation activities can be found online at <http://www.lse.ac.uk/study-at-lse/Undergraduate/widening-participation>.

In-person activity was suspended throughout 2020-21 due to the COVID-19 pandemic, but thanks to the huge efforts of staff, student ambassadors and academic contributors, we delivered web resources and live online events to over 1700 students throughout the year. Virtual delivery has also expanded the reach of LSE's activity across the UK, for example, through our regular LSE Discovery application sessions and events for teachers and careers advisers. Over 350 year 12 pupils from across England and Wales attended our virtual subject enrichment days, delivered with colleagues from LSE's Departments of International Relations and Management. Our annual Black Achievement Conference, which was delivered virtually for the first time in its 16-year history, was also open to more participants, including many from outside Greater London. This event featured a keynote from Professor Kehinde Andrews, the UK's first professor of Black Studies.

We continued our partnerships with social mobility charities, including IntoUniversity and the Sutton Trust, with whom we collaborate to deliver two successful long-term programmes for sixth-form students, Pathways to Law and Pathways to Banking and Finance.

We pivoted our GCSE Mathematics tutoring scheme to pupils who are eligible for pupil premium funding. This scheme is designed to help reduce the widening gaps in attainment in state secondary schools and is delivered at two partner schools in London – Barking Abbey School and Harris Academy St John's Woods. This was achieved through an innovative collaboration with the charity, TeamUp, which trained twenty LSE students to deliver 12 after-school sessions to 40 pupils.

Removing financial barriers

LSE is committed to ensuring that no one is deterred from applying to the School because of financial considerations. Tuition fee income is top-sliced to provide a generous scholarships budget, with schemes in place to fund undergraduate and postgraduate students.

The School's Access and Participation Plan builds on past success, committing a substantial portion of fee income to be recycled back into UK undergraduate student access, success, progression, and financial support measures. The LSE Bursary package makes awards of between £500 and £4,000 per year to UK undergraduates from low-income backgrounds. This is supplemented by the LSE Accommodation Bursary, which assists students from lower-income households with Halls of Residence fees, with awards between £750 to £2,500.

Overseas undergraduates and taught postgraduates from all backgrounds can access additional School schemes which provide awards with a range of values, assessed on financial need. There is a separate and extensive scheme for PhD students, through which we support approximately 100 new research students each year. In addition, we have a range of scholarships funded by external donors and foundations, which support study at all levels.

The COVID-19 pandemic has led to more students than ever experiencing unforeseen financial difficulties. We have been able to provide additional support to these students through our Student Support Funds and have created new support packages – the Digital Support Fund and Accommodation Support for Vulnerable Students – which address needs students have faced this year.

Advancement and Learning

The LSE Library is one of the largest social sciences libraries in Europe, open to members of the public to research its collections. It has designated status as the British Library of Political and Economic Science from the Arts Council England.

Using unique archives and specialist collections, The LSE Library's programme of workshops, public talks, exhibitions and online resources have reached a wide audience. While in-person activities such as school visits and workshops could not take place on site in 2020-21, the Library provided a full free public programme online, curated three online exhibitions and developed teaching resources for primary and secondary schools. This ensured audiences could continue to learn with our unique collections.

Library exhibitions – In 2020-21 the Library curated three online exhibitions, enabling a wide audience to engage with our collections:

A Modern Magna Carta: Alf Morris and the Chronically Sick and Disabled Persons Act. Our first online exhibition marked the 50th anniversary of the passing of a pioneering piece of social legislation

Making Modern Women: women's magazines in interwar Britain.

This extensive and popular exhibition was in partnership with Time and Tide: connections and legacies, an AHRC-funded project led by Dr Catherine Clay of Nottingham Trent University

"Educate. Agitate. Organise." Ambedkar and LSE. A collaboration between LSE's South Asia Centre, Library and Decolonising LSE, this exhibition showcased for the first time the entire LSE student file of Indian social reformer B R Ambedkar. This was the highest viewed LSE webpage on its launch.

Library public events – The Library offered a full online programme of lectures, literary talks, performances, film screenings and discussions. In total, 30 free public events were attended by 3,522 people from across the world, complementing the online exhibitions and special events.

Since January 2021, 60 per cent of events have been available to view on YouTube, helping to dramatically expand public access and engagement with our archives and collections. Overall, audiences for Library public events have increased by around 200 per cent since moving online, with recordings giving audiences the opportunity to watch anytime, anywhere.

Schools – The Library’s programme for school students continues to offer curriculum-based sessions and online resources using our unique collections on history, politics and citizenship. The programme caters for pupils from primary school through to sixth form, with support for those undertaking their Extended Project Qualification in Year 12 and A-Level history sessions on suffrage and referendums successfully delivered online.

Six new teaching resources linked to the LSE Festival, the Time and Tide partnership and the LSE Centre for Women, Peace and Security were launched through the *Times Education Supplement* (TES) platform, seeing over 4000 downloads. Two new resources were also launched on the free arts and heritage My Learning platform, on the LSE Festival *Fading Rainbows* project and the first Gay Pride in London. Placing the resources on TES and My Learning ensured a broad geographical reach.

The LSE Festival schools project, *Fading Rainbows*. *How children remembered and felt during the COVID-19 Pandemic* connected historical archives, current LSE research, and children’s learning and lived experience. This project was a collaboration between Frith Manor Primary School, Barnet, artist Becci Kenning, and LSE researchers from LSE’s Department of International Relations.

Resources were developed for 180 Year Five children to help them understand the COVID-19 pandemic and express their feelings about the impact it has had on their lives. Online resources brought together lessons, art worksheets, videos, and student artwork, and were shared online on the TES teaching resource website.

Year 6 Class Teacher, English Subject Leader and UKS2 Phase Leader, commented: *“We felt so lucky to be a part of this project. The children learned a lot about the 1918-20 influenza epidemic and how people were affected by it and were able to use this to help them understand and discuss the current pandemic and their own experiences.”*

Library staff have since shared the experiences from *Fading Rainbows* at conferences and the project has featured on *The Lancet Psychiatry* podcast.

Digitising collections

Major new digitised collections have provided researchers, students and the wider public with free, remote access to an expanding collection from LSE Library archives. New material has included inter-war feminist pamphlets; Fabian Society pamphlets; over 200 interviews with women’s suffrage campaigners recorded in the 1970s, and the LSE 125 years collection, preserving the memories of LSE from a broad cross-section of our community.

Research

In line with our founding mission, LSE research seeks to tackle some of the most challenging issues facing the UK and world today. The research of many of our academic staff has direct relevance to our charitable aims and the delivery of public benefit. There are many examples of LSE research making an impact over the last year:

- The LSE-Lancet Commission on the future of the NHS, which set out a long-term vision for the service
- LSE’s Centre for Economic Performance’s extensive work on domestic violence was widely cited and used by members of the House of Commons and Lords to inform discussions around the UK government’s Domestic Abuse Bill
- A collaborative project from LSE London with the team at Money Saving Expert highlighted the plight of “mortgage-prisoners” in the UK
- Dr Tammy Campbell uncovered how 40 per cent of summer-born boys are labelled as having special educational needs
- The final report of the Wealth Tax Commission – a collaboration of LSE academics and other wealth experts – outlined how a one-off wealth tax could raise £260 billion
- A report from Professor Stephen Machin and colleagues at the Centre for Economic Performance revealed how more than one in 10 young people lost their job during the pandemic
- Research led by Dr Sarah Pais highlighted how many autistic people found official COVID-19 communications hard to understand
- Professor Laura Bear led research into the importance of government support for families, neighbourhoods and communities to tackle inequality in post-COVID-19 Britain.

The School proactively supported research into the key issues facing society as the COVID-19 crisis has continued. Through the newly established Research Support Fund, we funded 17 research projects addressing questions of environmental sustainability, race equity and the future for a post-COVID-19 world. Our “Shaping the Post-COVID World” initiative has built on this, with over 200 articles, events, podcasts and videos contributing to a debate about the direction the world could and should be taking after this crisis and what policies national and global actors should pursue.

LSE Press

As a means of enabling public engagement with social science research the LSE manages its own digital open access publishing platform. LSE Press supports the promotion of high quality social science research and enables wide public access through the use of open, digital publication methods. We publish books and journals and encourage and facilitate innovative and experimental publications. Through this approach we are able to share research findings with a wide range of audiences across the world, free of charge for the reader. Our first book *The UK’s Changing Democracy* has been downloaded over 26,000 times since publication and has been used for teaching in schools as well as universities.

Public and Community Engagement

Through a range of platforms and channels, LSE engages an international audience in social science research. We have a renowned public lecture programme with over 100,000 online attendees this year; a wide-ranging blog platform with over 100,000 articles and 10.7million views annually; a significant social media following with approximately 1.5 million followers across Facebook, Twitter, LinkedIn, YouTube and Instagram), and a wealth of digital content including research films and podcasts with around 15 million downloads annually.

LSE events

In line with many other public-facing activities in 2020-21, LSE's events programme shifted online. Since September 2020 we have hosted over 100 free online public events through Zoom Webinar, not including LSE Festival events.

Throughout the last year we hosted an array of speakers from across the world, including former heads of state, business leaders and key individuals currently tackling the pandemic across various sectors. Speakers have included Dr Tedros Adhanom Ghebreyesus, Director-General of the World Health Organization; Juan Manuel Santos, former President of Columbia; HRH The Countess of Wessex; Inger Anderson, Executive Director of the UN Environment Programme; Michele Bachelet, UN High Commissioner for Human Rights; Patricia Espinosa, Executive Secretary of the UN Framework Convention on Climate Change; Jacky Wright, Chief Digital Officer of Microsoft and Stephen Schwarzman, CEO and Chairman of the Blackstone Group.

Our online offering has meant we have been able to attract a more global audience with viewers from over 100 countries tuning in.

In addition to Zoom Webinar, we have increased our global reach by livestreaming events onto the popular LSE Facebook page as well as departmental Facebook pages. Recordings are subsequently made available on the LSE YouTube Channel and the LSE Player, providing our viewers from overseas the opportunity to still tune in and enjoy LSE events if they are not able to attend live.

Our event series "COVID-19: The Policy Response" focused on how the social sciences can help governments and non-governmental organisations respond to the economic and societal consequences of the pandemic.

The LSE Festival 2021

Hosted online in March, this year's Festival theme was "Shaping the Post-COVID World". It was part of a wider research initiative exploring the direction the world could and should be taking after the crisis, and how the social sciences can contribute.

Activity was organised in three main strands: Festival Live, a series of panel discussions hosted via Zoom; Festival Shorts, a series of pre-recorded 10-minute talks with LSE faculty; and Skills for the Post-COVID World, a series of lunchtime taster sessions.

The Festival had a substantial reach, with approximately nine thousand live views of events on Facebook and Zoom; over a hundred thousand visits to the Festival homepage, and close to half a million views and downloads of the podcasts and videos. Festival content was also made freely available via the LSE Festival Hub, a dedicated media player which saw 56,000 unique visitors.

Volunteering

As part of the School's strong tradition of social awareness and engaging with the wider community, our dedicated Volunteer Centre seeks to inspire and empower the LSE community to volunteer for causes they are passionate about. In 2020-21, the Centre saw huge interest from students who wanted to get involved in volunteering, particularly in relation to COVID-19.

The Volunteer Centre runs various programmes to help LSE students get involved including, a one-off volunteering programme, a consultancy challenge, a disabled students' placement scheme and volunteering fairs. The Centre's research has found almost 40 per cent of the student body volunteer during their time at LSE, rising to over 50 per cent amongst our undergraduates. LSE students fulfil a range of roles including mentoring, campaigning, fundraising, marketing, research and many more. Students who volunteer say that they have wider groups of friends, feel part of LSE and the community, are more confident in themselves and have skills that employers will value.

Trade Union facility time

Under the Trade Union (Facility Time Publication Requirements) Regulations 2017, the School, as a public sector employer, is required to collate and publish a range of data on the amount and cost of time spent by Trade Union (TU) Officials on facility time. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities.

This publication year runs from 1 April 2020 to 31 March 2021. This information is to be published every year by 31 July. The relevant Trade Unions with whom the Schools has a Collective Bargaining Agreement are University and College Union (UCU), UNISON and Unite). The number of employees who were relevant union officials during the relevant period was 27 with a full time equivalent of 25.39.

Employees who were relevant union officials during the relevant period spent the following percentages of their working hours on facility time:

Percentage of time	Number of employees
0%	4
1-50%	21
51- 99%	2
100%	-

The total cost of facility time was £0.1 million of a total pay bill of £204.0 million. The percentage of the total pay bill spent on facility time was 0.05 per cent.

Section 172 statement

The School is a company limited by guarantee and, therefore, must provide a Section 172 statement in accordance with the Companies Act 2006. Section 172 requires the directors (for the School these are the Council members) to act in the way they consider, in good faith, would be most likely to promote the success of the company (the School) for the benefit of its members as a whole. Council members are also the formal company members, but act to ensure decision-making is for the benefit of the School and wider stakeholder community.

The Act states that in doing so, company directors should have regard (amongst other matters) to:

- the likely consequences of any decision in the long term the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of the company.

The Object of the School is to advance education, learning and research for the public benefit. The current strategy to deliver this Object is articulated through LSE 2030. Together these provide that the work of the School is undertaken with a view of the long term and for the benefit of wide-ranging stakeholders. It is within this framework that Council's decision-making is undertaken.

During 2020-21 Council has received regular progress reporting on LSE 2030 and the impact and response to the COVID19 pandemic. This has covered a range of stakeholders (particularly students and staff) and across a range of activities and issues, such as: education, research, financial position, estates, digital, health, safety and wellbeing, equity, diversity and inclusion, and the philanthropic campaign. Key priorities for the School were delivering the best possible educational experience and keeping staff and students safe, as well as sustaining the School's financial position.

The School seeks to engage with stakeholders and receive feedback in a variety of ways including a range of staff and student fora/meetings, surveys, consultations, participation in external networks, alumni networks, engagement with policymakers, research partnerships, input into decision-making through committee memberships.

This context underpinned key decisions taken by Council during the year:

- approving the financial plan, budget, student fees and borrowing arrangements in the context of a challenging year due to the impacts of the pandemic, with particular consideration of the likely long-term consequences and the need to ensure the financial sustainability of the School, including for the benefit of staff, students and other stakeholders
- reviewing options concerning the development of student residences and the estate, which have taken into account likely long-term consequences, the optimal student experience and impact on the community and environment
- approving proposals concerning governance arrangements, particularly with consideration of maintaining a reputation for high standards of business conduct

- membership appointments and reappointments to Council and Council committees to enhance expertise and diversity and the ability to ensure a range of perspectives to support decision-making
- undertaking and agreeing the resulting recommendations from an independent review of the School's governance arrangements as well as approving follow up actions
- adoption of the Committee of University Chairs' Higher Education Code of Governance and Audit Committees Code of Practice (published in 2020)
- appointment of BDO LLP as the new external auditor and reappointment of KPMG LLP as the internal auditor.
- approving changes to the LSE Students' Union Articles of Association to support enhancement of governance arrangements for the benefit of students
- approving changes to the honorary award regulations to support enhancing relationships with individuals who have shown outstanding contribution or achievement and distinction in matters or areas concerning the School
- approving a variation to the School's Access & Participation Plan to enhance support for students from a diverse range of disadvantaged socio-economic backgrounds.

Directors

The directors of the Company are listed at page 74.

During the year a management liability insurance policy was in place which provides for director and management indemnity provision.

Independent Auditors

The Company's current external independent auditors are BDO LLP.

Disclosure of information to auditors

At the date of making this report, each of the Company's directors as set out on page 74, confirms the following:

So far as each 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 Strategic Report and Report of the Directors was approved by Council on 23 November 2021.

Baroness Shafik
Director



Corporate Governance and Internal Control Statement

This Corporate Governance and Internal Control Statement covers the 2020-21 financial year and period up to the date of approval of the audited financial statements. The statement provides an overview of the governance structure of the School and outlines the School's internal control and risk management arrangements.

The School is a company limited by guarantee and an exempt charity. As a UK Higher Education Institution, it is regulated by the Office for Students (OfS). The overarching objectives, powers and framework of governance are set out in the Articles of Association. The Articles set out "The Object of the School is to advance education, learning and research for the public benefit", which underpins all School activity, including its articulation through LSE 2030.

LSE is committed to upholding the highest standards of corporate governance and is satisfied that it complies with the Committee of University Chairs (CUC) Higher Education Code of Governance, noting the issue concerning Audit Committee membership set out below. The School also complies with the Public Interest Governance Principles required by OfS.

During 2020-21 the School underwent an independent review of its governance arrangements in line with good practice and to identify opportunities for further enhancement, which was overseen by the Governance Committee reporting to Council. This included an assessment of the School's compliance with the CUC Higher Education Code of Governance published in September 2020. KPMG was appointed to undertake the review following a competitive procurement exercise. The review found that the School's arrangements were broadly satisfactory but made some recommendations to enhance existing practice. The majority of the recommendations have been implemented with the remainder scheduled to be completed during 2021-22.

In addition to this Statement, the School ensures transparency about its corporate governance arrangements principally through publication on its website and conduct in accordance with the CUC Higher Education Code of Governance.

The adequacy and effectiveness of arrangements for corporate governance, risk management and oversight of any statutory and other regulatory responsibilities (including compliance with the OfS's ongoing conditions of registration and any terms and conditions of funding as well as any other relevant regulatory responsibilities) are ensured through ongoing oversight and review to ensure they remain fit for purpose. This is achieved through delegated responsibilities to committees, management, third party review, including that undertaken by the internal and external auditors, but recognising that Council is ultimately responsible for these arrangements.

These arrangements also allow Council to ensure the regularity and propriety in the use of public funding where existing arrangements within the extensive control framework are kept under review, tested and enhanced as required.

Council

Council is the governing body of the School and its formal responsibilities are set out in the Articles of Association. The CUC Higher Education Code of Governance sets out the overarching responsibilities of Council: collectively responsible and accountable for institutional activities; ensuring institutional sustainability (overseeing mission, strategy, aims and values, including effective systems of control and risk management are in place); protecting and promoting institutional reputation and autonomy; promoting ethical behaviour, equality, inclusivity and diversity across the

institution; ensuring governance structures and processes are appropriate, and; understanding and ensuring engagement with stakeholders. A full list of Council members from 1 August 2020 to 31 July 2021 and up to the date of signing these financial statements can be found on page 74.

Council members are charity trustees and company directors and as such are "fit and proper persons", expected to discharge their duties with prudence and care and to accept ultimate responsibility for the affairs of the School.

Council formally meets at least four times a year. It is formally composed of 18 members, the majority being Independent members, including the Chair, as well as there being staff and student members. Independent Council members do not receive remuneration for their role.

The School Secretary is the formal secretary of Council and responsible for overseeing the governance arrangements of the School. Any queries concerning the School's governance should be directed to the School Secretary.

Council is supported by the committees set out below. All have approved terms of reference and memberships, in order to provide expert support. They are chaired by Independent members of Council and report regularly on their work.

Audit Committee

Audit Committee is responsible for advising Council on the adequacy and effectiveness of the School's arrangements for risk management, control and governance and also for value for money, on which both the Audit Committee and the Internal Auditors provide an annual opinion based on the work they have conducted through the year. Both the External and Internal Auditors provide the Committee with detailed reports and attend meetings to discuss findings and recommendations for improvement, together with management's response and implementation plans.

The CUC Higher Education Audit Committees Code of Practice (published in May 2020) includes that "The Audit Committee should consist of at least three independent members of the governing body and can co-opt non-members with relevant expertise or interests when necessary. All members of the Committee should be independent, objective and non-executive". During 2020-21, the Audit Committee's membership comprised three Independent Council members and three expert external members. One Independent Council member's Council term of office concluded on 31 July 2021, but he has been reappointed to Audit Committee as an external member until 31 July 2022 to support transitional arrangements while a replacement third Independent Council member is appointed through 2021-22 succession planning activities.

Following a competitive tender exercise, BDO LLP were appointed as the School's external auditor for five years commencing with the audit of the 2020-2021 accounts, replacing PricewaterhouseCoopers LLP.

Ethics Committee

Ethics Committee's remit is to provide governance oversight and assurance to Council on ethical matters affecting the School in order to contribute to the achievement of strategic objectives and to meeting regulatory and legal obligations. The role of the committee has been reviewed and revised during 2020-21 to ensure that it continues to provide appropriate support.

Finance and Estates Committee

Finance and Estates Committee is principally responsible to Council in 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; review of financial performance at aggregate level and; oversight of the implementation of strategic priorities relating to the estate, including capital projects.

Governance Committee

Governance Committee is responsible for making recommendations on the membership of Council and its committees, particularly for Independent/external members. It also advises Council on corporate governance matters, arrangements, and practices to continually enhance the School's governance, including to ensure compliance and best practice.

Remuneration Committee

Remuneration Committee oversees remuneration arrangements for the Director and other senior staff and complies fully with the CUC Higher Education Senior Staff Remuneration Code.

Academic Board

Academic Board is the principal academic body of the School, to which Council has delegated responsibility for the academic standards and the direction and regulation of academic matters. It is supported by its own structure of committees which deal with academic and student affairs, research, and academic planning and resources.

Controls Framework

As the governing body of the School, the Council has responsibility for maintaining a robust system of internal control that supports the achievement of strategic and operational objectives, while safeguarding public and other funds and assets.

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. Council ensures and reviews the effectiveness of internal control, including through:

- Having wide ranging and robust internal control arrangements in place, including for the prevention and detection of corruption, fraud, bribery and other irregularities. Internal controls are reviewed and developed to ensure they remain fit for purpose and in response to risk evaluation and cover business, operational, compliance and financial risk. These arrangements are embedded into ongoing operations;
- Ongoing oversight by Council of progress against LSE 2030, including corresponding identification and management of risk, through regular reporting from the Director. The School's risk management arrangements ensure key risks are identified and adequate mitigations are implemented as part of an ongoing process to ensure the achievement of objectives;
- Regular reporting from Council committees, including from Audit Committee which has responsibility for reviewing risk management, control and governance and value for money arrangements on behalf of Council. Audit Committee provides an annual report to Council including its opinion on the School's arrangements;

- Annual performance review of individual academic units (Departments and Institutes) by members of the School's senior management team together with in-depth quinquennial reviews by the Academic Planning and Resources Committee involving independent expert assessors. The Research Committee oversees regular performance reviews of research units;
- Monitoring by the Director and the School Management Committee of various work streams arising from strategic priorities and regular risk analysis, advised by a dedicated risk manager;
- A strong budgetary control process, with a high degree of decision-making autonomy delegated to budget controllers on how to spend budgets, but very limited opportunity to overspend. Regular management accounts are reviewed by the School Management Committee and Finance and Estates Committee. There are additional processes for administration and control of research grants, research contracts, donations and endowments where there are specific conditions on how the funds may be spent;
- Regular meetings between senior managers and service leaders to review progress and issues arising from operational activities, and similar meetings between the Director and Heads of Departments in relation to academic developments;
- Internal and external auditing is provided by KPMG LLP and BDO LLP respectively. Through their work, both support the School to enhance the internal control environment and the delivery of value for money, from their recommendations arising from reviews of School arrangements. The Internal Auditors undertake an annual programme of reviews, reporting regularly to Audit Committee, and culminating in an annual report to Council including an annual opinion on the adequacy and effectiveness of the School's arrangements for risk management, control and governance, and value for money based on work conducted during the year;
- Extensive financial controls including planning and budgeting arrangements, defined delegations of responsibility, review, oversight and reporting arrangements, policies and procedures, Financial Regulations detailing financial controls and procedures;
- Long-term financial planning summarised in an annually approved Financial Plan that provides the basis for any significant financial decision making and a robust framework to ensure the School's financial sustainability and resilience.

Declaration of the Council

In accordance with the Companies Act, 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, the latest Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, and other relevant accounting standards.

In addition, within the Office for Students' terms and conditions of funding, 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 directing the preparation of the financial statements, the Council has ensured that:
- Suitable accounting policies were selected and applied consistently
- Judgements and estimates made were reasonable and prudent
- Applicable accounting standards were 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 2021 and 2022.

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 whatever source, including the Office for Students, are used only for the purposes for which they have been given and in accordance with the relevant terms and conditions;
- To ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- To safeguard the assets of the School and prevent and detect fraud
- To secure the economical, efficient and effective management of School resources
- The Council confirms that there were no significant control weaknesses or failures identified through the reporting period which should be disclosed.



**REDUCE,
REUSE,
RECYCLE.**



Environmental Sustainability Report

Sustainability is a key commitment of LSE's 2030 Strategy and Ethics Code. Our dedicated sustainability team coordinates efforts across the School to improve LSE's environmental performance in close collaboration with the LSE community.

Our approach to delivery

Our policies (**sustainability policy, energy policy**) outline the School's objectives. Delivery is supported by our Environmental and Energy Management Systems which this year were fully re-certified by independent external auditors to the international standards ISO 14001 and ISO 50001.

Delivery and decision-making are driven by dedicated committees and working groups with students and staff representation, including our new Sustainability Leadership Board chaired by the LSE Director.

Our approach contributes to the UN's Sustainable Development Goals (SDGs) as highlighted in our **Annual Sustainability Report**.

LSE's Sustainability Strategic Plan

Recognising the climate and ecological crisis the world is facing, in 2019 LSE convened a Sustainability Advisory Group, under the leadership of Lord Nicholas Stern, to develop in close partnership with our diverse community a plan for action for the School.

Our **Sustainability Strategic Plan** launched October 2020 and focuses on six key themes to maximise our impact in shaping a sustainable world: *Education, Research, Engagement and Leadership, Investment, Collaboration, Our School*.



Education

Embedding sustainability across our teaching and learning experiences

- Education for Sustainability is an opportunity for LSE to ensure social sciences makes its critical contribution to sustainability, and for LSE students to be prepared for the complex challenges they face and a workplace where sustainability will be a shared responsibility regardless of one's role.
- Our Education for Sustainability initiative launched in June 2021 at an event hosted by our Pro-Director for Education, and 15 academic representatives joined our educator leads network to help raise the profile of this initiative.
- Sustainability is a key theme being integrated in the redesign of LSE100, our flagship interdisciplinary course for all undergraduate students.
- LSE Careers facilitated a range of events, panels, and alumni meet-ups, to connect students with alumni working in sustainability fields. This included a "Finding meaning" career hackathon during the LSESU Green Week.
- The LSE Sustainable Projects Fund awarded funding to 7 staff and student led projects, with themes such as reducing food and plastic waste on campus.



Research

Shaping the global sustainability debate through our research

- LSE's Research for the World continued to make a significant contribution to sustainability and the UN Sustainable Development Goals, on topics as diverse as palm oil and peat fires, climate emergency declarations, sustainable recovery and many more.
- The LSE Research Support Fund launched December 2020, with sustainability a key theme which attracted 28 per cent of applications and saw funding awarded to 4 new projects.
- The LSE Festival and Shaping the Post-COVID World event series both featured sustainability as a key theme.
- LSE research informed the UK Government and international bodies on embedding sustainability in recovery policies.
- Work was conducted to reduce the environmental impact of future research travel, such as PhD vivas online adopted as default, carbon offsetting of travel, and encouraging departments to conduct online or hybrid seminars.



Engagement and Leadership

Deepening public discussion on sustainability across the world

- LSE continued to inform and engage with UK and international decision-makers to promote dialogue and decisive action on sustainability and climate change, with leadership from the Grantham Institute on Climate Change and the Environment at LSE. The Institute and its chair Lord Nicholas Stern:
- Published numerous working papers, position pieces, and policy reports, supported by media engagement, on themes such as Sustainable finance and Climate litigation.
- Advised the UK Government on its preparations for COP26, the UN Climate Conference taking place in Glasgow in 2021.
- Advised the UK Presidency of the G7 and the need for a focus on sustainable economic recovery from the pandemic.
- Supported the IMF and the World Bank forming a sustainable recovery and growth high level advisory group.
- As a co-founder of the GAUC (Global Alliance of Universities on Climate), supported a global two-day conference on Pathways to Net Zero Emissions and Carbon in June 2021.
- Hosted a number of high-profile public events including Financing a Green and Just Recovery from COVID-19 and Our Slim Window of Opportunity: What The Climate Change Agenda Must Achieve In 2021.



Investment

Making sustainability a key part of our investment decisions

- Details of our approach to responsible investment can be found in the Endowment Investment Performance section of this report. This year we took additional initiatives such as:
- Published a new Responsible Investment public webpage, with detailed information including our manager review methodology and portfolio composition.
- Completed our UN Principles of Responsible Investment annual submission.
- Reviewed and revised our fund manager ESG performance evaluation process.
- Analysed the proportion of portfolio which has been rated by the Transition Pathway Initiative (TPI), and published findings.
- Revised our Socially Responsible Investment (SRI) negative filters for thermal coal, tars sands, controversial weapons, and tobacco manufacture from a 10 per cent to a three per cent revenue test.



Collaboration

Working in partnerships within LSE and externally

- LSE became a member of the Ellen MacArthur Foundation, to accelerate the transition to a circular economy and raise awareness of its benefits.
- LSE was an active member of the Environmental Association for Universities and Colleges (EAUC).
- LSE took part in the COP26 Universities Network, a coalition of 80 UK universities working to raise ambition for COP26.
- LSE worked with local groups to advance sustainability, such as the London Northbank Business Improvement District and London Higher.
- LSE's Student Union 2020 Green Week was themed on intersectional environmentalism.
- LSE's Student Union has over 10 sustainability themed societies, with the addition of the Circular Economy society launched in January. Societies led a busy schedule of sustainability events and workshops throughout the year.
- Student representation was increased on all sustainability committees, which resulted in closer collaboration efforts.



Our School (Campus operations)

Reaching Net Zero Carbon and reducing our environmental impacts

We work to improve performance across our impacts, be it Carbon, Energy, Built environment, Waste and Resources, Procurement, Water, Travel, Pollution and Air Quality, and Biodiversity. Our full impacts and the work we do to reduce them are available online info.lse.ac.uk/staff/divisions/estates-division/sustainable-lse/what-we-do. Some highlights:

- **Carbon** is our most significant environmental impact, in particular emissions linked to our energy use and business travel. We have set firm targets to achieve net-zero carbon emissions by 2050 at the latest, and by 2030 for our direct energy use (Scope 1 and 2). This year we produced a Carbon Reduction Strategy which identified electrification of our heat systems as a key priority to deliver our 2030 target.
- **Energy** – Since 2015, we have invested over £4.8 million in energy conservation measures such as energy efficient lighting, boilers, photovoltaic panels and improved building controls. This helped LSE achieve an energy usage of 182 kWh per m² in 2019-20, a 24 per cent improvement in efficiency against our 2005-06 baseline. Campus closures have seen further reduced energy usage in 2020-21. In addition, 100 per cent of the electricity we purchase is from renewable sources (e.g. solar and wind).
- **Built environment** – We continued to drive high sustainability standards in the development of our estate. Our new Marshall Building at 44 Lincoln's Inn Fields is under construction and achieved BREEAM "Excellent" in Design.
- **Waste and Resources** – Campus closures led to a reduction in waste volumes, and a dramatic drop in printing volumes as staff and students shifted to digital ways of working. We are working on a Digital Smart LSE campaign to maintain some of those positive impacts as we return to campus.
- **Catering** – LSE Catering continued their work with the LSESU Food Cycle Society redistributing surplus food to those in need and are piloting new technology to further reduce food waste. They also piloted carbon food labelling to drive the uptake of plant-based dishes options.
- **Biodiversity** – We work to enhance biodiversity across our estate. This year we worked on a street pedestrianisation project to include new trees and we took part in the National Union of Student scheme for the conservation of hedgehogs.

LSE energy usage and associated carbon footprint:

	2020-21		2019-20		Change %
	Energy use (kWh)	Associated carbon emissions (kgCO ₂ e)	Energy use (kWh)	Associated carbon emissions (kgCO ₂ e)	
Electricity purchased	14,839,104	7,458	15,366,641	3,809	(3.4)
Gas consumed	22,244,929	4,074,381	18,024,854	3,314,230	23.4
Transport Personal car use mileage – claimed as expenses	18,335	4,518	33,931	8,183	(46.0)
Gasoil	42,746	10,977	26,771	6,873	59.7
District Heating	493,010	160,278	514,440	197,905	(4.2)
Biofuel	29	–	22,676	127	(99.9)
Total energy purchased	37,638,154	4,257,612	33,989,314	3,513,126	10.7
Renewable electricity produced onsite	119,469	–	137,534	–	(13.1)
Intensity measure per square metre	162.8Kwh/m ²	18.4kgCO ₂ e/m ²	167.2Kwh/m ²	17.4kgCO ₂ e/m ²	(2.6)

Methodology: The figures above are based on meter readings, or invoices when readings are not available, utilising the latest Defra carbon conversion factors, in line with the GHG Reporting Protocol. Estimations, when required, are based on pro-rata extrapolation. LSE's baseline year is 2005-06 in line with best sector practice (GHG Protocol, OfS).



Endowment Investment Performance

Funding from philanthropy, along with tuition fees, recurrent grants and research grants 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 contribution to student bursaries, facilities, and to its portfolio of research and teaching. In an ever-changing sector, the challenge facing LSE is to make giving an integral part of its financial health.

During the 2020-21 financial year, the School's endowment grew from £198.4 million to £240.8 million.

Endowment reserves	£ million
At 1 August 2020	198.4
New endowments	7.1
Investment income	2.3
Expenditure for the year	(7.1)
Increase in market value of the investments	40.1
At 31 July 2021	240.8

Although this year market strength added significantly to the value of the endowment, over the long term, as again this year, the growth in the endowment came in part from private donations which have established centres, chairs, lectureships, and scholarships with the remaining contributions from the investment of the endowments. An increasing number of individual donors and foundations are recognising this form of support as vital to the School's unique public benefit as a charity focused on education and the "betterment of society".

Portfolios and their objectives

The School's endowment is divided into three portfolios, each devoted to a different objective and managed according to the investment return and risk criteria pertinent to that portfolio's objective:

The Growth portfolio: expendable endowments that have a longer-term horizon and permanent endowments that are invested on a total return basis. The threshold objective for this portfolio is to yield a total return over the long term of 4.5 per cent per annum plus the Consumer Price Index (CPI). The funds are largely invested in a range of investment funds covering quoted equities and property.

The Gift Matching portfolio: expendable endowments that are budgeted to be spent in the short or medium term. The investment objective for this portfolio is to preserve capital. The funds are invested in cash and short-term bonds matched to the required distribution schedule.

The Financial Economic Review (FER) portfolio: a separate investment portfolio for a permanent endowment to support the STICERD research centre. The threshold objective for this portfolio is to generate a long-term total investment return of 4.5 per cent per annum plus CPI to provide a fixed payout to fund the annual operating costs of STICERD.

Investment Sub-Committee

Established in 1989, the LSE Investment Committee (ISC) is a sub-committee of the Finance and Estates Committee. It is responsible for initiating investment strategy and determining the asset allocation required to achieve the investment risk and return targets approved by the Finance Committee. The Committee is also responsible for monitoring the investment of School funds held for working capital, capital projects and investment.

The Committee meets at least three times a year and appoints an external investment adviser whose tactical asset allocation and manager recommendations are monitored and reviewed by the Investment Committee. Overall strategic asset allocation and manager selection is reviewed by the Committee at least once a year.

The Committee is also responsible for implementing the School's Socially Responsible Investment Policy (SRI Policy) through its oversight of the portfolios' exposure to the designated areas.

The SRI policy requires investment decisions to consider environmental social and corporate governance (ESG) issues in managing the endowment funds in accordance with the six UN Principles for Responsible investing (PRI) and LSE's ethical standards. These PRI principles focus on engagement by investors with investee companies to encourage improved SRI behaviours especially in relation to ESG performance. The Committee has therefore engaged directly with each of our asset managers to assess the quality and impact of their engagements with the investee companies on ESG matters. This has been the fourth year of engagement with asset managers and has identified a general improvement in their SRI behaviours which has raised the bar for assessing best in class performance.

We are pleased to see that many of the School's chosen fund managers have engaged meaningfully in this area. We look forward to continuing these conversations during 2022.

The School became a signatory of the UN Principles for Responsible Investment in 2019, its first public report will be published in 2021.

Socially Responsible Investment

The Endowments are almost all invested in Funds managed by external Fund Managers so that while the School is not choosing individual stocks, the ISC is selecting fund managers that will minimise and/or eliminate our investment in companies that do not fall within our SRI strategy. The ISC's most important and powerful tool is dialogue with the Fund Managers to urge them to strengthen and focus their engagements with their investee companies and report regularly and transparently on both the ESG themes they are pursuing and the outcomes of their engagements. The Managers were asked to outline their response to the Transition Pathway Initiative, the Inclusion Initiative as well as the Task Force on Climate-related Finance Disclosures, as well as their disclosures of their corporate government principles and voting policies.

Since the introduction of the LSE Socially Responsible Investment Policy (SRIP) in 2015-16, the exposure of the endowments' investments in the areas it aims to minimise has reduced by over 85 per cent from 3.4 per cent of total assets to 0.5 per cent in 2020-21 (0.3 per cent tobacco, 0.1 per cent tar sands, 0.1 thermal coal and no holdings in controversial weapons). During this period fund managers seeking Task Force on Climate-related Financial Disclosures (TCFD) or equivalent standards of climate change related disclosure has significantly increased from a low base.

The Committee conducts an annual evaluation of each manager's performance in pursuit of the School's SRI targets and engages directly with managers on those areas of responsible investing where they need to improve in order to reach and sustain current industry best practice. These dialogues are largely proactive in character and encourage the fund manager to move in a positive direction. The improvements by some asset managers results from the Committee's engagement with them and most also reflect implementation of internal programmes of improvement. The asset managers are ranked into four groups, from "best in class" to

“significant areas of shortfall”. The top group one includes two mid-sized managers and two “mega” passive managers. The Committee recognises that passive funds have no choice as to which funds to invest in but expects direct and effective ESG engagement with those companies. Each manager has received our feedback. As of this assessment only one manager is rated in the bottom group requiring significant improvements. Two other

managers in Group four last year had agreed to make specific improvements subject to which their retention would be reconsidered. Both have delivered these improvements although in both cases, scope remains for further changes.

The investment performance for each investment portfolio over one-, three- and five-year period is:

Investment return	1 year	3 years	3 years cumulative return	5 years	5 years cumulative return	Long-term threshold objectives
Growth	25.4%	10.1%	33.6%	11.7%	73.7%	–
Gift matching	1.9%	2.4%	7.4%	1.8%	9.6%	–
Gift matching and growth combined	22.2%	9.3%	30.6%	9.9%	60.3%	4.5% + CPI
FER	21.3%	10.1%	33.4%	10.4%	64.1%	4.5% + CPI

During the year the market responded to the recovery in economic growth aided by measures from central banks and governments and the roll out of the vaccination programme.

The result was that the portfolios’ performance for the year was a strong total return of 22.2 per cent. which for three years is 2.9 per

cent above the CPI+4.5 per cent long term target and 3.1 per cent ahead over five years. This year’s result was that each fund significantly outperformed its benchmark.

The long-term threshold target for portfolios is CPI +4.5 per cent and performance has been reported on this basis.





Independent auditors' report to the Council of London School of Economics and Political Science (the "School")

Opinion on the 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 2021 and of the Group's and the School's income and expenditure, gains and losses, changes in reserves and of the Group's and School's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of London School of Economics and Political Sciences ("the School") and its subsidiaries (the "Group") for the year ended 31 July 2021 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and School Balance Sheet, Consolidated and School Statement of Changes in Reserves, Consolidated Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, Report of the Directors, Corporate Governance and Internal Control Statement, Environmental Sustainability Report, Endowment Investment Performance and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Report of the Directors has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the School and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Opinion on other matters required by the Office for Students ("OfS") and Research England

In our opinion, in all material respects:

- Funds from whatever source administered by the School for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS, UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

We have nothing to report in respect of the following matters in relation to which the OfS requires us to report to you if, in our opinion:

- The School's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The School's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Council

As explained more fully in the Council members responsibilities statement set out on page 32, the Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Office for Students, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounts Direction OfS 2019.41 and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the pension provision and provision against student and other debtors;
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privileged access rights, journals posted by key management, journals posted by staff members outside of their remit and journals posted after the year end.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Office for Students
- Review and recalculation of the year end loan covenant calculations
- Investigation of a sample of donation and research income balances recognised, agreeing the balance through to supporting documentation and ensuring the recording and treatment of the balance is appropriate and in line with the accounting standards.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

In addition, we also report to you whether income from funding bodies, 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 and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the School's Council 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 School and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.

James Aston (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Gatwick

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Accounting Policies

The School is an exempt charity within the meaning of Part Three of the Charities Act 2011 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 2010. 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 (VAT) and is unable to recover most of VAT paid to suppliers. VAT recovered from HMRC is recorded under Other Income. The School is incorporated under the Companies Act as a company limited by guarantee. The following accounting policies have been applied consistently across the financial statements set out on pages 48 to 72.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, the OFS Accounts Direction and in accordance with Financial Reporting Standards (FRS 102). The School is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of investments and derivative financial instruments).

Going concern

The directors have assessed the School's ability to continue as a going concern by reviewing financial forecasts to 2026 and beyond. Sensitivity analysis is undertaken against a number of scenarios reflecting the key risks identified by the School and on the basis of latest available assumptions. The School's Financial Plan, taking account of reasonably possible changes in performance, shows that the School should be able to operate within the level of its current facilities and comply with bank covenants over the planning period.

Consequently, the directors have a reasonable expectation that the School has adequate resources to continue in operational existence for the foreseeable future. The School therefore continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

The consolidated financial statements include the School and all its subsidiaries for the financial year to 31 July 2021. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include the income and expenditure 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. Associated companies and joint ventures are accounted for using the equity method. The School acts as agent for the jointly controlled operation therefore the assets of the operation are included within the School's balance sheet and the balances due to other parties are recorded as creditors. A proportion of the income and expenditure of the jointly controlled operation is recognised in the School's Statement of Comprehensive Income and Expenditure in accordance with the control the School holds.

Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students register. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross of expenditure and not deducted from income. Summer School income and teaching costs are apportioned between financial years based on teaching days. The School's share of surplus from the participation in the University of London International Programme is recognised on an accruals basis. Investment income is credited to the Statement of Comprehensive Income and Expenditure on a receivable basis.

Funds the School receives and disburses as paying agent on behalf of a funding body are excluded from the Statement of Comprehensive Income and Expenditure of the School where the School is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant funding

Grant funding including OfS/UKRI grants are recognised as income when the School is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and are recognised in income when received. Donations with donor-imposed restrictions are retained within the restricted reserve until such time that it is utilised in line with such restrictions and the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments is recorded in income in the year in which it arises as either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

Donations refer to any gift to the School. Endowments are donations that are unlikely to be spent within a period of two years. Endowments can further be classified into expendable and permanent endowments. There are four main types of donations and endowments identified within reserves:

Restricted donations – the donor has specified that the donation must be used for a particular objective.

Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School.

Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the School has the power to use the capital.

Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Total return on investment for endowments

Total return is the whole of the investment return received by the School on the permanent endowment fund regardless of how it has arisen. The total return, less any part of the return which has previously been applied for the purposes of the School, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the Statement of Comprehensive Income and Expenditure.

Capital grants

Capital grants are recognised in income when the School is entitled to the funds, subject to any performance related conditions being met.

Expense recognition

Expenditure incurred relates to the receipt of goods and services which are recognised when incurred. A provision is made for debts that are not likely to be collected completely. This provision is calculated based on age, value, jurisdiction of the debtor and our experience from previous years of the collectability of differing types of debt.

Accounting for retirement benefits

The two principal pension schemes for the School's staff are the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL).

USS:

With effect from 1 October 2016, USS changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed 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. As required by Section 28 of FRS 102 "Employee benefits", the School therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme. Since the School has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, it recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised.

SAUL:

SAUL is a defined benefit scheme which is independently managed. It is not possible to identify an individual employer's share of the underlying assets and liabilities of SAUL. The School accounts for its participation as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102. The School is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation. Each fund is valued every three years by professionally qualified independent actuaries. A liability for each scheme is recorded within provisions for any contractual commitment to fund past deficits within the schemes.

Although there was a Technical Provisions deficit at 31 March 2020, allowing for post valuation experience to 30 April 2021, SAUL had a Technical Provisions surplus. Therefore, no deficit contributions were required following the 2020 valuation and there is no defined benefit liability (i.e. the present value of any deficit contributions due to SAUL) to be recognised by the School.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the School. Any unused benefits are accrued and measured as the additional amount the School expects to pay as a result of the unused entitlement.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold land, separately identified since 2005, is not depreciated. Freehold buildings are depreciated over the remainder of their useful economic lives which range between five and 75 years. Where applicable, freehold buildings are depreciated on a straight-line basis over their expected useful lives as follows:

Buildings – 3-95 years

Roofs – 25 years

Refurbishments including mechanical and electrical services – 10 to 20 years

Leasehold land and buildings are depreciated over the period of the lease.

Capital projects which are still under construction and buildings held for redevelopment are capitalised but not depreciated.

Equipment

Equipment, including computers, 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 expected useful life as follows:

Computer equipment – three to five years

Other equipment – five years

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Intangible assets

Intangible assets consist of computer and network software and their associated incremental costs of development and implementation and are amortised over five years representing the estimated economic life of the assets.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term. Provision for dilapidation is not included in the cost of operating leases.

Foreign currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure.

Investments

Non-current asset investments are held on the Balance Sheet at market value, except for corporate bond investments invested with the intention to hold to maturity which are recognised at amortised cost. Investments in subsidiary and participating undertakings are carried at cost less impairment in the School's financial statements.

Stocks

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- a. The School has a present obligation (legal or constructive) as a result of a past event;
- b. It is probable that an outflow of economic benefits will be required to settle the obligation; and
- c. A reliable estimate can be made of the amount of the obligation.

A contingent asset arises where an event has taken place that gives the School a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School. A contingent liability arises from a past event that gives the School a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in note 27.

Accounting for joint operations, jointly controlled assets and jointly controlled operations

The School accounts for its share of joint ventures using the equity method. The School accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Comprehensive Income and Expenditure.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the School, are held as a permanently restricted fund which the School must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the School is restricted in the use of these funds.

Loans and derivatives

Loans are liabilities with fixed or determinable payments and are held at book cost. Derivatives are held on the Balance Sheet at fair value with movements in fair value recorded in the Statement of Comprehensive Income and Expenditure.

Critical accounting estimates and judgements

The preparation of the School's financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management consider the areas set out below to be those where critical accounting judgements have been applied and the resulting estimates and assumptions may lead to adjustment to the future carrying amounts of assets and liabilities.

Defined benefit pension schemes

The School participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL). Both are defined benefit schemes and are externally funded.

The calculation of the School's contribution to the deficit depends on several factors including salary increases, growth of staff numbers and the discount rate on corporate bonds. Management estimates these factors in determining the net pension provision in the balance sheet (note 19).

Income recognition

Judgement is applied in determining the value and timing of recognition in the financial statements of certain material income items such as large gifts and grants. This includes determining when performance related conditions have been met, and determining the revenues associated with partially delivered courses.

Useful lives of property, plant and equipment

Property, plant and equipment represent a significant proportion of the School's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and the School's reported performance. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events. Details of the carrying values of property, plant and equipment are shown in note 12.

Heritage assets

The School has manuscripts of historic value stored in the Library archive and various works of art. These assets are not included within tangible fixed assets and no value is ascribed to them as it is not practicable to determine their market value. They are not held with the intention to sell.

Impairment of assets

The provision for doubtful debts is based on our estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due.

Consolidated Statement of Comprehensive Income and Expenditure

Company Registration no 00070527

Year ended 31 July 2021

	Notes	Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
INCOME					
Tuition fees and education contracts	1	250,749	228,111	250,749	228,111
Funding body grants	2	37,001	29,304	37,001	29,304
Research grants and contracts	3	34,932	34,246	32,838	31,811
Other income	4	54,437	66,898	52,780	63,535
Investment income	5	3,286	3,879	3,296	3,883
Total income before endowments and donations		380,405	362,438	376,664	356,644
Donations and endowments	6	14,400	58,469	14,400	58,469
Total income		394,805	420,907	391,064	415,113
EXPENDITURE					
Staff costs	7	216,752	220,334	215,290	218,291
Movement in USS Pension Provision	7	(12,954)	(41,740)	(12,954)	(41,740)
Other operating expenses		109,086	136,438	107,343	132,736
Depreciation	11, 12	15,492	15,047	15,480	15,034
Interest and other finance costs	10	9,038	9,730	9,038	9,730
Total expenditure	9	337,414	339,809	334,197	334,051
Surplus before other gains		57,391	81,098	56,867	81,062
Gain/(loss) on investments		49,072	(3,681)	49,072	(3,681)
Change in fair value of hedging financial instruments	18	6,640	(2,617)	6,640	(2,617)
Surplus before tax		113,103	74,800	112,579	74,764
Taxation		–	–	–	–
Surplus for the year		113,103	74,800	112,579	74,764
Total comprehensive income for the year		113,103	74,800	112,579	74,764
Represented by:					
Endowment comprehensive income for the year	20	42,434	43,384	42,434	43,384
Restricted comprehensive income for the year	21	1,566	3,000	1,566	3,000
Unrestricted comprehensive income		69,103	28,416	68,579	28,380
		113,103	74,800	112,579	74,764

All items of income and expenditure relate to continuing activities.

Consolidated and School Balance Sheet

At 31 July 2021

	Notes	Group 2021 £'000	Group 2020 £'000	School 2021 £'000	School 2020 £'000
			Restated		Restated
Non-current assets					
Intangible assets	11	1,497	2,710	1,497	2,710
Fixed assets	12	682,432	639,081	682,038	638,675
Investments	13	351,124	296,816	351,274	296,966
		1,035,053	938,607	1,034,809	938,351
Current assets					
Stock	15	268	189	268	189
Trade and other receivables	16	46,233	54,366	46,881	54,724
Cash and cash equivalents	22	109,982	36,113	105,637	34,122
		156,483	90,668	152,786	89,035
Less Creditors: amounts falling due within one year	17	(207,083)	(114,740)	(203,666)	(112,851)
Net current liabilities		(50,600)	(24,072)	(50,880)	(23,816)
Total assets less current liabilities		984,453	914,535	983,929	914,535
Creditors: amounts falling due after more than one year	17	(188,013)	(218,618)	(188,013)	(218,618)
Pension provisions	19	(38,720)	(51,300)	(38,720)	(51,300)
Total net assets		757,720	644,617	757,196	644,617
Restricted reserves					
Income and expenditure reserve – endowment reserves	20	240,849	198,415	240,849	198,415
Income and expenditure reserve – restricted reserves	21	11,685	10,119	11,685	10,119
		252,534	208,534	252,534	208,534
Unrestricted reserves					
Income and expenditure reserve – unrestricted		505,186	436,083	504,662	436,083
Total reserves		757,720	644,617	757,196	644,617

The financial statements on pages 47-72 were approved by Council on 23 November 2021 and were signed on their behalf on that date by:

Dr Susan Liautaud
Chair of Council

Baroness Shafik
Director

Consolidated and School Statement of Changes in Reserves

Group	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2020	198,415	10,119	436,083	644,617
Surplus from the income and expenditure statement	42,434	1,566	62,463	106,463
Other comprehensive income	–	–	6,640	6,640
Total comprehensive income for the year	42,434	1,566	69,103	113,103
Balance at 31 July 2021	240,849	11,685	505,186	757,720
Balance at 1 August 2019	155,031	7,119	407,667	569,817
Surplus from the income and expenditure statement	43,384	3,000	31,033	77,417
Other comprehensive income	–	–	(2,617)	(2,617)
Total comprehensive income for the year	43,384	3,000	28,416	74,800
Balance at 31 July 2020	198,415	10,119	436,083	644,617

School	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2020	198,415	10,119	436,083	644,617
Surplus from the income and expenditure statement	42,434	1,566	61,939	105,939
Other comprehensive income	–	–	6,640	6,640
Total comprehensive income for the year	42,434	1,566	68,579	112,579
Balance at 31 July 2021	240,849	11,685	504,662	757,196
Balance at 1 August 2019	155,031	7,119	407,703	569,853
Surplus from the income and expenditure statement	43,384	3,000	30,997	77,381
Other comprehensive income	–	–	(2,617)	(2,617)
Total comprehensive income for the year	43,384	3,000	28,380	74,764
Balance at 31 July 2020	198,415	10,119	436,083	644,617

Consolidated Cash Flow Statement

Year ended 31 July 2021

	Notes	Group 2021 £'000	Group 2020 £'000
			Restated
Cash flow from operating activities			
Surplus for the year		113,103	74,800
Adjustment for non-cash items			
Depreciation	11, 12	15,492	15,047
Amortisation of premium on bonds	13	215	982
(Gain)/loss on investments		(49,072)	3,681
(Decrease)/increase in fair value of hedging financial instrument	18	(6,640)	2,617
Increase in stock	15	(79)	(46)
Decrease/(increase) in debtors	16	8,133	(15,700)
Decrease in creditors	17	(6,965)	9,983
Decrease in pension provision	19	(12,580)	(40,293)
Adjustment for investing or financing activities			
Investment income	5	(3,286)	(3,879)
Interest payable	10	8,664	8,283
Endowment income	6	(7,105)	(49,702)
Loss on the sale of tangible fixed assets		147	43
Capital grant income	2	(1,550)	(1,550)
Net cash inflow from operating activities		58,477	4,266
Cash flows from investing activities			
Capital grants received		1,550	1,550
Disposal of non-current asset investments		142,306	101,977
Investment income	5	3,286	3,879
Payments made to acquire fixed assets	12	(57,777)	(43,557)
Payments made to acquire intangible assets	11	–	(939)
Purchase of non-current asset investments	13	(143,906)	(117,415)
Increase in investment cash	13	(3,851)	(1,759)
		(58,392)	(56,264)
Cash flows from financing activities			
Interest paid	10	(8,664)	(8,283)
Endowment cash received	6	7,105	49,702
New loans	23	80,000	–
Repayments of amounts borrowed	23	(4,657)	(4,657)
		73,784	36,762
Increase/(decrease) in cash and cash equivalents in the year		73,869	(15,236)
Cash and cash equivalents at beginning of the year	22	36,113	51,349
Cash and cash equivalents at end of the year	22	109,982	36,113

Notes to the Financial Statements

Year ended 31 July 2021

1 TUITION FEES AND EDUCATION CONTRACTS	Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
Tuition fees:				
Home/EU students	78,384	65,557	78,384	65,557
Overseas students	143,241	133,642	143,241	133,642
Other courses	26,588	26,030	26,588	26,030
Examination and other fees	2,536	2,882	2,536	2,882
	<u>250,749</u>	<u>228,111</u>	<u>250,749</u>	<u>228,111</u>

2 FUNDING BODY GRANTS	Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
Block recurrent	24,158	21,566	24,158	21,566
Capital grant	1,696	1,550	1,696	1,550
Higher Education Innovations Fund	6,190	3,406	6,190	3,406
Other specific grants	4,957	2,782	4,957	2,782
	<u>37,001</u>	<u>29,304</u>	<u>37,001</u>	<u>29,304</u>

	Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
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The source of grant and fee income, excluding VAT, included in notes 1 and 2 above is as follows:

Grant income from the Office for Students	2,135	1,692	2,135	1,692
Grant income from other bodies	34,865	27,613	34,865	27,613
Fee income for taught awards	229,819	198,424	229,819	198,424
Fee income for research awards	5,513	5,133	5,513	5,133
Fee income from non-qualifying courses	15,418	24,553	15,418	24,553
	<u>287,750</u>	<u>257,415</u>	<u>287,750</u>	<u>257,415</u>

3 RESEARCH GRANTS AND CONTRACTS	Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
Research Councils	11,305	9,487	11,305	9,487
Government departments	5,400	5,003	4,985	4,863
Charities	1,812	1,798	1,699	1,714
European Commission and other EU based funders	9,684	10,095	8,976	8,945
Other outside bodies	6,731	7,863	5,873	6,802
	<u>34,932</u>	<u>34,246</u>	<u>32,838</u>	<u>31,811</u>

Notes to the Financial Statements continued...

		Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
4 OTHER INCOME					
Residences and catering		16,866	28,394	16,679	24,417
Academic department income attributable to other activities		123	526	123	526
University of London International Programmes (ULIP)		10,733	9,994	10,733	9,994
Consultancy services and executive education (LSE Enterprise Limited)		3,803	5,294	–	–
Other services rendered		16,845	15,651	19,184	21,598
VAT Recovery		773	599	773	599
Staff and student facilities		71	664	71	664
Sundry		5,223	5,776	5,217	5,737
		54,437	66,898	52,780	63,535

		Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
5 INVESTMENT INCOME					
	Notes				
Investment income on endowments	20	2,301	2,458	2,301	2,458
Other investment income		985	1,421	995	1,425
		3,286	3,879	3,296	3,883

		Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
6 DONATIONS AND ENDOWMENTS					
New endowments	20	7,105	49,702	7,105	49,702
Donations with restrictions	21	3,849	3,950	3,849	3,950
Donations with performance related conditions		–	10	–	10
Other donations		3,446	4,807	3,446	4,807
		14,400	58,469	14,400	58,469

Notes to the Financial Statements continued...

		Group	Group	School	School
		2020-21	2019-20	2020-21	2019-20
		£'000	£'000	£'000	£'000
7 STAFF COSTS					
Wages and salaries		171,149	174,665	169,885	172,834
Social Security costs		18,087	18,560	17,931	18,387
Other pension costs		27,516	27,109	27,474	27,070
		<u>216,752</u>	<u>220,334</u>	<u>215,290</u>	<u>218,291</u>
USS pension provision utilised in year	19	(2,142)	(1,781)	(2,142)	(1,781)
Movement on USS pension provision	19	(10,812)	(39,959)	(10,812)	(39,959)
		<u>(12,954)</u>	<u>(41,740)</u>	<u>(12,954)</u>	<u>(41,740)</u>
		<u>203,798</u>	<u>178,594</u>	<u>202,336</u>	<u>176,551</u>

The School acts as an agent for its subsidiaries. In the current year, the School made management charges of £144k (2019-20 £2,290k) to LSE Lets Limited and £787k (2019-20 £1,721k) to LSE Enterprise Limited. These include staff costs.

		Group	Group
		2020-21	2019-20
		Number	Number
The average monthly number of persons employed by the group during the year expressed as full-time equivalent was:			
Research and teaching		1,692	1,658
Operational services		1,253	1,300
		<u>2,945</u>	<u>2,958</u>

Notes to the Financial Statements continued...

7 STAFF COSTS CONTINUED...

DIRECTORS' REMUNERATION	Group 2020-21 £'000	Group 2019-20 £'000
Emoluments (2020-21: Six directors, 2019-20: Seven directors)	845	881

All Directors making pension contributions joined the pension salary sacrifice scheme. Included in the above are emoluments of the Director of the School:

	Group 2020-21 £'000	Group 2019-20 £'000
Baroness Shafik – Director		
Basic salary	378	378
20% COVID related salary cut (from June 2020 to February 2021)	(44)	(13)
Net salary	334	365
Pension contributions	84	79
Other taxable benefits:		
Accommodation	24	-
Accommodation expenses	8	9
	32	9
Non taxable benefits:		
Accommodation	36	54
	486	507

Salaries are stated gross, before deductions of pension contributions made under the School's salary sacrifice scheme. The Director waived 20 per cent of salary from June 2020 to February 2021 in response to the COVID-19 situation.

The Director is regarded as carrying representative status and is required, in accordance with her contract of employment, to live in School provided accommodation for more effective performance of her duties. The property is funded from a historic legacy gifted for this purpose so does not represent a cost to the School's general funds. It is reported at the estimated annual income (net of costs) it could generate if let on the open market for the period between 1 August 2020 and 5 April 2021. From 6 April 2021 the representative occupier tax exemption is no longer valid and therefore accommodation has been pro-rated accordingly between non-taxable and taxable benefits.

LSE is one of the foremost universities in the world specialising across the full range of social, political and economic sciences. A member of the Russell Group, LSE has the highest proportion of world-leading research of any UK university, based on the 2014 Research Excellence Framework. The School's LSE 2030 Strategy sets out the ambition to be the leading social science institution with the greatest global impact.

Baroness Shafik LSE Director

Minouche Shafik was previously Deputy Governor of the Bank of England and has held senior leadership roles at the World Bank, the IMF in Washington DC, and in the Department for International Development within the UK Civil Service. In July 2020, the UK Government announced that the Director was to become a Life Peer in the House of Lords.

The Director's complex set of responsibilities calls for a particular combination of qualities; the profile of the Director and the internationally competitive leadership position that the School plays in the social sciences were factors in determining her ongoing remuneration.

The Director's performance objectives for the year are set by the Chair of Council on the advice of the Remuneration Committee at the beginning of the academic year. The Chair of Council undertakes an annual performance review of the Director against the objectives, the results of which are reported to the Remuneration Committee and the Committee uses this information as the basis for assessing progress against agreed outcomes at the end of the year

The Director's pay ratio, based on basic pay as a ratio of the median basic salary of all staff, was 10.8 (2020: 10.0). The total remuneration ratio (including accommodation) was 11.5 (2020: 11.8). Basic salary and total remuneration are based on full-time equivalent pay for permanent and contract staff employed during 2020-21.

Notes to the Financial Statements continued...

7 STAFF COSTS CONTINUED...

The number of staff, excluding the Director, employed by the School during the year whose basic salary is above £100k.

	2020-21	2019-20
£100,000 – £104,999	27	31
£105,000 – £109,999	22	14
£110,000 – £114,999	26	29
£115,000 – £119,999	26	23
£120,000 – £124,999	14	15
£125,000 – £129,999	18	14
£130,000 – £134,999	11	9
£135,000 – £139,999	7	8
£140,000 – £144,999	7	8
£145,000 – £149,999	11	9
£150,000 – £154,999	7	7
£155,000 – £159,999	12	8
£160,000 – £164,999	5	5
£165,000 – £169,999	2	2
£175,000 – £179,999	2	2
£180,000 – £184,999	1	1
£185,000 – £189,999	1	1
£190,000 – £194,999	2	3
£195,000 – £199,999	2	2
£205,000 – £209,999	2	2
£210,000 – £214,999	1	–
£215,000 – £219,999	–	1
£220,000 – £224,999	1	1
£265,000 – £269,999	1	1
£375,000 – £379,999	1	1
	209	197

In accordance with the OfS Accounts Direction, this data does not include any staff who joined or left during the year.

Key management personnel

Key management personnel (excluding the Director) are those persons having authority and responsibility for planning, directing and controlling the activities of the School and are members of the School Management Committee. Staff costs include compensation paid to key management personnel.

Key personnel (2020-21: 8, 2019-20: 7) are:

Pro-Directors, Chief Financial Officer, Chief Operating Officer and School Secretary.

	Group 2020-21 £'000	Group 2019-20 £'000
Key management personnel compensation	1,184	1,129

Members of the Senior Management Committee have waived 10 per cent of their salary, totalling £61k from September 2020 to February 2021 in response to the COVID-19 situation.

Payment of compensation for loss of office totalling £1,728k was made to 93 staff in 2020-21 (2019-20: 116 staff, £2,175k).

Notes to the Financial Statements continued...

8 ACCESS AND PARTICIPATION	Group 2020-21 £'000	Group 2019-20 £'000
Access Investment	958	732
Financial Support	3,877	3,528
Disability Support (excluding expenditure included in the two categories above)	376	270
Research and Evaluation	140	79
	5,351	4,609

The Access and Participation costs include £1,002k (2019-20 £779k) of staff costs which are reported in Note 7.

The School's Access and Participation plan is published at lse.ac.uk/study-at-lse/Undergraduate/widening-participation/Assets/PDF/LondonSchoolOfEconomicsAndPoliticalScience-APP-2020-21-V1-10004063.pdf

9 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Group 2020-21 Staff costs £'000	Group 2020-21 Non pay costs £'000	Group 2020-21 Total £'000	Group 2019-20 Total £'000	School 2020-21 Total £'000	School 2019-20 Total £'000
Academic departments and other academic activities	131,570	9,860	141,430	158,018	141,430	158,018
Library and data and technology services	9,967	11,422	21,389	22,176	21,389	22,175
Research grants and contracts	16,055	4,034	20,089	20,618	20,089	20,618
Scholarships	–	24,966	24,966	23,706	24,966	23,706
General education expenditure	8,598	1,831	10,429	9,982	10,429	9,982
Estates	10,520	14,536	25,056	27,741	25,056	27,740
Administration and central services	16,142	9,815	25,957	21,190	26,464	21,190
Staff and student facilities	8,341	3,630	11,971	10,010	11,971	10,010
Residences and catering	7,349	15,034	22,383	32,626	22,383	32,623
Consultancy services, executive education and other services rendered	4,281	9,736	14,017	18,281	10,324	12,564
USS pension provisions utilised in year	(2,142)	–	(2,142)	(1,781)	(2,142)	(1,781)
	210,681	104,864	315,545	342,567	312,359	336,845
Movement on USS provision	(10,812)	–	(10,812)	(39,959)	(10,812)	(39,959)
Miscellaneous	3,929	4,222	8,151	12,424	8,132	12,401
Depreciation						
– Estates and IT	–	14,439	14,439	13,891	14,427	13,878
– Residences and catering	–	1,053	1,053	1,156	1,053	1,156
Interest and other finance costs	–	9,038	9,038	9,730	9,038	9,730
	203,798	133,616	337,414	339,809	334,197	334,051
Other operating expenses include:						
Fees payable to the School's auditors for the audit of the financial statements			105	104	105	104
Fees payable to the School's auditors for other services:						
Audit of the financial statements of the School's subsidiaries			10	7	–	–
Other services relating to taxation			–	4	–	–
All other services			3	34	3	34
			118	149	108	138
Operating lease rentals						
Land and buildings			8,564	10,322	8,564	10,322
Other			785	881	785	881
			9,349	11,203	9,349	11,203

Notes to the Financial Statements continued...

10 INTEREST AND OTHER FINANCE COSTS	Note	Group 2020-21 £'000	Group 2019-20 £'000	School 2020-21 £'000	School 2019-20 £'000
Loan interest		8,664	8,283	8,664	8,283
Net charge on pension scheme	19	374	1,447	374	1,447
		9,038	9,730	9,038	9,730

11 INTANGIBLE ASSETS		Group £'000	School £'000
Software			
As at 1 August 2020		2,710	2,710
Reclassification of Assets as Tangible	12	(351)	(351)
Amortisation charge for year		(862)	(862)
As at 31 July 2021		1,497	1,497

12 TANGIBLE FIXED ASSETS		Land and Buildings £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
GROUP					
Cost					
As at 1 August 2020		669,947	18,214	84,547	772,708
Additions in year		–	–	57,777	57,777
Transfer		6,437	–	(6,437)	–
Reclassification of Assets from Intangibles	11	–	–	351	351
Disposals in year		(1,576)	(101)	–	(1,677)
As at 31 July 2021		674,808	18,113	136,238	829,159
Accumulated depreciation					
As at 1 August 2020		116,705	16,922	–	133,627
Charge for year		14,018	612	–	14,630
Disposals in year		(1,429)	(101)	–	(1,530)
As at 31 July 2021		129,294	17,433	–	146,727
Net book value					
As at 1 August 2020		553,242	1,292	84,547	639,081
As at 31 July 2021		545,514	680	136,238	682,432
SCHOOL					
Cost					
As at 1 August 2020		669,281	18,209	84,547	772,037
Additions in year		–	–	57,777	57,777
Transfer		6,437	–	(6,437)	–
Reclassification of Assets from Intangibles	11	–	–	351	351
Disposals in year		(1,576)	(76)	–	(1,652)
As at 31 July 2021		674,142	18,133	136,238	828,513
Accumulated depreciation					
As at 1 August 2020		116,445	16,917	–	133,362
Charge for year		14,006	612	–	14,618
Disposals in year		(1,429)	(76)	–	(1,505)
As at 31 July 2021		129,022	17,453	–	146,475
Net book value					
As at 1 August 2020		552,836	1,292	84,547	638,675
As at 31 July 2021		545,120	680	136,238	682,038

Group and School

Fixed assets acquired by the School are funded mainly by retained surplus. Many assets have conditions attached in the case of disposal and the proceeds may therefore not be available to the School. The School has manuscripts of historic value stored in the Library archive and works of art. These assets are not included within the tangible fixed assets and no market value is ascribed to them. It is not practical to determine the market value of the heritage assets. The cost associated with the custodianship would materially reduce their market value. In 2020-21, the Library's contents and works of art are insured for £178.5 million and £2.0 million respectively.

Notes to the Financial Statements continued...

		Fixed asset investments	
		£'000	
13 NON-CURRENT INVESTMENTS			
Group			
As at 1 August 2020			296,816
Additions			143,906
Disposals			(142,059)
Increase in market value of investments			48,825
Increase in investment cash			3,851
Amortisation of premium on bonds			(215)
As at 31 July 2021			351,124
Other fixed assets investments consist of:		2021	2020
Group and School		£'000	£'000
Analysis of closing balance			
UK equities		53,771	44,389
Overseas equities		202,640	128,583
UK corporate bonds		49,523	43,961
Properties		25,181	20,727
Money market funds		9,090	53,147
Cash on account		10,011	5,975
Shared equity housing loans		874	-
Share of freehold property		34	34
		351,124	296,816
Made up of the following portfolios:			
Capital projects		41,920	41,761
Strategic investment fund		24,978	19,798
Growth		229,289	187,019
Gift matching		22,137	21,717
FER		31,892	26,487
Shared equity housing loans		874	-
Share of freehold property		34	34
		351,124	296,816
		School	School
		2021	2020
		£'000	£'000
Subsidiary Undertakings			
At cost		150	150
Name	Nature of Business	Country of registration	Shareholding £1 Ordinary Shares
			Number of Shares
LSE Enterprise Limited Houghton Street, London, WC2A 2AE	Consultancy	England	100%
			150,000
LSE LETS Limited Houghton Street, London, WC2A 2AE	Vacation Lettings	England	100%
			2

The business of LSE LETS Limited was transferred to LSE Enterprise Limited as at 31 July 2021. LSE LETS Limited is dormant from 1 August 2021.

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 in the Consolidated Statement of Comprehensive Income and Expenditure.

Notes to the Financial Statements continued...

Participating undertakings

The School has invested in commercialisation opportunities in order to generate revenues to contribute to the sustainability of its core research, but recognises the uncertain nature of direct financial returns from this type of activity at least in the short term. A prudent approach has been adopted and thus a provision equivalent to the full value of the investment has been made.

14 JOINTLY RUN COURSES

The School has a one third share in the TRIUM MBA course with NYU Stern and HEC Paris. As the School acts as agent in this regard, one third of the income and expenditure of the jointly controlled operation is recognised in the School's Statement of Comprehensive Income and Expenditure whilst the assets and liabilities of the operation are included within the School's balance sheet. The total cash held by the School as an administrator as at 31 July 2021 was \$13.39 million (2020: \$19.13 million).

The jointly controlled operation is disclosed in the financial statements as follows:

	Group 2021 £'000	Group 2020 £'000
Income and Expenditure		
Share of income	1,676	1,990
Share of expenditure	(1,092)	(1,352)
Share of surplus	584	638
Balance sheet		
Gross assets	15,221	21,634
Gross liabilities	(15,221)	(21,634)
Share of reserves	-	-
Balances due to other partners (within Other Creditors)	1,569	1,957

Prior year restatement

The following notes and financial statement figures for 2020 have been restated to correctly reflect the assets and liabilities of TRIUM within LSE's balance sheet as LSE operates as agent on behalf of the other partners.

In Note 16, the 2020 restated figures include an addition of £6.4 million to Other trade receivables, a reduction of £8.2 million to Other receivables and a reduction of £1.5 million to Prepayments and accrued income in relation to consolidating TRIUM's assets at July 2020.

In Note 17, the 2020 restated figures include an addition of £2.0 million of other creditors, a reduction of £0.5 million of accruals and an addition of £9.8 million of deferred income in relation to consolidating TRIUM's liabilities.

	Group 2021 £'000	Group 2020 £'000	School 2021 £'000	School 2020 £'000
15 STOCK				
Food, beverages and consumables	268	189	268	189

Notes to the Financial Statements continued...

	Group 2021 £'000	Group 2020 £'000	School 2021 £'000	School 2020 £'000
16 TRADE AND OTHER RECEIVABLES				
Amounts falling due within one year:		Restated		Restated
Other trade receivables	26,435	33,484	25,061	31,180
Research grants receivable	7,362	7,568	7,362	7,568
Amounts due from group undertakings	–	–	3,002	3,783
Taxation and Social Security	393	593	438	593
Staff loans for housing	24	34	24	34
Other receivables	531	345	622	322
Prepayments and accrued income	11,230	11,861	10,114	10,763
	45,975	53,885	46,623	54,243
Amounts falling due after more than one year:				
Staff loans for housing	258	481	258	481
	46,233	54,366	46,881	54,724

Amounts receivable are shown net of an allowance for debts considered not to be recoverable at the Balance Sheet date. The 2020 other trade receivables have been restated to correctly reflect fees received in advance of £11.6 million.

	Group 2021 £'000	Group 2020 £'000	School 2021 £'000	School 2020 £'000
17 CREDITORS				
Amounts falling due within one year:		Restated		Restated
Bank loans	84,658	4,657	84,658	4,657
Trade payables	4,933	2,414	4,716	2,391
Research creditors and prepayments	27,661	24,632	27,661	24,632
Amounts due to group undertakings	–	–	–	1,958
Taxation and social security	119	53	119	49
Other creditors	7,718	7,848	7,718	7,687
Accruals	28,883	33,585	26,065	30,376
Provision for dilapidations	687	3,405	687	3,405
Receipts in advance and deferred income	52,424	38,146	52,042	37,696
	207,083	114,740	203,666	112,851
Amounts falling due after one year:				
Bank loans and loan notes	155,271	159,929	155,271	159,929
Derivatives	25,447	32,087	25,447	32,087
Other creditors	7,246	6,003	7,246	6,003
Deferred Income	–	20,530	–	20,530
Deferred VAT payments	49	69	49	69
	188,013	218,618	188,013	218,618

Included within creditors are Provisions for dilapidations of £687k (2019-20: £3.4m) in relation to several rental lease agreements that the School is expected to terminate over the next few years.

The 2020 receipts in advance have been restated to correctly reflect fees received in advance of £11.6 million.

Included in research creditors and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Group 2021 £'000	Group 2020 £'000	School 2021 £'000	School 2020 £'000
Donations	20,848	20,846	20,848	20,846
Research grants received on account	27,660	24,419	27,660	24,419
Grant income	1,458	1,939	1,458	1,939
	49,966	47,204	49,966	47,204

Other creditors – falling due after one year

This includes monies held in trust. The School is entitled to the income, which is used to advance education by supporting an academic programme.

Notes to the Financial Statements continued...

18 BORROWINGS	Group 2021 £'000	Group 2020 £'000	School 2021 £'000	School 2020 £'000
Bank loans and loan notes are repayable as follows:				
In one year or less	84,658	4,657	84,658	4,657
Between one and two years	4,657	4,657	4,657	4,657
Between two and five years	13,971	13,971	13,971	13,971
In five years or more	136,643	141,301	136,643	141,301
	239,929	164,586	239,929	164,586

The School has a £75.0 million amortising loan repayable by December 2028 secured over School property. £34.9 million was outstanding at 31 July 2021 (2020: £39.6 million). The School has entered into interest rate swap agreements (derivatives) with a nominal value totalling £65.0 million. 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 are shown at market value at the balance sheet date.

The School issued a corporate bond under the Bank of England COVID Corporate Finance Facility which is repayable in March 2022.

Lender	£m	Maturity	Interest Rate	Borrower
Bank of England COVID Corporate Finance Facility	80.0	3 March 2022	0.25%	School
Bank loan	34.9	22 December 2028	Libor + 0.25%	School
Private placement	30.0	27 November 2028	3.73% to 4.15%	School
Private placement	25.0	27 November 2043		School
Private placement	30.0	27 November 2043		School
Private placement	40.0	27 November 2053		School
Total	239.9			

	Group 2021 £'000	Group 2020 £'000	School 2021 £'000	School 2020 £'000
Derivatives				
Fair value at 1 August 2020	32,087	29,470	32,087	29,470
Change in fair value	(6,640)	2,617	(6,640)	2,617
Fair value at 31 July 2021	25,447	32,087	25,447	32,087

19 PENSION PROVISIONS	Notes	Obligation to fund deficit on USS Pension £'000	Pension enhancement on termination £'000	Total Pensions Provisions £'000
Group and School				
As at 1 August 2020		51,291	9	51,300
Utilised in year	7	(2,142)	–	(2,142)
Net charge on pension scheme	10	374	–	374
Reduction in year	7	(10,812)	–	(10,812)
As at 31 July 2021		38,711	9	38,720

Notes to the Financial Statements continued...

Obligation to fund deficit on USS Pension

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 24.

At 31 July 2021 the School's obligation to fund the deficit on the USS Scheme 2.0 percentage points per annum from October 2019 to September 2021 and 6.0 percentage points thereafter until September 2028. Using prudent estimates of the School's future payroll expenditure and an appropriate discount rate this represented a provision of £51.3 million.

At 31 July 2020 the School's obligation to fund the deficit on the USS Scheme 2.0 percentage points per annum from October 2019 to September 2021 and 6.3 percentage points from March 2022 until September 2028. Using prudent estimates of the School's future payroll expenditure and an appropriate discount rate this represented a provision of £38.7 million.

The 2020 valuation has now been signed and filed with the Pensions Regulator. Proposed amendments in benefits, contribution rates and resultant deficit recovery period are subject to member consultation.

Management have used the following estimates of the growth in employee numbers, salary payments and applied a 0.89 per cent discount in establishing a present value of these obligations:

	Group and School
Inflation	1 – 4 % over the period
Staff numbers	(6.39%) – 0.00% over the period

Pension enhancement on termination

Pension enhancements are payable to staff who have retired under the previous superannuation scheme for academic and related staff, FSSU.

20 ENDOWMENT RESERVES	Expendable £'000	Restricted permanent £'000	2021 Total £'000	2020 Total £'000
Group and School				
Capital value	99,219	95,966	195,185	152,555
Accumulated income	2,473	757	3,230	2,476
As at 1 August 2020	101,692	96,723	198,415	155,031
New endowments	2,969	4,136	7,105	49,702
Investment income	1,367	934	2,301	2,458
Expenditure for the year	(5,785)	(1,350)	(7,135)	(5,600)
Increase/(decrease) in market value of investments	19,505	20,658	40,163	(3,176)
Total endowment comprehensive income for the year	18,056	24,378	42,434	43,384
As at 31 July 2021	119,748	121,101	240,849	198,415
Represented by:				
Capital value	116,821	120,243	237,064	195,185
Accumulated income	2,927	858	3,785	3,230
	119,748	121,101	240,849	198,415
Analysis by type of purpose:				
Named chairs and lectureships	12,667	38,714	51,381	42,398
Scholarships and bursaries	19,922	28,093	48,015	37,408
Research support	10,682	52,359	63,041	53,916
Library	218	1,935	2,153	1,766
Widening Participation	563	–	563	543
Support for academic activities	71,061	–	71,061	58,626
General	4,635	–	4,635	3,758
	119,748	121,101	240,849	198,415
Analysis by asset				
Non current asset investments	119,748	119,665	239,413	196,855
Cash and cash equivalents	–	–	–	94
Receivables	–	1,436	1,436	1,466
	119,748	121,101	240,849	198,415

Notes to the Financial Statements continued...

	Donations	
	2021 Total £'000	2020 Total £'000
21 RESTRICTED RESERVES		
Group and School		
Reserves with restrictions are as follows:		
As at 1 August 2020	10,119	7,119
New donations	3,849	3,950
Other income	652	–
Gain on investment	135	(21)
Investment income	7	55
Expenditure for the year	(3,077)	(984)
Total restricted comprehensive income for the year	1,566	3,000
As at 31 July 2021	11,685	10,119
	2021 Total £'000	2020 Total £'000
Analysis of other restricted funds /donations by type of purpose:		
Research support	3,559	2,115
Support for academic activities	6,491	7,473
Support for facilities	75	32
Capital development	100	100
Student support	1,460	399
	11,685	10,119

Notes to the Financial Statements continued...

22 CASH AND CASH EQUIVALENTS	At 1 August 2020	Cash flows £'000	At 31 July 2021
Group	£'000		£'000
	Restated		
Cash and cash equivalents	28,837	74,284	103,121
Bank deposits	7,276	(415)	6,861
	36,113	73,869	109,982

The 2020 balance has been restated to include the £14.6 million TRIUM bank balance that LSE holds as an administrator.

23 CONSOLIDATED RECONCILIATION OF NET DEBT	2021
Net debt 1 August 2020	£'000
Movement in cash and cash equivalents	(73,869)
New loans obtained in year	80,000
Loan repayments	(4,657)
Changes in market value and exchange rates	(6,640)
Net debt 31 July 2021	155,394
Change in net debt	(5,166)

Analysis of net debt:	2021	2020
Cash and cash equivalents	£'000	£'000
		Restated
Cash and cash equivalents	109,982	36,113
Borrowings: amounts falling due within one year		
Secured loans	4,658	4,657
Unsecured loans	80,000	–
	84,658	4,657
Borrowings: amounts falling due after more than one year		
Derivatives	25,447	32,087
Secured loans	30,271	34,929
Unsecured loans	125,000	125,000
	180,718	192,016
Net debt	155,394	160,560

24 PENSION COMMITMENTS

The School participates in the Universities' Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL). USS is a combination of a defined benefit and defined contribution scheme. SAUL is a defined benefit scheme.

Pension Scheme	USS		SAUL	
	2021	2020	2021	2020
Active members	1,786	1,797	1,252	1,321
Contribution rate made by School			16%	16%
For the period from 1 October 2019	21.1%	21.1%		
For the period from 1 April 2019 to 30 September 2019		19.5%		
Contribution made (in £'000)	22,602	22,295	4,800	4,839

Notes to the Financial Statements continued...

(i) USS

General description of the scheme

The School participates in the Universities Superannuation Scheme and is available to staff members on or above Salary Band 6; the scheme requires exclusivity of memberships for these grades. USS is a UK wide scheme with more than 350 Higher Education Institutions as members and is a not-for-profit corporate trustee.

The scheme is a hybrid pension scheme, providing defined benefits for all members, as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Due to the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liability of the scheme on a consistent and reasonable basis. The following disclosures reflect those relevant for the scheme as a whole.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 was signed and filed with the Pensions Regulator with an effective date of 1 October 2021.

The 2018 valuation was the fifth valuation for the scheme under the 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. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:	2021	2020
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of two per cent of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6 per cent. The 2020 deficit recovery liability reflects this plan. The liability figures of the Scheme have been produced using the following assumptions:

Notes to the Financial Statements continued...

	2021	2020
Discount rate	0.89%	0.79%
Pensionable salary growth	Between (3.5%) and 4.0%	Between 4.0% and 6.6%

(ii) SAUL**General description of the pension scheme**

The School participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016). The Scheme is available to staff members on salary bands 1 to 5.

SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education. Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings ("CARE") basis.

The School is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding Policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the "Technical Provisions"). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2020. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed by the Trustee and employers in June 2021 and will be reviewed at SAUL's next formal valuation in 2023. At the 31 March 2020 valuation SAUL was 94% funded on its Technical Provisions basis. However, market movements following the valuation date were positive and the Trustee and the Employers agreed to allow for post-valuation experience up to 30 April 2021. As SAUL was in surplus on its Technical Provisions basis at that date, no deficit contributions were required. However, the Trustee and the Employers have agreed that the ongoing Employers' contributions will increase from a rate of 16 per cent of CARE Salaries to 19 per cent of CARE Salaries from 1 April 2022 and to 21 per cent of CARE Salaries from 1 January 2023.

(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 2021 £'000	Group 2020 £'000	School 2021 £'000	School 2020 £'000
25 CAPITAL AND OTHER COMMITMENTS				
Provision has not been made for the following capital commitments at 31 July:				
Commitments contracted for:				
Capital development projects	4,431	58,700	4,431	58,700
Refurbishments	1,251	440	1,251	440
	5,682	59,140	5,682	59,140

Capital commitments will be met through a mixture of general School funds and donations.

	Land and buildings £'000	Other leases £'000	Group 2021 £'000	Group 2020 £'000
26 LEASE OBLIGATIONS				
Total rentals payable under operating leases:				
Payable during the year	8,564	785	9,349	11,203
Future minimum lease payments due:				
Within one year	5,605	149	5,754	9,164
Between two and five years	18,869	69	18,938	19,581
Five years or more	20,220	–	20,220	24,666
Total lease payments due	44,694	218	44,912	53,411

Space within some of the School's land and buildings as disclosed in note 12 tangible assets is let to third parties. These non-cancellable leases have remaining terms of between one and 20 years. The majority of leases include a provision for upward rent reviews, according to prevailing market conditions.

	Group 2021 £'000	Group 2020 £'000
Future minimum lease payments receivable:		
Within one year	1,176	1,366
Between two and five years	4,594	4,886
Five years or more	4,659	5,828
Total lease payments receivable	10,429	12,080

27 CONTINGENT LIABILITIES

The School has entered into rental guarantees with Sanctuary Students and Urbanest UK Minorities Limited. Between 2020-21 and 2040-41 the School has financial commitments relating to 1,734 beds with a potential liability estimated at £21.0 million per year.

Notes to the Financial Statements continued...

28 RELATED PARTY TRANSACTIONS

The School has maintained a Register of Interests. Written assurances have been obtained from all Council members and senior management in respect of themselves and their close family that for the year ended 31 July 2021, they have not unduly influenced any transaction between the School and a related party.

During the year ended 31 July 2021 LSE had transactions with several organisations which fall within the definition of related parties under FRS 102 Section 33 "Related Party Disclosures". Due to the nature of School's operations and the composition of Council (being drawn from a range of public and private sector organisations), it is inevitable that transactions in the normal course of business will take place with entities in which members of Council (or indeed other key management personnel) may have an interest. All such transactions, including those identified below, are carried out on normal commercial terms and in accordance with the School's Financial Regulations and procurement procedures.

The School has taken advantage of the exemption within FRS 102 Section 33 and not disclosed transactions with wholly-owned subsidiaries.

Included in the financial statements are the following transactions between the School and related parties.

Organisations with relationships with Council members and senior management	Income £	Expenditure/ Payments £	Balance due to/(from) at 31 July 2021 £
Afreximbank	10,000	–	10,000
Bank of England	4,000	–	3,529
British Museum	109	–	–
Capital City College Group	–	1,500	–
CASE (Council for the Advancement and Support of Education)	–	10,221	(1,800)
Erasmus University Rotterdam	–	10,179	–
Institute for Fiscal Studies	3,061	23,845	–
London Higher	668	20,695	–
LSE Students' Union	1,592,244	3,291,119	5,381
Penguin Random House	–	2,843	–
Russell Group of Universities	13,068	80,250	(83,000)
Standard Chartered Bank	1,940	–	–
The British Academy	–	41,572	–
The Courtauld Institute of Art	32,610	–	–
University of London	10,733,113	7,009	–
Zinc Ventures Ltd	338	43,818	–

The School's Council members are the trustees for charitable law purposes. During 2020-21, no Council members were reimbursed for travel expenses in relation to their role as trustee (2019-20: no payments). No payments were made to any trustee for serving as a trustee.

The activities of the LSE Students' Union have not been consolidated as the School does not have significant influence over its activities. The General Secretary of the Students' Union is a member of Council. During 2020-21, 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 School has entered into rental agreements with the Students' Union for specific areas of the School, which it occupies.

The School has conducted a review of linked charities in 2020-21 and found no associated entities falling within the definition set out under Section 28 of Schedule 3 of the Charities Act 2016.

29 FINANCIAL INSTRUMENTS – GROUP	Notes	Available for sale £'000	Held to maturity £'000	Total £'000	Fair Value £'000
Financial assets measured at fair value as at 31 July 2021					
Equity securities	13	281,592	–	281,592	281,592
Corporate debt securities	13	49,523	–	49,523	49,523
Cash and cash equivalents	13	19,101	–	19,101	19,101
		350,216	–	350,216	350,216
Financial assets not measured at fair value as at 31 July 2021					
Shared equity housing loans	13	–	874	874	Not available
Share of freehold property	13	34	–	34	Not available
		34	874	98	
Financial liabilities measured at fair value as at 31 July 2021					
Interest rate swaps associated with bank loans	17	25,447	–	25,447	25,447

The fair values of the assets and liabilities measured at fair value at the balance sheet date are determined using quoted prices in active markets.

Trade and other payables and receivables, amounts due to and from subsidiary companies and long term borrowing are held at amortised cost. Details can be found at notes 16, 17 and 18 to these financial statements.

30 EVENTS AFTER THE REPORTING PERIOD

As set out in note 19 in respect of the USS pension scheme, the 2020 valuation has been signed and filed with the Pensions Regulator with an effective date of 1 October 2021. The Joint Negotiating Committee is consulting with members in respect of benefit changes. Were the recommended deed executed by 28 February 2022, the new scheme of contributions, applied to the assumptions regarding future payroll cash and discounts used at 31 July 2021, would result in a provision for the obligation to fund the deficit on the USS pension of £114.4 million, an increase of £75.7 million.

Notes to the Financial Statements continued...

31 STATEMENT OF COMPREHENSIVE RESTRICTED AND UNRESTRICTED INCOME AND EXPENDITURE	Notes	Group 2020-21			Group 2019-20		
		Unrestricted and designated £'000	Restricted £'000	Total £'000	Unrestricted and designated £'000	Restricted £'000	Total £'000
INCOME							
Tuition fees and education contracts	1	250,749	–	250,749	228,111	–	228,111
Funding body grants	2	37,001	–	37,001	29,304	–	29,304
Research grants and contracts	3	34,932	–	34,932	34,246	–	34,246
Other income	4	53,785	652	54,437	66,898	–	66,898
Investment income	5	978	2,308	3,286	1,366	2,513	3,879
Total income before endowments and donations		377,445	2,960	380,405	359,925	2,513	362,438
Donations and endowments	6	3,446	10,954	14,400	4,817	53,652	58,469
Total income		380,891	13,914	394,805	364,742	56,165	420,907
EXPENDITURE							
Staff costs	7	213,110	3,642	216,752	217,552	2,782	220,334
Movement on USS Pension Provision	7	(12,954)	–	(12,954)	(41,740)	–	(41,740)
Other operating expenses		102,516	6,570	109,086	132,636	3,802	136,438
Depreciation	11, 12	15,492	–	15,492	15,047	–	15,047
Interest and other finance costs	10	9,038	–	9,038	9,730	–	9,730
Total expenditure	9	327,202	10,212	337,414	333,225	6,584	339,809
Surplus before other gains/losses		53,689	3,702	57,391	31,517	49,581	81,098
Gain/(loss) on investments	13	8,774	40,298	49,072	(484)	(3,197)	(3,681)
Change in fair value of hedging financial instruments	18	6,640	–	6,640	(2,617)	–	(2,617)
Surplus before tax		69,103	44,000	113,103	28,416	46,384	74,800
Taxation		–	–	–	–	–	–
Surplus for the year/ Total comprehensive income for the year		69,103	44,000	113,103	28,416	46,384	74,800
Represented by:							
Endowment comprehensive income for the year	20	–	42,434	42,434	–	43,384	43,384
Restricted comprehensive income for the year	21	–	1,566	1,566	–	3,000	3,000
Unrestricted comprehensive income for the year		69,103	–	69,103	28,416	–	28,416
		69,103	44,000	113,103	28,416	46,384	74,800

Notes to the Financial Statements continued...

	Group 2020-21 Total £'000	Group 2019-20 Total £'000	School 2020-2021 Total £'000	School 2019-20 Total £'000
32 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION				
Surplus before other gains/(losses)	57,391	81,098	56,867	81,062
Adjust for:				
Interest payable	8,664	8,283	8,664	8,283
Pension finance charge	374	1,447	374	1,447
Depreciation	15,492	15,047	15,480	15,034
Pension provision adjustments	(12,954)	(41,740)	(12,954)	(41,740)
Earnings before interest, tax, depreciation and amortisation	68,967	64,135	68,431	64,086

The expected cash contributions towards the deficit on the USS Pension Scheme in the financial year 2021-22 are £5.4 million (2020-21 £2.1 million).

Notes to the Financial Statements continued...

33 FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE FOR THE U.S. DEPARTMENT OF EDUCATION			School 2020-2021 Total £'000	School 2019-20 Total £'000
Primary Reserve Ratio				
Expendable Net Assets				
Balance Sheet	Statement of Financial Position – Net assets without donor restrictions	Total unrestricted reserves	505,186	436,083
Balance Sheet	Statement of Financial Position – Net assets with donor restrictions	Total restricted reserves	252,534	208,534
Note 20	Statement of Financial Position – Net assets with donor restrictions	Restricted permanent endowments	(121,101)	(96,723)
Note 11	Statement of Financial Position – Property, plant and equipment, net	Intangible assets – software	(1,497)	(2,710)
Note 12	Statement of Financial Position – Property, plant and equipment, net	Tangible fixed assets	(682,432)	(639,081)
Note 18	Statement of Financial Position – Debt obligations, net	Borrowings	239,929	164,586
Note 19	Statement of Financial Position – Post-employment and pension liabilities	Pension provision	38,720	51,300
Expendable Net Assets			231,339	121,989
Total Expenses and Losses				
Note 9	Statement of Activities – Total Operating Expenses	Total expenditure	337,414	339,809
Note 9	Statement of Activities – Total Operating Expenses	Exclude movement on USS provision	10,812	39,959
			348,226	379,768
Note 18	Statement of Activities – Non Operating Activities	Change in fair value of derivatives	(6,640)	2,617
Total Expenses and Losses			341,586	382,385
Equity Ratio				
Modified Net Assets				
Balance Sheet	Statement of Financial Position – Net Assets without Donor Restrictions	Total unrestricted reserves	505,186	436,083
Note 20	Statement of Financial Position – Net Assets with Donor Restrictions	Endowment reserves	240,849	198,415
Note 21	Statement of Financial Position – Net Assets with Donor Restrictions	Restricted reserves	11,685	10,119
Modified Net Assets			757,720	644,617
Modified Assets				
Balance Sheet	Statement of Financial Position - Non-current assets	Non-current assets	1,035,053	938,607
Balance Sheet	Statement of Financial Position - Current assets	Current assets	156,483	90,668
Modified Assets			1,191,536	1,029,275
Net Income Ratio				
Change in Net Assets without Donor Restrictions				
Consolidated Statement of Comprehensive Income and Expenditure	Statement of Activities – Change in Net Assets without Donor Restriction	Unrestricted comprehensive income for the year	69,103	28,416
Change in Net Assets without Donor Restrictions			69,103	28,416
Total Revenues and Gains without Donor Restrictions				
Consolidated Statement of Comprehensive Income and Expenditure	Statement of Activities – Total Operating Revenue and Support	Total comprehensive income for the year	394,805	420,907
Note 5	Statement of Activities – Investment return appropriated for spending	Investment income	(3,286)	(3,879)
Total Revenues and Gains without Donor Restrictions			391,519	417,028

The School participates in the US Department of Education's Federal Loan scheme and the inclusion of the supplemental schedule is a requirement of the scheme. The figures are prepared under UK Generally Accepted Accounting Practice (GAAP) and not US GAAP.

The following financial elements, included in the Financial Responsibility Supplemental Schedule Example in the Federal Register of 23 September 2019 are not applicable in calculating the composite score and so are not included above.

Secured and unsecured related party receivable
 Post implementation property, plant and equipment with or without outstanding debt
 Lease right-of-use asset elements
 Intangible assets – goodwill
 Post-implementation long term debt
 Line of credit for construction in progress
 Notes payable

Annuities with donor restrictions
 Term endowments with donor restrictions
 Life income funds with donor restrictions
 Other components of net periodic pension costs
 Change in value of split-interest agreements
 Sale of fixed assets, gains (losses)

Five year group financial summary (unaudited)

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Income					
Tuition fees and education contracts	250,749	228,111	227,406	211,543	199,346
Funding body grants	37,001	29,304	60,132	25,311	26,276
Research grants and contracts	34,932	34,246	33,267	32,903	32,113
Other income	54,437	66,898	78,140	77,309	80,475
Investment income	3,286	3,879	4,667	4,451	5,372
Total income before endowments and donations	380,405	362,438	403,612	351,517	343,582
Donations and endowments	14,400	58,469	17,190	8,920	9,489
Total income	394,805	420,907	420,802	360,437	353,071
Expenditure					
Staff costs	216,752	220,334	205,254	190,331	179,185
Change in USS pension provision	(12,954)	(41,740)	59,555	(2,327)	(4,900)
Other operating expenses	109,086	136,438	124,368	120,553	121,631
Depreciation	15,492	15,047	13,528	12,915	12,859
Interest and other finance costs	9,038	9,730	9,016	8,767	8,852
Total expenditure	337,414	339,809	411,721	330,239	317,627
Surplus before other gains	57,391	81,098	9,081	30,198	35,444
Gain/(loss) on Investments	49,072	(3,681)	10,371	10,224	18,247
Change in fair value of hedging financial instruments	6,640	(2,617)	(4,001)	3,921	7,235
Surplus before tax	113,103	74,800	15,451	44,343	60,926
Taxation	-	-	-	-	-
Total comprehensive income for the year	113,103	74,800	15,451	44,343	60,926
At July 31 year end:					
Endowment comprehensive income for the year	42,434	43,384	13,399	8,908	13,483
Restricted comprehensive income for the year	1,566	3,000	2,395	2,052	1,079
Unrestricted comprehensive income for the year	69,103	28,416	(343)	33,383	46,364
Total	113,103	74,800	15,451	44,343	60,926
Income and expenditure reserve – restricted endowment reserves	240,849	198,415	155,031	141,632	132,724
Income and expenditure reserve – restricted reserves	11,685	10,119	7,119	4,724	2,672
Income and expenditure reserve – unrestricted	505,186	436,083	407,667	408,010	374,627
Total Reserves	757,720	644,617	569,817	554,366	510,023
Held as					
Fixed assets	683,929	641,983	612,311	552,987	459,327
Investments	351,124	296,816	284,282	227,056	270,473
	1,035,053	938,799	896,593	780,043	729,800
Net working capital	(50,600)	(24,072)	(18,738)	18,585	1,054
USS pension provision	(38,720)	(51,300)	(91,857)	(31,357)	(33,186)
Other long term liabilities	(188,013)	(218,618)	(216,181)	(212,905)	(187,645)
	757,720	644,809	569,817	554,366	510,023
Adjusted cash flow*	68,868	43,267	68,489	35,391	62,518
Debt servicing costs	13,321	12,940	13,001	12,919	10,071
Debt service cover	5.2	3.3	5.3	2.7	6.2
Total borrowing including derivative	265,376	196,673	198,713	199,369	175,090
Consolidated net assets**	796,440	695,917	661,410	585,735	543,731
Total borrowing as % of consolidated net assets	33.3	28.3	30.0	34.0	32.2

*Adjusted cash flow = net cash inflow from operating activities, plus investment income and endowment cash received

** Consolidated net assets = total net assets excluding pension provision

Directors of the School and Members of Council

During the year and up to the date of signing of the Financial Statements were:

Susan Liautaud

Independent member
Chair of Council (from 1 August 2020)
Chair of the Governance Committee

Ali Nikpay

Independent member Vice Chair of Council

Martin Anthony

Ex Officio member as Vice Chair of the Academic Board

Pauline Barrieu

Academic member (from 11 May 2021)

Alastair Da Costa

Independent member
Chair of the Remuneration Committee (from 1 August 2020)
Chair of the Ethics Committee (from 1 August 2020)

Sarah Gerwens

Student member (from 16 November 2021)

David Gordon

Ex Officio member as General Secretary
of the Students' Union (until 30 June 2021)

David Higgins

Independent member
Chair of the Finance and Estates Committee
(from 1 August 2020)

John Hughes

Independent member (until 31 July 2021)

Johannes Huth

Independent member
Chair of the Audit Committee (from 1 August 2020)

Donald Kaberuka

Independent member

Musimbi Kanyoro

Independent member (from 1 January 2021)

Helly Mehta

Student member (from 16 November 2020
to 15 November 2021)

Gavin Patterson

Independent member (from 1 August 2021)

Claudine Provencher

Professional services staff member

Terhi Rantanen

Academic member

Stuart Roden

Independent member (from 26 March 2021)

Nemat (Minouche) Shafik

Ex Officio member as Director of the School

Josie Stephens

Ex Officio member as General Secretary of
the Students' Union (from 1 July 2021)

Elisabeth Stheeman

Independent member

Wim Van der Stede

Academic member (from 1 August 2021)

Alex Voorhoeve

Academic member (until 31 July 2021)

Louise Nadal

Company Secretary

Academic Departments, Research Centres, Institutes and Centres

Academic Departments

Accounting
 Anthropology
 Economics
 Economic History
 European Institute
 Finance
 Gender Studies
 Geography and Environment
 Government
 Health Policy
 International Development
 International History
 International Relations
 Language Centre
 Law
 Management
 Mathematics
 Media and Communications
 Methodology
 Philosophy, Logic and Scientific Method
 Psychological and Behavioural Science
 School of Public Policy
 Social Policy
 Sociology
 Statistics

Research Centres

Care Policy and Evaluation Centre
 Centre for Analysis of Social Exclusion (CASE)
 Centre for the Analysis of Time Series (CATS)
 Centre for Climate Change Economics and Policy (CCCEP)
 Centre for Economic Performance (CEP)
 Centre for Macroeconomics
 Centre for Philosophy of Natural and Social Sciences (CPNSS)
 Financial Markets Group (FMG)
 Grantham Research Institute on Climate Change and the Environment
 International Growth Centre (IGC)
 LSE Cities
 LSE Health
 LSE IDEAS
 Middle East Centre
 Saw Swee Hock Southeast Asia Centre (SEAC)
 Suntory and Toyota International Centres for Economics and Related Disciplines (STICERD)
 US Centre (USC)
 What Works Centre for Local Economic Growth
 Women Peace and Security (WPS)

Institutes and Centres

Firoz Lalji Institute for Africa
 International Inequalities Institute (III)
 The Data Science Institute
 The Marshall Institute for Philanthropy and Social Entrepreneurship (MI)



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