



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■

Financial Statements

For the year ending 31 July 2022 ■

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Report of the Chair of the Council



It has been wonderful to see the campus thriving this year. From the opening of the magnificent Marshall Building to in-person graduation ceremonies at the end of the year, regular campus activity has resumed. Still, this period has taught us to expect the unexpected. We remain in a time of on-going challenge, including economic developments, political upheaval, the wider geopolitical context, post-Brexit issues, and of course lingering Covid-19 vigilance. Throughout this period, the School Management Committee, under the leadership of our exceptional Director, has steered the School with considerable success through continuing uncharted waters.

Council identified its priorities at the start of the year focusing upon technology, the philanthropic campaign, equity, diversity and inclusion, retaining research ratings and quality, education, and the School's estate. All these issues featured on meeting agendas and were considered during the course of the year, as Council objectives aligned to the delivery of LSE2030. I am immensely grateful to all of my Council colleagues for their time, expertise and commitment in continuing to support the work of the School.

Significant progress has been made in delivering strategic targets, demonstrated by excellent outcomes in both the National Student Survey and Research Excellence Framework, development of a technology vision and strategy for the School, and success in securing philanthropic funds. Financial resilience and performance have remained at the front and centre of all Council discussions and plans, where the approach taken has demonstrated prudence. The financial arrangements and provisions put in place this year were designed both to strengthen the School's position and to enable it to achieve its objectives, including undertaking major estates developments, and seizing important opportunities as they arise.

The School was awarded university title in the summer, following a long formal process. This allows the LSE to maintain its position within the federal University of London and retain its name, but confers the status granted to other university institutions by our principal regulator, the Office for Students. As a consequence, the School revised and updated its constitutional Articles of Association, thereby completing a central aspect of the modernisation of the School's governance arrangements. One of the key changes is an increase (by two) in the number of independent members of Council which will enable us to broaden the skills mix of the current membership by adding to our existing very high calibre directors. Council committees have worked hard this year, with new chairs of Remuneration Committee and the Investment Sub-Committee, and we have continued to benefit from expertise provided by our specialist external members.

This year, the LSE community has again demonstrated the remarkable quality, resilience, and compassion of this institution. I am so proud to be a part of it.

Dr Susan Liataud

Chair of Council



Welcome from the Director



My main reflection on the academic year 2021-22 is how wonderful it has been to be able to come together again on many occasions to celebrate as a School community. It has been a pleasure to see activity on campus grow after the pandemic and to have been able to welcome back to LSE many visitors from all over the world. In June, we hosted the LSE Festival, 'How do we get to a post-COVID-19 world?' which we held on campus for the first time in two years. Our in-person graduations brought a sense of life and occasion in July, with many students and their families returning to LSE to take part in ceremonies that were postponed during the pandemic.

The campus itself has been transformed in recent years. The new, award-winning Marshall Building has added further cutting-edge teaching and learning space, as well as superb social and sports facilities.

This development of our campus is only one of the ways in which we've made substantial progress on our LSE 2030 Strategy. The benefits of being back together are also reflected in our strong NSS scores in 2022, which has seen LSE move up to fourth in the Russell Group for the Overall Satisfaction score, our highest-ever ranking. We are continuing to enhance the student experience and the Educate for Global Impact strand of our work will continue, particularly as we welcome our new Pro-Director (Education) Emma McCoy as she builds on the strong foundations established by Dilly Fung, who we will sadly say goodbye to in September.

This has also been an incredible year for research, with our outstanding contributions to the social sciences recognised in the results of the Research Excellence Framework. Our position as the top university (of multiple submissions) in the UK, based on the proportion of 'world leading' research, reflects the dedication, collaboration, and innovation of our scholarly community. In November 2021, we launched LSE's new major philanthropic and engagement Campaign, 'Shaping the World' and have already achieved considerable success relative to our respective targets of £350 million in philanthropic income and 100,000 volunteer hours. We are reaching out to our global community, and beyond, at a time of extraordinary change and challenge, to make sure that LSE can contribute to defining the future.

We have also seen developments as part of our Future Ways of Working programme, adapting our spaces, improving our technology, and implementing our Blended Working Policy. While the past few months have brought back a sense of normality, it's important to recognise that we are still in a period of transition as we adjust to new ways of working. Our care and compassion toward one another will remain key to the strength of our community.

Like many other universities, we have faced external and political challenges over the last year. Following the invasion of Ukraine, our immediate priority was to offer hardship support for all affected across our community, both on campus and remotely for those in Ukraine and neighbouring countries. We increased the funding to our Scholars at Risk programme, strengthening our ability to provide a haven for academic scholars who needed to flee their country.

Times of global upheaval and political uncertainty reminds us that freedom of speech underpins everything we do at LSE, and the School will continue to be a place where the most important ideas can be openly debated within the law for the betterment of society. The Government's Freedom of Speech (Higher Education) Bill has completed the stage of Commons scrutiny, and, in June, I made a speech in the House of Lords arguing for consequential amendments that will achieve the Government's ambitions on freedom of speech, while supporting a universities sector that is the envy of the world.

As I write, UK Universities are still waiting for confirmation of the draft agreement on UK association to Horizon Europe, the EU's key funding programme for research and innovation. The ongoing delay is very damaging for university research and innovation and remaining part of Horizon is our preferred option for supporting world-leading research in the UK. While the Government's document on 'Supporting UK R&D and collaborative research beyond European programmes' provides contingency plans, LSE continues to work with the sector and the Government to shape long-term alternatives to Horizon Europe, should these become necessary.

More recently, the challenging economic and financial pressures currently facing the country will require sustained discipline in the School's expenditure, coupled with the diversification of our income. We are also very aware of the difficulties facing many in our community, and so we are reviewing the support that can be put in place for those facing financial hardship.

Our commitment to sustainability is stronger than ever. In a first for UK higher education, LSE was independently verified as carbon neutral for the academic year 2020-21. The establishment of a Sustainable Finance Framework ties LSE's social purpose and Sustainability Action Plan with the School's funding and financial strategies. In March we secured a £175m private placement for green and social projects including the development of a new building, the Firoz Lalji Global Hub. With sustainability, energy efficiency and carbon minimisation at the core of the design, it is set to be LSE's first Net Zero carbon building. The new space will be a continuation of LSE's already sector-leading sustainability work and design. Our Grantham Research Institute on Climate Change was awarded the Queen's Prize for its excellence and innovation. The School is working to achieve its next target of becoming net zero carbon by continuing to deliver on the carbon reduction initiatives set out in its Sustainability Strategic Plan.

Overall, it has been an extremely successful year for LSE. We have come through the pandemic, and kept our community safe, while delivering an outstanding student experience and maintaining our excellence in research. The guiding principles and priorities of our LSE 2030 Strategy still hold true, and during the year ahead I look forward to focusing on the next exciting stages of implementation, working with our remarkable colleagues, students, alumni and friends of LSE.

Baroness Shafik

Director

Strategic Report and Report of the Directors

School Mission and Strategy

Strategic Overview

Our School strategy, LSE 2030 was launched in 2019 and lays out guiding principles and commitments that help us shape the world's future and achieve our ambition of being the leading social science institution with the greatest global impact. While much has changed since LSE opened its doors in 1895, one thing remains constant: our commitment to the original vision of LSE, as "a community of people and ideas, founded to know the causes of things, for the betterment of society". What happens at LSE has the potential to be world-changing – and in these turbulent times, the social sciences are needed more than ever.

Our strategy at a glance

Guiding principles

Our vision is clear, but there are challenges to overcome: our world faces economic uncertainty, political divisions, social transformations and a tide of anti-intellectual sentiment. In this context, our guiding principles are crucial.

- We will sustain excellence through an inclusive and diverse community
- We will extend the global impact and reach of our work
- We will ensure a sustainable future, for LSE, the social sciences, and the world.

Strategic priorities

Our strategic plan is articulated through three overarching priority pillars each of which identifies initiatives to deliver an ambitious vision for our future:

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.

We commit to:

- Fostering fearless intellects: we will equip students with the insights and skills they need to become independent thinkers, critical investigators and the thought-leaders of tomorrow.
- Think, learn, lead: we will support our students to innovate and create real change, within LSE and beyond.
- Create an inclusive home for learning: we will continue to embrace diversity and foster belonging among our student body in London and across the world.
- Ensuring graduation is just the beginning: we will engage our alumni, friends and partners, inviting them to stay involved with LSE, on campus, online and through our global networks.

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.

We commit to:

- Leading the social sciences: We will strengthen our position as the home of social sciences, now and in the future.
- Sustaining and promoting the social sciences: We will demonstrate the value of social sciences, and work to ensure they are properly recognised, evaluated and funded.
- Advancing our influence: We will build new relationships to increase our contribution to the betterment of society, politically, economically and socially.
- Convening the world: We will establish LSE as the global convener of influential debates on critical issues.

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.

We commit to:

- Investing in our community: We will invest in supporting and developing all our researchers, educators and professional service staff.
- Being open all life-long: We will facilitate lifelong relationships with LSE alumni, friends and partners, and encourage active involvement with life at the School.
- Ensuring LSE works for everyone: We will work to build a School – and a society – in which everyone is able to fulfil their potential, and everyone's contribution is valued.
- Creating a sustainable LSE: We will create a world-class campus for our community, with state-of-the-art teaching, learning and social spaces, and adopting an approach of "freedom within a framework" to streamline administrative processes whilst supporting innovation

Making our vision real

The guiding principles and priorities of our LSE 2030 Strategy, launched before the pandemic, still hold true. Coming out of the pandemic we agreed, under our 3 strategic priority pillars, to focus on 9 priority areas for the period 2021-22 – 2023-24. The pandemic enabled thinking about different ways of teaching and accelerate our thinking around digital education, while also enabling conversations about different ways of working. The pandemic also delayed our campus development plans and we saw the erosion of research time and lost fieldwork time and loss of Summer School income. Our focus for the next three years has been to drive progress in these areas and to embrace the opportunities resulting from the things we learned during the pandemic. During 2021-22 have made substantial progress on these 9 priority areas that are in turn helping us implement the commitments and objectives of our LSE 2030 Strategy. 2022-23 will see the development and launch of our Research Strategy under the leadership of our Pro-director Research Susana Mourato and our Digital Education strategy lead by the School's incoming Director of Education Professor Emma McCoy

Priority 1 - Educate for Global Impact

- Excellent, research-rich education
- Consistently excellent student experience
- Student community and inclusion

Priority area 2021-22 – 2023-24	Achievements in 2021-22
<p>1 Student Community, Inclusion & Wellbeing (SCI&W)</p> <p>LSE is a more welcoming, inclusive, accessible, diverse environment and set of communities in which to belong, study, and grow as a student and a person, for every student.</p>	<ul style="list-style-type: none"> • Our results in the 2022 National Student Survey show a substantial increase in LSE's overall satisfaction score. Our results mean that we are well above the sector average and 4th overall in the Russell Group and second Russell Group institution in London. • We saw notable success in the "Learning community" and "Research-rich education" categories, with increases of 8% and 9% in these areas respectively. These increases show that the transformative learning opportunities across LSE, alongside countless departmental-led activities, have had a real impact on students' experiences. • We have appointed our first Director of Student Experience • We are transforming how we communicate to students, and how we collate, curate, and present the extremely rich, vibrant 'menu of opportunities' at LSE to all students, focusing on inclusion and accessibility. • We have invested in improving our core administrative services, systems and processes, improving the user experience for our students and staff. • Our work on establishing Student Partnership as the guiding principle for all our work on Educate for Global Impact continues to go from strength to strength as we enter the fourth year of our Change Makers initiative, where students carry out paid research and make recommendations on LSE itself, providing critical and creative feedback to our work. • Our strong performance on our Access and Participation Plan targets, and high ranking in sector-wide 'social mobility indexes', speak to our work on developing a more inclusive education and student experience. • We have continued to invest significantly in joining up and enhancing School-wide activity from pre-arrival and Welcome through to Graduation. This includes a restructured, bolstered and reframed suite of mental health and wellbeing provision for students, and investment in peer-to-peer mentoring, study groups, and activities.
<p>2 Digital Education Futures</p> <p>Create a vision and implementation plan for digitally rich blended and online education in the social sciences at LSE enabling digital innovation and the effective embedding of technology into the design and delivery of curricula across the School</p>	<ul style="list-style-type: none"> • We have delivered the first year of a two-year, School-wide review of our assessment practices and policies. • We have focused on better understanding the impacts of pandemic-driven changes to digital and online education. • We are building on positive changes by digitising the various stages of the assessment lifecycle and looking to open fresh avenues for pedagogic innovation.
<p>3 Extended Education</p> <p>Enhancing extended education provision, contributing not only to the School's financial sustainability but also the School's mission 'to educate for global impact'.</p>	<ul style="list-style-type: none"> • We appointed our first Dean of Extended Education, Professor Wim Van der Stede in September 2022. He is developing a strategic plan for Extended Education. • Our Summer School is recovering well from the pandemic with targets for 2022 achieved. • We have expanded our online provision on external online learning platforms and have recruited our inaugural cohort to our first online Career Accelerator in Data Analytics.

Priority 2 - Research for the World

- World-class research in the Social Sciences
- Lead and sustain the Social Sciences
- Shape the World
- Convene the World

Priority area 2021-22 – 2023-24	Achievements in 2021-22
<p>4 Research Support</p> <p>To provide a clear and joined-up framework for faculty to access resources to support their research.</p>	<ul style="list-style-type: none"> • Our outstanding contributions to the social sciences recognised in the results of the Research Excellence Framework. Our position as the top university in the UK across multiple submissions, based on the proportion of 'world leading' research reflects the dedication, collaboration, and innovation of our scholarly community. • To support faculty research, through the Research Support programme, we have provided a significant increase to the Staff Research Fund and the PhD Knowledge Exchange and Impact Fund. • We have developed a Research Exchange Network - a hub for matching research assistants with researchers.

5 Research Dissemination and Impact

To continue to amplify the local, regional and global impact of LSE's research through wide distribution and engagement with policy makers, business leaders and other key stakeholders.

- We approved a funding plan for LSE Press; this publishes high quality, open access research in the social sciences and using innovative digital approaches we promote the widest possible engagement with social science research. In addition, we have agreed 'Read and Publish' deals with several large publishing houses.
- Our Grantham Research Institute was awarded a Queen's Anniversary Prize for its excellence and innovation.
- LSE is leading the CIVICA Research project work package on Open Science.
- Work has also commenced to better understand the local and regional impact of LSE research in London and across the UK.

Priority 3 – Develop LSE for Everyone

- Engage LSE alumni, friends and partners
- World-class environment
- Financial sustainability (enable and sustain change)

Priority area 2021-22 – 2023-24

Achievements in 2021-22

6 Campaign: Shaping the World

- To raise £350 million towards LSE priorities integral to LSE 2030 through a concerted fundraising campaign: *Shaping the world*, increasing the number of philanthropic supporters at all levels.
- To increase the number of alumni volunteers to the School, particularly in key regions, reaching a target of 100,000 volunteer hours by 31 July 2025.
- To increase internal engagement in and with philanthropy and global engagement across LSE, creating a sustainable cultural change that underpins the School's financial future.

- We publicly launched our Campaign in November 2021 and as at end of July had raised £219.6 million in philanthropic income (63% of target) and engendered 72,154 hours of support undertaken on behalf of the School from alumni volunteers (72% of target).
- Opportunities for meetings and events with leadership-level supporters and connecting with alumni volunteers continue to increase as pandemic restrictions lessen.
- The Campaign was recognised in the CASE Circle of Excellence awards and has been given silver status in recognition of the team's creative use of resources and responding to new opportunities and adapting to the challenges imposed by COVID-19.

7 Creation of Firoz Lalji Global Hub at 35 Lincoln's Inn fields

Creating a world-class environment for our ambition to convene the world and to develop a space for extended education.

- We launched an international RIBA design competition in December 2021 and announced the winner in August 2022. The new building will house the Departments of Mathematics, Statistics and Methodology, the data Science Institute and conference facilities that will help to connect and engage LSE's global community.
- We secured £175m private placement for green and social projects including the development of the Firoz Lalji Global Hub.

8 Residences Masterplan

Ensuring we can guarantee an offer of accommodation to all first-year students by delivering 6,000 bedspaces by 2030.

- Financial close was achieved on Glengall Road, a new 676 bed post-graduate hall of residences in Camberwell in December 2021 and construction work has begun for completion September 2024.
- We are currently developing options to redevelop Bankside, our undergraduate hall behind the Tate Modern that will provide 1,850 bedspaces subject to planning permission approval.

9 Investment in Technology Strategy

Creating and Protecting a Strong Operational Core. The strategy for technology provides the underlying shared infrastructure, shared data and shared platforms supporting LSE 2030.

- Developing a strong operational core for our technology is a key enabler for all our strategic priorities.
- We have appointed a specialist IT consultancy to work with us to plan the implementation of our strategy.
- Have established a long-term funding plan to deliver the Technology Strategy.

Our progress

Key Performance Indicators as reported to Council as at July 2022.

Priority 1 – Educate for Global Impact

Commitments	Indicators Student satisfaction	Baseline 2018/19	Latest data 2021/22	Target 2024/25	Progress (% towards target)
<ul style="list-style-type: none"> • Excellent Research-rich education • Consistently excellent student experience • Student community and inclusion 	Excellent teaching and curriculum design (Undergraduates)	74%	75%	81%	14%
	Excellent teaching and curriculum design (Postgraduates)	78%	81%	86%	37%
	Overall student satisfaction (Undergraduates)	72%	81%	85%	69%
	Overall student satisfaction (Postgraduates)	79%	78%	85%	0%

Priority 2 - Research for the World

Commitments	Indicators REF Panel C – Social Science	Baseline REF 2014	REF 2021	REF 2021 Target	Progress (% towards target)
<ul style="list-style-type: none"> • World- class research in the social sciences • Lead and sustain the social sciences • Shape the world • Convene the world 	Overall ranking (weighted GPA)	1st	2nd	Top 3 in Social Science	100%
	Outputs ranking (weighted GPA)	3rd	1st		100%
	Impact ranking (weighted GPA)	4th	18th		0%
	Environment ranking (weighted GPA)	4th	6th		0%

Priority 3 – Develop LSE for Everyone

Commitments	Indicators	Baseline 2018/19	Latest data	Target 2024/25	Progress (% towards target)
Engage LSE alumni, friends and partners	Number of alumni volunteering hours	n/a	72,154	100,000	72%
Deliver improvements in EDI	% BME Assistant Prof/ Associate Prof/Prof	26/15/10%	35/18/11% (April 2022)	30/20/12%	Assistant Prof >100% Associate Prof 60% Professor 50%
World-class environment	% of campus rated RICS condition A/B	79%	81%	82%	66%
Financial sustainability (enable and sustain change)	Campaign income raised	n/a	£219.6m	£350m	63%
	uEBITDA as a % of revenue	5.8% (2021/22 budget)	6.7% (2022/23 Q1 forecast)	15%	forecast to achieve 15% by 2028/29

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, commercialisation of intellectual property, the provision of customised executive education programmes, overseas fundraising, and the design, build and operation of a hall of residence.

For commercial, legal, and taxation reasons these activities are channelled through limited companies and partnerships 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. As the School acts as agent for the programme, its proportional share of income and expenditure of the programme 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 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

From a financial perspective 2021-22 has been the year the recovery from the pandemic started with student recruitment back on a more stable and predictable basis, halls of residences full and the School operating without the levels of disruption we experienced in 2020 and 2021. This was perhaps best exemplified by the return this summer of our on-campus summer school programme offering a full range of subjects.

In the early days of the pandemic, we took decisive actions to cut costs and ensure we had adequate liquidity to manage what looked like an unquantifiable risk. This provided us with a sound financial base to start to the 2021-22 year, where again we have acted quickly to take advantage of attractive borrowing rates to secure long-term financing for the Firoz Lalji Global Hub building project on our 35 Lincoln's Inn Fields site. At the same time, we took advantage of the demand for LSE debt to secure additional funding to make good some of the financial losses we incurred in 2019-20 and 2020-21 to ensure we can deliver our infrastructure development plans. Overall, we managed to secure some very long-term funding at fixed rates which would no longer be available since the significant increases in borrowing costs we have seen since the spring.

We are rightly proud that throughout this difficult period, with careful financial management we have been able to preserve jobs, support our staff, protect the educational experience of our students and continue with delivery on our LSE 2030 strategy.

Demand for our courses remains very strong and the investments we have been making, despite the challenges of the last two years are delivering the tangible results this report highlights. The 2021 Research Excellence Framework results confirm once again the preeminent position of our faculty and the research that the School generates. Taken together these strengths place the School in a strong position to manage the financial uncertainties we are facing and remain true to our guiding principles and vision.

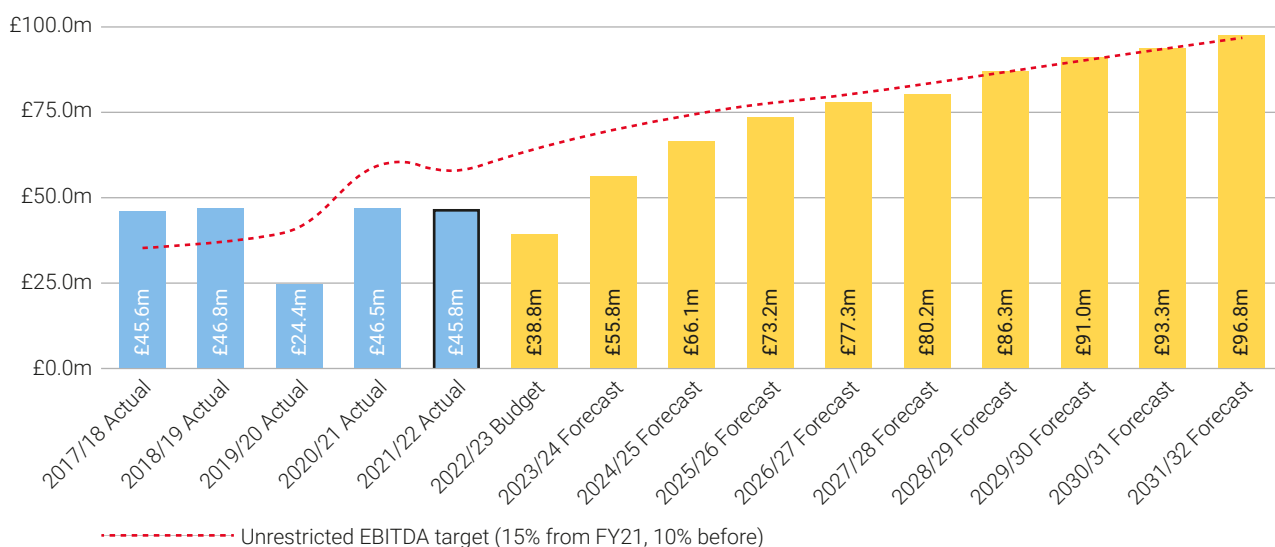
The purpose of this Financial Review is to explain the key features of the School's 2021-22 financial results and place them in the context of our overall financial planning and the vision for the School set out in LSE 2030.

Comprehensive (loss)/income for the year (accounting deficit including gains and losses on investments and the change in the market value of our interest rate swaps) was a deficit of £22.6 million compared to a surplus of £113.1 million in 2020-21. These headline figures include some large items which do not reflect an underlying change in the School's financial performance: changes in the USS pension past service deficit cost provision (£77.1 million); significant endowments & donations recognised and received in year related to future spending (£41.3 million); and movements in the market value of the investments (£11.9 million). Adjusting for these items shows an underlying surplus of £25.2 million. This is lower than 2020-21 because of the substantial additional full-time student recruitment that year, we deliberately avoided any over recruitment in 2021-22 to reduce pressure on our staff following two heavily disrupted Covid-19 years. We have also seen a pickup in activity and therefore spending as the restrictions of the pandemic subsided. Comparing against the first year of the pandemic, 2019-20, it is clear our underlying position is recovering.

	2021-22	2020-21	2019-20
	£m	£m	£m
Total Comprehensive (loss)/ income for the year	(22.6)	113.1	74.8
Adding back exceptional items:			
Pension provision movements	77.1	(13.0)	(41.7)
Change in the market value of investments	12.0	(49.1)	3.7
Endowments & donations recognised and received	(41.3)	(14.4)	(58.5)
Adjusted Comprehensive income for the year	25.2	36.6	(21.7)

2021-22 Financial Review

	2021-22		2021-22	2020-21	Change	
	Unrestricted funds	Restricted or designated funds	Total	Total		
	£m	£m	£m	£m	£m	%
Operating income	396.0	2.8	398.8	378.7	20.1	5.3
Capital grant	1.3	-	1.3	1.7	(0.4)	(23.5)
Donations and endowments	-	41.3	41.3	14.4	26.9	186.8
Total income	397.3	44.1	441.4	394.8	46.6	11.8
Operating expenses	(351.5)	(10.7)	(362.2)	(325.8)	(36.4)	11.2
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	45.8	33.4	79.2	69.0	10.2	14.8
Change in USS past service deficit provision			(77.1)	13.0	(90.1)	(693.1)
Depreciation			(15.0)	(15.5)	0.5	(3.2)
Interest and other finance costs			(9.2)	(9.0)	(0.2)	2.2
(Loss)/surplus			(22.1)	57.5	(79.6)	(138.4)
(Loss)/Gains on investment			(12.0)	49.1	(61.1)	(124.4)
Change in the fair value of hedging financial instruments			11.5	6.5	5.0	76.9
Comprehensive (loss)/ income for the year			(22.6)	113.1	(135.7)	(120.0)
BALANCE SHEET						
Fixed and intangible assets			711.7	683.9	27.8	4.1
Investments (Endowments & School)			366.3	351.1	15.2	4.3
Net current assets/(liabilities)			68.9	(50.6)	119.5	(236.2)
Creditors over one year			(295.6)	(188.0)	(107.6)	57.2
Pension liabilities and provisions			(116.2)	(38.7)	(77.5)	200.3
Net assets			735.1	757.7	(22.6)	(3.0)
LIQUIDITY						
Operating cash generated during the year			117.8	58.5	59.3	101.4
Cash and cash equivalents			147.2	110.0	37.2	33.8
Investments			366.3	351.1	15.2	4.3
Loans			(230.3)	(239.9)	9.6	(4.0)
Net Funds			283.2	221.2	62.0	28.0
STUDENT NUMBERS						
			Nos	Nos		
Undergraduate			5,698	5,627		
Postgraduate – taught			5,318	5,505		
Postgraduate – research			550	557		
Total Full-time student numbers			11,566	11,689		
Part-time			534	544		
Others (visiting, executive)			1,351	1,255		
Total Full-time, Part-time and other student numbers			13,451	13,488		
London Summer Schools			5,358	2,448		
University of London International Programme – LSE programmes			11,100	12,176		
On-line			9,013	9,079		
Total student numbers			38,922	37,191		



The School's preferred measure of financial performance for internal financial planning purposes is *unrestricted* Earnings before Interest, Taxation, Depreciation, and Amortisation (uEBITDA) less any significant donations that we have received in the year and any associated expenditure. This measure is designed to exclude the volatility that the receipt of a large gift can create and avoids a mismatch in subsequent years, when reporting expenditure funded by that gift. We have a medium-term target to achieve and sustain an uEBITDA of 15% of unrestricted revenues. This is the level the Council considers necessary to ensure the School can:

- Continue, on a financially sustainable basis, to invest in the digital and physical infrastructure required;
- Cover capital and interest payments as they fall due;
- Maintain reserves to provide sufficient headroom to allow us to manage the risks that the current period of economic and political volatility presents.

Financial strategy and financial sustainability

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 metrics and 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 on a standalone basis and against this Plan before any decision to invest is made. This ensures rational financial decisions are made within a transparent and clear framework that is focussed on maintaining the financial sustainability of the School.

The 2022 Financial Plan covers financial years 2022-23 to 2031-32 and was developed during April and May 2022 and, following an extensive review by the Financial Management Board and the Finance and Estates Committee, was approved by Council in July 2022.

High inflation, a looming recession; war in Europe; and the tail-end of the pandemic in countries that have adopted a zero-covid policy did not offer a stable base from which to develop the School's 2022 Financial Plan. Nevertheless, we saw some positive developments such as very strong student applications for 2022, the USS pension funding deficit being settled, at least for the time being, and a recovery in our summer school to something approaching 60% of pre-pandemic levels this summer.

Against this backdrop, an unrestricted EBITDA budget of £38.8m was agreed upon by Council for 2022-23 with a prudent forecast to reach the target by 2028-29, based on current student recruitment plans and a prudent set of cost and revenue assumptions. To address the financial risks posed by the recent surge in inflation, a combination of short-term measures including efficiency savings, the introduction from 2023 of banded undergraduate overseas fee rates and modest recruitment more than our initial target for 2022/23, have been actioned. The unexpectedly large rise in inflation over the summer, now well ahead of the OBR's forecast at the time we were concluding our financial planning cycle, combined with the weakness of sterling which will have a knock-on impact on faculty recruitment and retention, has prompted us to rethink our 2023-24 tuition fees levels and bring forward some of the increases previously planned for 2023-24. This deft approach to planning, like that which we adopted during the pandemic enables us to continue to support and enhance our students' educational experience and support our staff through these difficult economic times. For example, already this year, we have made a one-off cost of living support payment to all our staff and supplemented our student hardship funding.

Going Concern

SMC and Council have considered the going concern status of the School and are confident it is and will continue to be a going concern for the foreseeable future (defined externally as a period of at least 12 months from the approval date of these accounts). These accounts have therefore been prepared on a going concern basis.

In coming to this conclusion, SMC and Council have taken the following actions:

- Prepared detailed income and expenditure, and cash flow budgets for the 2022–23 financial year and forecast for the following year, taking due regard to sensitivity of income to student recruitment and extended education and other major revenues streams.
- Used the 2022 Financial Plan, which is prepared using prudent income and expenditure, cash flow, and balance sheet forecasts to ensure we have adequate funds to meet liabilities as they fall due and that all our banking and lender covenants are met throughout the period.

- Considered severe but plausible downsides the School may be faced within the foreseeable future and modelled how, initially provisions within our financial planning might create time for management to consider, develop and implement strategies designed to mitigate these risks.
- Noted the successful 2022 student registration round and level of applicants for the School's courses.

Income

	2021-22	2020-21	Change	
	Total £m	Total £m	£m	%
Tuition fees	265.8	250.7	15.1	6.0
Funding Council grants	29.2	37.0	(7.8)	(21.1)
Research grants	36.9	34.9	2.0	5.7
Other income	64.7	54.4	10.3	18.9
Investment income	3.5	3.3	0.2	6.1
Total income before donations and endowments	400.1	380.3	19.8	5.2
Donations and endowments	41.3	14.4	26.9	186.8
Total income	441.4	394.8	46.6	11.8

Total income before donations and endowments was £400.1 million, a 5.2% increase compared to 2020-21.

Tuition fees increased to £265.8 million due to increases to postgraduate and overseas fees which offset a small reduction in full-time student numbers compared to 2020-21 when we recruited above our target for the year due to the pandemic and last-minute changes to the A-level grading process.

The increase in Other Income is mainly due to the increased levels of occupation and activity in the School's halls of residences and catering outlets post-pandemic. In common with many universities, LSE refunded student hall fees in 2020-21 when we had to move teaching and examinations online, so this further reduces the comparatives.

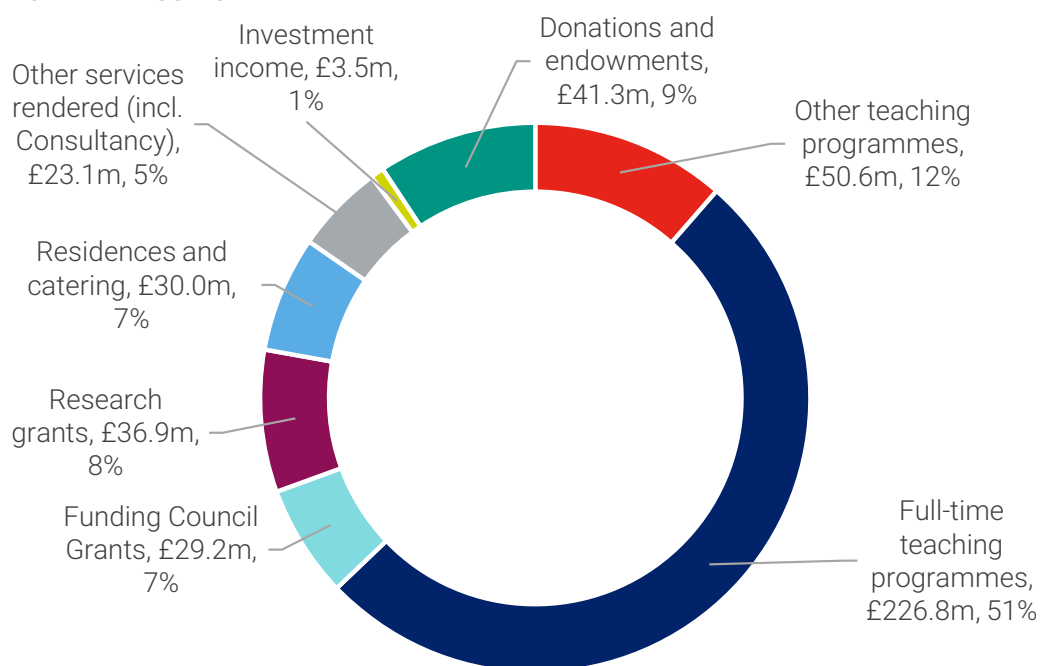
Our LSE 2030 strategy challenges the School to broaden its educational offer by looking at ways to broaden our teaching with a more flexible and diverse offering. As part of that objective, we are continuing the investment that accelerated during the pandemic, to develop flexible models of online and in-person teaching, exploiting the potential that digital technology offers. During 2022-23 we will be launching our Digital Education Futures strategy which will capture what has been achieved and set out our goals in this area.

The substantial increase in Donations and Endowments recognised in the 2021-22 financial statements highlights the success of the public launch of the School's Shaping the World campaign in 2021-22: an intrinsic part of the LSE 2030 strategy. The completion and opening of the Marshall Building in December 2021 resulted in the recognition of a £20 million naming gift for the building in the year. In addition, the first £10 million tranche of a £50 million promised gift to establish the Marshall Impact Accelerator was also received.

As a result of Sir Paul Marshall's generous promise of a donation of £50 million to the LSE, the Marshall Impact Accelerator will bring together LSE's world-leading research expertise and the Marshall Institute's existing networks to create a philanthropic cooperative that brings together capital, expertise, and passion for change in one place. The mission of the institute is to support and advance social ventures in the fields of health, environment, social inequality, public policy and developmental economics. Critically, this will be backed by grant-making and associated resources for the social sector that have to date only been available from commercial firms and for-profit investors.

Philanthropic income continues to support students by removing financial barriers to education as well as advance LSE's research and public engagement that will help to inform future policy for maximum global impact.

2021-22 Income



Students, education, and tuition fees

Demand measured by applicants per place remains very strong for our full-time courses with 14.9 (12.8 in 2020-21) applicants per place for undergraduate study and 6.3 per place (6.4 in 2020-21) for postgraduate taught programmes. Breaking this data down across our four main full-time student groups highlights several changes that have taken place over the past three years. For example, during the 2020 recruitment cycle we kept open our PG application deadlines longer than normal which increased application numbers, these are now returning to historic levels. At the undergraduate level, the reclassification of EU students as overseas accounts for the fall in home UG applications.

Overall, our registered numbers were 11,566 full-time students in 2021-22, 105 fewer than in 2020-21 when we recruited over our internal targets because of the disruption and uncertainties created by the first phase of the pandemic.

We are looking to maintain the full-time student population at a similar level over the next few years and where there is growth it will be accompanied by investment to maintain the best educational experience for our students. This strategy is reflected in LSE's strong NSS scores in 2022, which has seen the School move up to fourth in the Russell Group for the Overall Satisfaction score.

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, and we continue to work hard to ensure our student population is as diverse as possible.

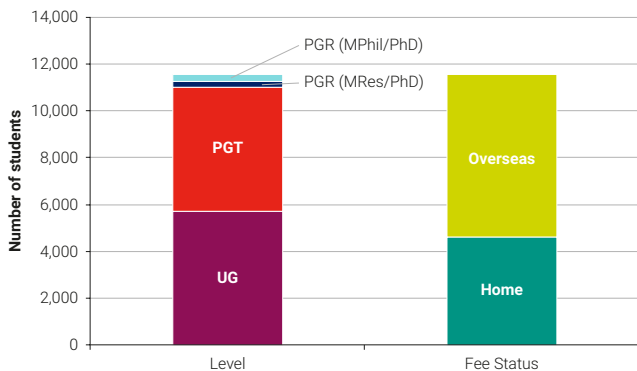
Full-time students by domicile 2021-22

Full time students by domicile* 2021-22	Student numbers
United Kingdom	3,894
China	1,924
USA	794
India	501
Germany	339
Hong Kong	331
France	327
Malaysia	307
Singapore	307
Canada	169
Italy	166
South Korea	123
Spain	101
Pakistan	98
Poland	90
Switzerland	90
Thailand	88
Netherlands	78
Japan	69

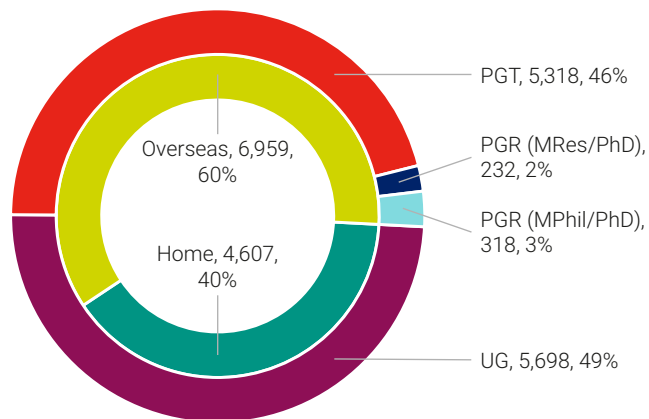
Full time students by domicile* 2021-22	Student numbers
United Arab Emirates	68
Greece	62
Chile	61
Indonesia	58
Turkey	57
Belgium	56
Brazil	55
Colombia	54
Russia	54
Mexico	51
21 countries with between 20 and 50 students each	700
19 with between 10 and 19 students each	257
79 with fewer than 10 students each	237
Total	11,566

*HESA category domicile data

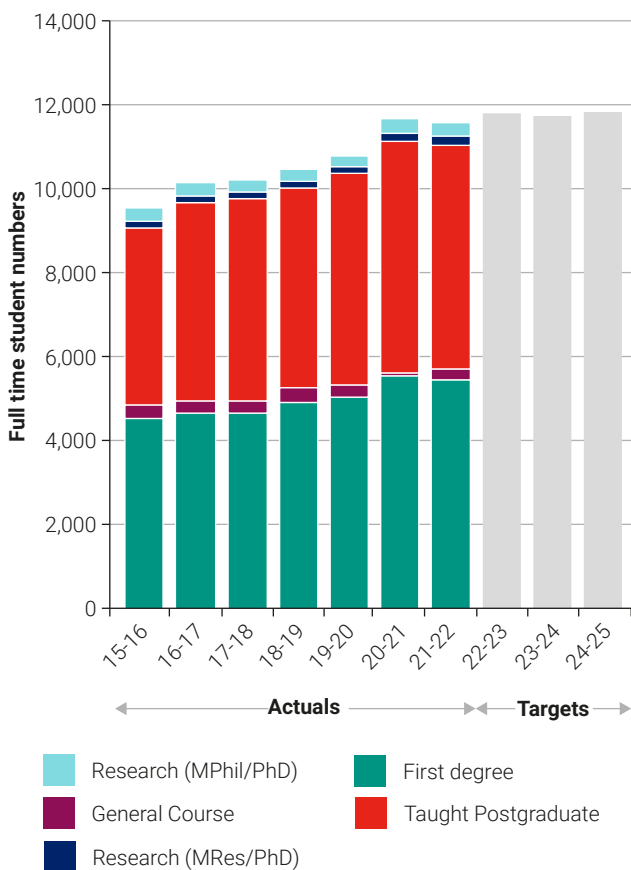
Full-time students in 2021-22



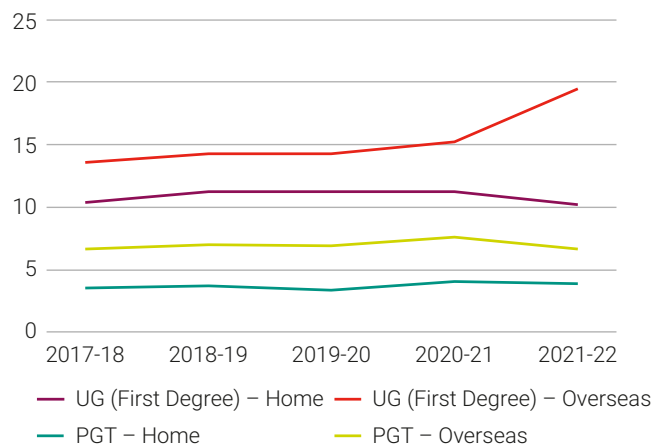
Full time students in 2021/22 by level and fee status



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 294 (2020-21: 276), 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 150 (2020-21: 155).

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% (67% in 2020-21) 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 2021-22 the School spent £21.9 million (£22.1 million in 2020-21) 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 and several philanthropic scholarships, including our newly launched Uggla Family Scholars Programme, a scheme that offers ten scholarships each year to Undergraduate students with the greatest financial need, including those from groups who are under-represented in higher education.

For UK undergraduates, the School continues to support commitments set out in our Access and Participation Plan 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 2021-22 we engaged with 1,500 young people in 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 2021-22 the total amount for this programme of funding and support was £5.5 million (2020-21 £5.4 million) (note 8).

Careers support during and 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 98.3% 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. Access to careers support is through a combination of seminars, workshops, employer events, contact with alumni, work-based learning opportunities, one-to-one support and access to online resources. Of those who graduated in 2019-20 (most recent data), 93.1% progressed on to employment or study within 15 months, with 95.8% 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, 48.0% of graduates were working in the UK, 18.0% were working elsewhere in Europe and 33.9% 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, LSE Careers has initiated several internship schemes. We have developed a range of fully funded work-based learning opportunities in line with the LSE 2030 Strategy, including Micro Internships and Consultancy projects, primarily to support students who face disadvantage. 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 also run several external internships schemes including the Parliamentary Internship programme and schemes to support a selection of our academic departments.

LSE Careers run a variety of 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. Students have access to our Diversity and Inclusion programmes, including tailored careers mentoring 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. We introduced a virtual programme called Careers around the World holding events with alumni in India and Latin America. In addition, we run a programme helping international students to find work in the UK.

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.

This provision for our students is underpinned by a fluid, non-linear career development cycle. This model helps to lay the foundations of effective ongoing career management. It provides opportunities to network and connect with organisations, employers and alumni thus empowering students and alumni to learn, grow and succeed. Once students graduate, they have access to LSE's lifelong learning journey and Extended Education programmes which offer a range of opportunities to support their personal and professional development. This is why further development of LSE's Extended Education offer is a central component of the School's 2030 Strategy.

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

Following a hybrid Summer School in 2021 which saw students able to attend in person or online, we were pleased to be able to offer a return to normality with a fully on campus Summer School for 2022. A total of 5,358 students enrolled, an increase of 54% on 2021 attendance and reflecting 62% of the total seen at the pre-pandemic peak in 2019.

We are delighted with this turnout and proud that we have seen a strong recovery in the programme. Key markets such as China and Australia are still to fully recover from the impacts of the pandemic and our focus for 2023 and beyond will be rebuilding these as well as exploring new partnerships.

Over the last 12 months, we have sought to gradually restore onsite Executive Education short courses by seeking to maintain market presence through a limited programme, rather than actively pursuing new courses. 2021-22 saw 298 enrolments across 15 Executive Education presentations, with many courses back at pre-pandemic numbers by June 2022.

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. 2021-22 saw a growth in the number of courses offered to 33, but uncertainty and increased competition in the marketplace saw participant numbers broadly equivalent to 2020-21 (9,013, compared to 9,280). We have continued to diversify the range of online provision, launching a series of Masterclasses and Career Accelerators. 2022-23 will see further diversification with the launch of self-paced MOOCs (Massive Open Online Courses) on the Coursera and edX platforms, as well as the launch of MicroBachelors programmes in Mathematics and Statistics.

REF 2021

	2021-22	2020-21	Change	
	£m	£m	£m	%
Grants related to teaching (OfS)	0.5	1.6	(1.1)	(71.0)
Recurrent research grant (UKRI) and GCRF	20.1	22.5	(2.4)	(10.8)
Higher Education Innovations Fund (HEIF)	5.6	6.2	(0.6)	(10.3)
Other specific grants	3.0	6.7	(3.7)	(55.7)
	29.2	37.0	(7.8)	(21.2)

LSE's outstanding contribution to social science research has once again been recognised by the 2021 Research Excellence Framework (REF). LSE is shown as the top university (of multiple submissions) in the UK based on the proportion of 'world-leading' (4*) research produced. LSE is also the joint second ranking university in the UK overall, when considering research outputs, research impact and research environment.

59% of LSE's research was judged to be world-leading (4*) and 34% was deemed to be internationally excellent (3*).

Several LSE departments did particularly well, with their Units of Assessment coming top overall. These are the departments of Economics, Anthropology, Social Policy, Health Policy and Media and Communications. Academics from the Departments of Gender Studies, Methodology and Psychological and Behavioural Science also contributed to these top scoring Units of Assessments.

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 fall under UKRI. 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 2021-22, the School recognised recurrent and non-recurrent research funding (QR) of £20 million and non-recurrent funding with specific conditions for their use: £0.1 million for the Participatory Research Programme, Enhancing Research Culture of £0.3 million and from the Policy Support Fund a further £0.3 million.

In July, Research England announced its new QR funding settlement for 2022-25 that draws on the outcomes from REF 2021 and targets key government priorities. In total, funding to the sector will grow from £1.95 billion in 2021-22, to £2.12 billion in 2022-23 and expected to be £2.13 billion in 2023-24. Over the same period funding for knowledge exchange activities will grow by £23 million. However, there were winners and losers in the new funding distributions. Despite LSE's excellent REF 2021 results, LSE is by far the biggest loser within the sector, receiving less mainstream QR funding in 2022-23 compared with 2021-22 with a drop in funding of £1.9 million from £14.4 million to £12.5 million and the only Russell Group university to see an overall reduction in its Research England funding. The School would be keen to understand UKRI's rationale for this approach.

The School notes with continuing concern the erosion of our QR research grant allocation. Professor Susana Mourato, the Pro Director for Research, is leading discussions with Research England making the case for greater protection of funding for the social sciences.

Higher Education Innovation Funding (HEIF) and Commercialisation activities

The School's research commercialisation service has been in development for four years and exists to support our core mission of the betterment of society in the context of our knowledge exchange and impact strategy, seeking to exploit the full potential of the School's research, extending our impact beyond conventional public policy interventions to engage and leverage private enterprise.

The service builds on the successes of our consulting arm, LSE Consulting, involving a turnover of over £6 million pa in the last year, enabling 220 LSE researchers to engage in 142 consulting contracts in 25 countries. The commercialisation service (LSE Innovation) has been operating alongside Aspect (A SHAPE Platform for Entrepreneurship, Commercialisation and Transformation), funded by a Research England Connecting Capabilities Fund (CCF) grant of £7.4 million from Research England, which has given the School the opportunity, with its institutional and business partners, to develop a global network of excellence in social sciences research commercialisation. It has now introduced a full suite of support services for all stages of the research commercialisation process, partnering with Aspect in offering an accelerator for SHAPE business initiatives. It has supported over 50 projects to date, which have collectively raised over £8m in funding, including the TPI (Transitions Partnership Initiative), a partnership of the Grantham Research Institute on Climate Change and the Environment (led by Simon Dietz and Beata Bienkowska) with TPI Ltd, the London Stock Exchange and FTSE Russell, in which the Grantham Research Institute provides the data for the FTSE TPI Climate Transition Index, backed by 128 asset managers with around \$50 trillion under management, the funding allowing the School to create the TPI Global Climate Transition Research Centre.

Other examples include the Electoral Psychology Observatory (research and methods for optimising the electoral experience of voters, working with electoral commissions around the world, led by (Michael Bruter and Sarah Harrison, Government Department), the Inclusion Initiative (partnering with businesses to create inclusive leaders and inclusive organisations, focusing initially on the finance sector (Grace Lordan, Department of Psychological and Behavioural Science), and Culturalalytik (a toolkit for analysing cultural distance with significant interest from businesses seeking to manage cultural change, including post-merger (Michael Muthukrishna, Department of Psychological and Behavioural Science).

Research grants and contracts

Research grants and contracts income has increased to £36.9 million from £34.9 million in 2020-21, a 6% increase and represents a 9.2% share of School income before endowments and donations. Despite government cuts in ODA funding, income from UK Research Councils continues to be our biggest source of research income, accounting for 33% (32% in 2020-21) of our total research income. Funding from the European Commission and the European Research Council has fallen for a third year in a row due to the gap between Horizon 2020 ending and Horizon Europe starting and delays with European Parliament agreeing the UK's participation in the programme. Whilst the UK institutions can continue to apply to

the Horizon Europe programme, until the EU agrees to our association, we are unable to receive funding. In the cases where bids to Horizon Europe have been successful but we are unable to receive funding directly from the Horizon Europe programme we have applied to and been awarded funding from the UK Government Guarantee fund. Funding is awarded either through UK Innovate or one of the Research Councils. This will translate into further decreases in EU income next year but increased income from UK Government and the BEIS Research Councils. It is still the UK Government's intention to associate with Horizon Europe but as time goes on, it seems that this outcome is less likely, and we await the UK Government's announcements.

UK Government income remains largely consistent with that of the previous two years' levels at £5.3 million. UK Charity income fell slightly from last year by £300k. As funding from this sector is small, any changes by one or two medium to large value awards will impact the level of income. Income from other funders has returned to around pre-pandemic levels, from £8.0 million in 2020-21 to £10.3 million this year.

Highlights during the year include:

Michael Muthukrishna, Associate Professor of Economic Psychology, Department of Psychological and Behavioural Science was selected as one of 11 teams of researchers to receive an inaugural award of the Templeton World Charity Foundation's Grand Challenges of Human Flourishing. His winning idea focused on applying cultural evolutionary theory to contemporary issues.

FLIA's Centre for Public Authority and International Development (CPAID) published a comprehensive report of its long-term research and engagement in Africa. Charting the Centre's growth from 2017 to the present, the report presents complete and ongoing research projects, fieldwork findings, policy impact, publications, long-term partnerships, knowledge exchange initiatives and a vision of the Centre's future. CPAID has been funded since 2017 by the ESRC Global Research Challenges Fund (GCRF) and received a further extension of funding for another three years.

Dr Ruth Kattumuri, in collaboration with partners in India and the UK, was awarded a prestigious ESRC grant in collaboration with the Indian Council of Social Science Research (ICSSR). The research collaboration pertains to the future of UK-Indian trade and cross-border investment in a changing global environment. The partnership is with academics at Indian Institute of Technology and other institutes in India, and the Institute of Development Studies. This study explores opportunities and challenges for furthering knowledge economies in India and the UK through entrepreneurship to enhance mutual economic prosperity, human capital development and welfare. Using a multi-disciplinary approach, the study focuses particularly on ecosystems for technology-based entrepreneurship including in financial services and FinTech.

Professor Alpa Shah won the 2022 European Research Council Public Engagement with Research award for influence on media and policy. The award is designed to recognise and celebrate ERC grantees who have demonstrated excellence in public engagement and outreach. The judges praised her work for revealing that existing oppression and inequality can become entrenched during economic growth.

Other income

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

- Our Residences and Catering services operate over 4,000-bed spaces at eight 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. Residences and Catering income increased to £30.0 million in 2021-22 compared to £16.9 million in 2020-21 due to increased occupation and activity of LSE's halls post-pandemic.
- Other services rendered are predominantly related to 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 (ULIP). Through these programmes, over 11,000 students world-wide studied a curriculum and examination set by LSE academics. 2021-22 saw an increase of revenue to £11.6 million generated by the ULIP programme compared to £10.7 million in the previous year.
- 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.

Investment income, cash, and treasury management

The School's cash and investments comprise of cash (held in sterling and foreign currency), bonds, equities, money market funds and property holdings. The School's investment portfolios are actively managed to ensure returns are maximised whilst operating within a set of risk parameters that are appropriate to the purpose for which the funds are held.

Investment income comprises interest and dividend income from the holdings within the School's investment portfolios. Total investment returns including realised and unrealised gains and losses was a loss of £8.4 million (2020 -21: £52.4 million gain). By July 2022, high inflation and increased risk of recession in the global economy resulted in downward pressure on the School's investment portfolios. European markets declined due to the war in Ukraine and concerns on how this would impact gas supplies. US markets were similarly dampened due to indications of a slowdown in the US economy. The main investment portfolios, which hold endowment funds and the Strategic Investment Fund had annual losses ranging from -0.2% to -3.5%, falling short of the target return of CPI +4.5%.

The School reviewed its Socially Responsible Investment policy (SRI) during 2021-22 and issued a new Environmental, Social & Governance policy (ESG) in November 2022.

The School continued its commitments made in our SRI policy to reduce our exposure to companies that derive significant revenues from thermal coal, tar sands, indiscriminate armaments and tobacco manufacturing. The total exposure to these sectors was 0.6 percent in 2021-22 compared to over 3.5 percent in 2015-16. This continues to be a key theme in the School's new ESG policy and is monitored with a programme of active engagement by the fund managers with whom we invest our portfolios. The Grantham Institute Transition Pathway Initiative's analysis will be intrinsic in ensuring the School invests responsibly and sustainably in the forthcoming years.

The School recognises the importance of effective and responsible investment and investment management, especially as we continue the ambitious programme of seeking 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 42.

The School Endowment and Sinking Fund is a portion of School reserves that have been set aside on a long-term basis to provide a "sinking fund" for the repayment of debt and leverage philanthropic support, enabling us to grow the Fund over time to support scholarships and research from its annual investment returns and repay debt capital as it falls due.

	School general and designated funds	Endowment funds	2021-22 Total	2020-21 Total
	£m	£m	£m	£m
Investment income	1.1	2.5	3.6	3.3
Unrealised gain/(loss) on investments	(1.9)	(10.1)	(12.0)	49.1
Total return	(0.8)	(7.6)	(8.4)	52.4
Non-current investments	131.5	232.0	363.5	351.1
Cash and cash investments*	135.2	-	135.2	100.5
	266.7	232.0	498.7	451.6
Held as:				
Cash and working capital	135.2	-	135.2	100.5
Capital Projects Portfolio	41.9	-	41.9	41.9
Gift Matching Portfolio	-	20.9	20.9	22.1
Growth and Central (Endowment & School/Sinking Fund)	87.9	179.3	267.2	254.3
FER Portfolio	-	31.8	31.8	31.9
Shared equity housing loans & Property	1.7	-	1.7	0.9
31 July 2022	266.7	232.0	498.7	451.6
31 July 2021	211.7	239.9	451.6	

*excluding balances held on behalf of TRIUM

Philanthropic support received in 2021-22

The School received a total of £41.3 million in donations and endowments during 2021-22 (2020-21: £14.4 million), including receipts from pledges secured in previous years.

Philanthropic income secured through new commitments (gifts and pledges) in 2021-22 totalled £93.6 million, an increase of 88.5% from 2020-21. These pledges included:

- £50m from The Sequoia Trust to support the Marshall Impact Accelerator
- £8.9m from The Grantham Foundation for the Protection of the Environment to support the Grantham Research Institute
- £4.8m from Climate Arc; a sponsored project of Rockefeller Philanthropy Advisors, to support the development of the Transition Pathways Initiative
- £3.7m from Stuart Roden & Family for the Data Science Institute

Alumni and supporter engagement

Emphasis during the first half of 2021-22 continued to be on virtual activity as UK and global COVID-19 restrictions continued and countries emerged at different times.

The largest endeavour was the coordination of the launch of the public phase of our Shaping the World Campaign. This comprised a live global virtual launch event, private dinner, film and the creation of two new websites showcasing new opportunities to engage with the School for alumni, friends and partners – through philanthropy and volunteer programmes. Over 10,000 alumni, friends and partners from around the world watched the event live, and an additional 5,000 people have watched it since.

During the second half of 2021-22, the reopening of our Alumni Centre enabled us to welcome back our alumni and friends from February, and in-person activity on campus and around the world gradually increased. LSE's Festival week in June combined in-person and hybrid activity to engage LSE's global community. During this week of public lectures, seminars and events, the Alumni Association Executive Committee leadership and North American Advisory Board members also convened to connect with each other and LSE leadership and discuss how to advance further the School's relationship with alumni, friends and partners in a mutually supportive way.

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 2021-22.

Expenditure

Total expenditure disclosed in the Consolidated Statement of Comprehensive income and expenditure increased by £126.2 million from 2020-21 to 2021-22. However, both years include a large adjustment associated with the USS pension provision – in 2021-22 at £77.1 million charge and in 2020-21 £13.0 million credit. Excluding the impact of the adjustments, expenditure year on year increased by £36.1 million (10.3%).

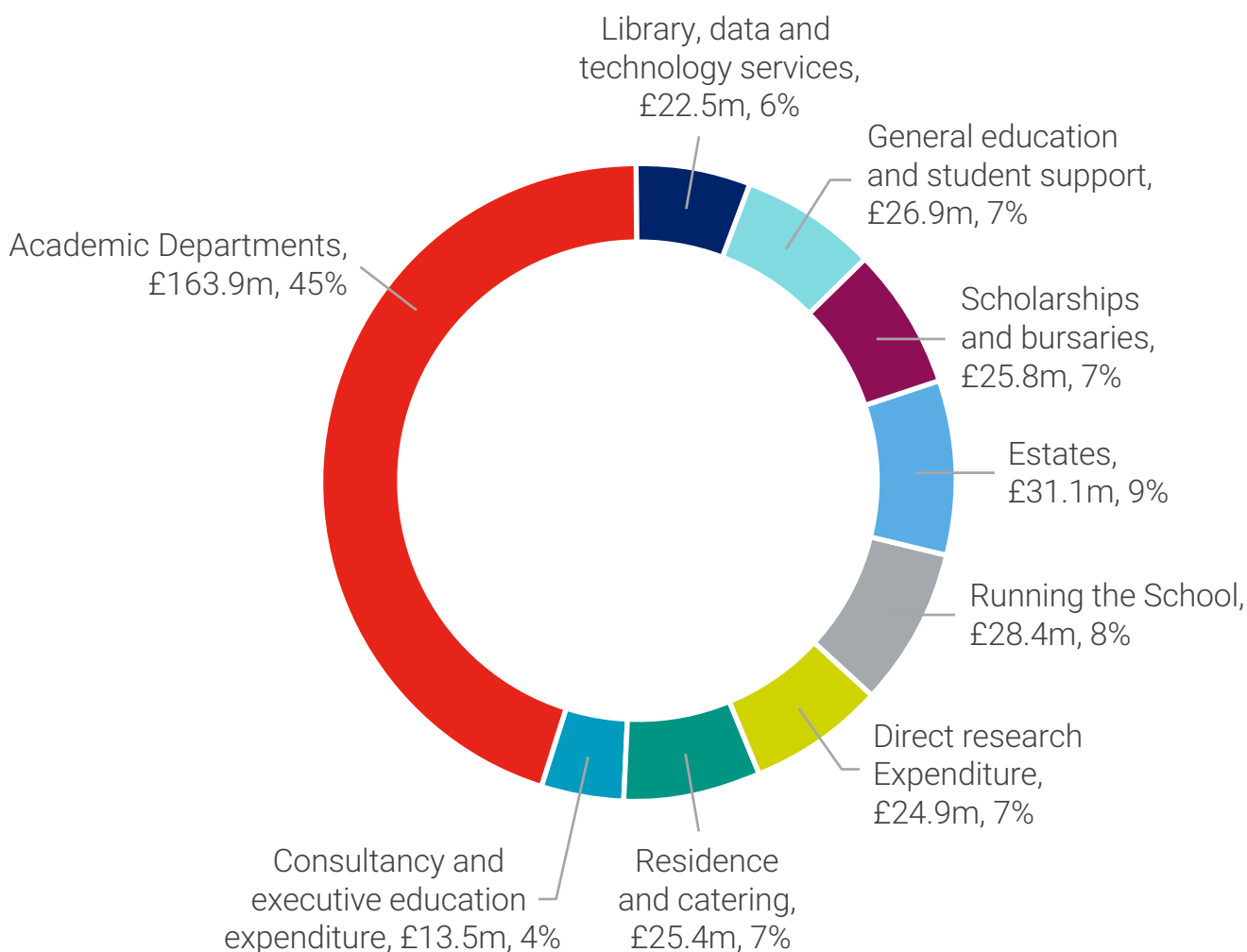
Of this increase, £11.6 million relates to staff costs, explained by the annual pay award increase to staff which averaged 1.5% in 2021-22 and a net increase in staff numbers. The average number of staff also increased from 2020-21 as activities returned to pre-pandemic levels and the conditional hiring freeze which we had established during the pandemic eased, contributing to the overall increase in pay costs as well.

Non-pay operating costs increased by a significant amount - £24.8 million year on year however the 2020-21 expenditure was artificially reduced by steps taken early in the pandemic to cut non-pay budgets by the equivalent of 10 per cent and limitations on travel and reduced activity in residences, catering and the summer schools. The main elements that contributed to the non-pay cost rise are:

- Increased teaching activities delivered through the School's Summer School & Executive Education programmes which were dampened over the pandemic period
- increased utilities costs as students and staff returned to the School for more campus-based activities as well as increased estates and residences maintenance costs as works resumed during 2021-22 that had been paused during lockdown
- an increase in research grant activity and expenditure which was offset by a related increase in research income although not fully, a situation which is of concern given the School already provides substantial financial support to its research through a range of ancillary activities

As we look forward to the next academic year, we note that as an international institution, we are particularly exposed to the impact of falls in the value of sterling as we strive to offer internationally competitive salaries to recruit faculty. The recent falls in the value of the sterling due to reduced market confidence in the UK economy concern us and threaten our ability to remain competitive in the global competition for world class faculty.

Use of funds generated from income (excluding changes in pension provision, depreciation & interest)



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 delivery

Procurement

Our procurement policies and processes are central to ensuring the School delivers the best possible value from its expenditure for our stakeholders. LSE is committed to acting responsibly and sustainably and sets out its commitments in a range of policies including our Supplier code of Practice, Sustainability Policy, Energy Policy, Modern Slavery Statement, Responsible Procurement Policy and Environmental, Social, and Governance investment Policy. Together they form a core element of the School's Ethics code and vision of the School LSE 2030 provides.

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

In 2022 we created the LSE Supplier Code of Practice detailing what we expect from our supply chain.

LSE is one of 300+ affiliates (public body buying organisations) and sits on the board of Electronics Watch, helping public body organisations work together and collaborate with civil society to monitor the rights of workers in their electronics supply chains. (<https://electronicswatch.org/en/>).

The School works with Net Positive Futures (<https://netpositivefutures.co.uk/>) which provides a single platform for 60+ Universities in the UK for suppliers to map their progress to Net Zero.

The total expenditure that was influenced by procurement processes and policy in 2021-22 was £119.0 million (2020-21 £155.0 million) and we awarded 286 contracts compared to 193 in the previous financial year. We estimate this work delivered savings of over £3.8 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 2022 the amount due to trade creditors was equivalent to 30 days of purchases compared to 17 days at the end of 2020-21. 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. 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 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 several 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 (94% funded) 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. As SAUL was in surplus on a Technical Provisions basis at that date, no deficit contributions were required.

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 2022 showed an increased surplus of £616 million (116% funded) at that date.

The ongoing Employers' contributions were increased from 16 per cent to 19 per cent from 1 April 2022 in the financial year. The Trustee and the Employers have agreed that these will increase 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% 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 2020 valuation was filed in October 2021 with a shortfall in the scheme valued at £14.1 billion. In March 2022, a schedule of contributions and a deficit recovery plan were signed agreeing to future contribution rates as follows-

Employer contribution rates

For the period to 31 March 2022: 21.4% of salary

From 1 April 2022 to 31 March 2024: 21.6% of salary

From 1 April 2024 onwards: 21.4% of salary

Employer's deficit contribution rates

From 1 April 2022 to 31 March 2024: 6.2% of salary

From 1 April 2024 to 30 April 2038: 6.3% of salary

The contribution rate changes were accompanied by several benefit changes and the introduction of a suite of debt monitoring metrics designed to assure the scheme's Trustee and member institutions that the financial covenants provided by member institutions were not being unduly downgraded by additional borrowing or reduced operating performance.

In between full valuations, the Trustee checks the funding position of the scheme on a monitoring basis, which does not involve the same detailed review of all the underlying assumptions that happens in a full valuation. On 31 March 2022, based on the 2020 valuation but allowing for changes in membership and updated allowances for market conditions and expected investment returns, the monitoring approach showed a reduction in the deficit at that date to £1.5bn.

The next tri-annual USS valuation is scheduled for 31 March 2023 when it will become clearer what impact the current period of volatility in investments and higher inflation has had on the Scheme's position and therefore the extent to which there may be scope to change benefits.

Accounting standards require that a provision for the discounted value of future contributions to cover this deficit is included in the balance sheet (note 19). Based on the schedule of contributions implemented by the Trustee and applying at 31 July 2022, the provision for LSE is £116.1 million, compared with £38.7 million last year. The increase in the provision of £77.4 million is accounted for as a charge against the total comprehensive income for the year.

It should be noted that the provision in the accounts is not the same as the School's share of the scheme's total 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 an investigation takes place to identify a more sustainable solution that provides the best possible value to staff and the School.

Balance sheet

We note that at 31 July 2022, School's net assets had reduced by £22.7 million (3.0%) to a net value of £735.1 million compared with 31 July 2021. The increase in the USS pension provision of £77.5 million is the dominating factor behind this contraction.

The Group is reporting a net current asset position of £68.9 million at July 2022 compared to a net current liability position of £50.6 million at July 2021. This is consequence of repaying the short-term £80 million Bank of England CCF loan and receipt of the first tranche of the School's £175 million private placement of £75 million. This debt is repayable in July 2063.

A year-on-year comparison of balance sheets highlights several substantial changes: the continued investment in assets such as the purchase of the land at Glengall Road and completion of the Marshall building in Michaelmas Term 2021, and the significant increase in the USS pension discussed earlier.

	2022 £m	2021 £m	Change £m	%
Tangible and intangible assets	711.7	683.9	27.8	4.1
Investments	366.3	351.1	15.2	4.3
Total non-current assets	1,078.0	1,035.0	43.0	4.2
Current assets				
Stock	0.3	0.3	0.0	0.0
Debtors	54.2	46.2	8.0	17.3
Cash and cash equivalents	147.2	110.0	37.2	33.8
Total current assets	201.7	156.5	45.2	28.9
Creditors: falling due within 1 year	(132.8)	(207.1)	74.3	(35.9)
Net current assets / (liabilities)	68.9	(50.6)	119.5	(236.2)
Total assets less current liabilities	1,146.9	984.4	162.5	16.5
Creditors: falling due after 1 year	(295.6)	(188.0)	(107.6)	57.2
Pension provision	(116.2)	(38.7)	(77.5)	200.3
Net Assets	735.1	757.7	(22.6)	(3.0)
Expendable endowments	111.9	119.7	(7.8)	(6.5)
Permanents endowments	117.5	121.1	(3.6)	(3.0)
Endowment reserves	229.4	240.8	(11.4)	(4.7)
Restricted reserves	21.2	11.7	9.5	81.2
General reserve	484.5	505.2	(20.7)	(4.1)
Total Reserves	735.1	757.7	(22.6)	(3.0)

Funding strategy

In 2017-18 Council adopted a Statement of Funding Principles to provide a framework for borrowing, investing, and applying surpluses. This embodies the School's strategy to fund capital development on a portfolio basis rather than a building-by-building basis, 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.

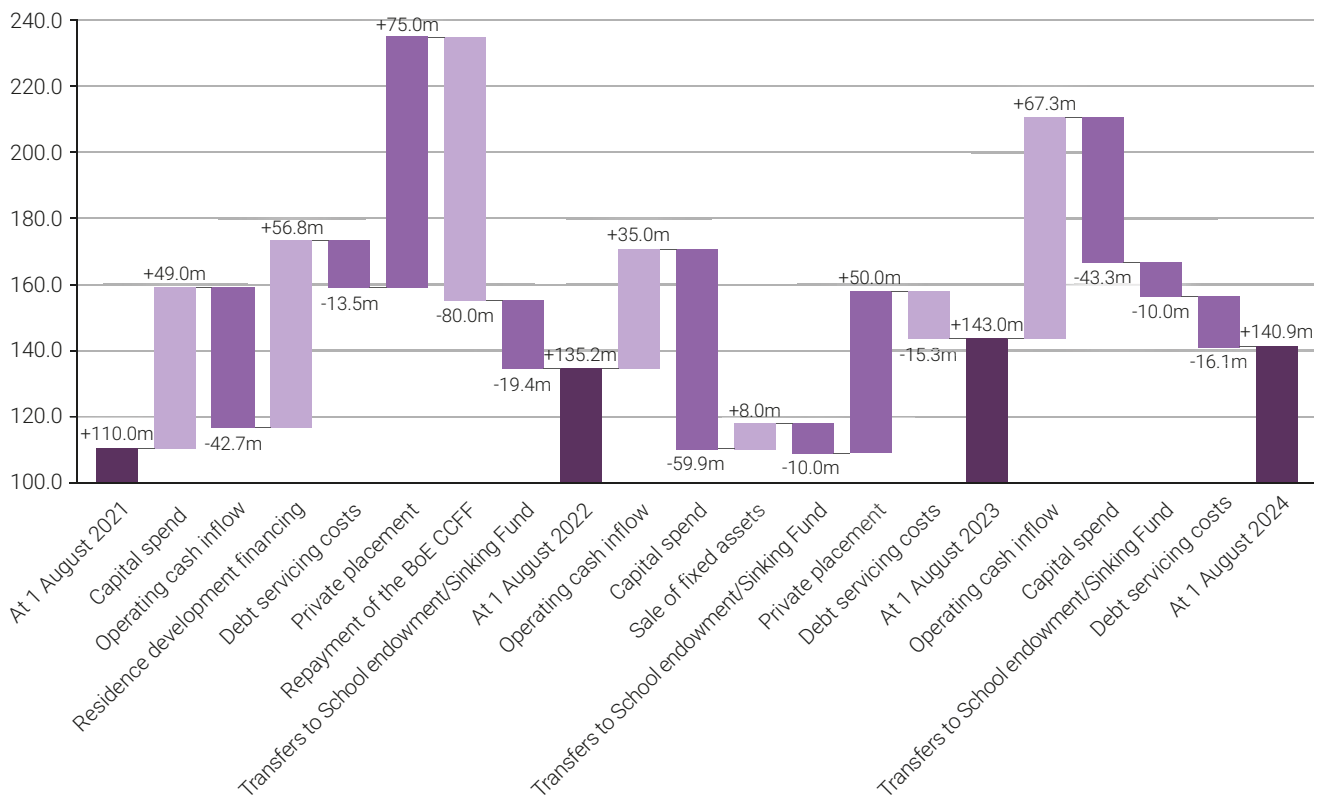
With this in mind, the School successfully secured a £175 million sustainable private placement to support initiatives at the School, including the development of the Firoz Lalji Global Hub. We are fortunate to have acted promptly to undertake this fundraising exercise in March 2022 and given the recent movements in financial markets, we have secured very attractive rates for the School. The School retains access to credit facilities, available until 2025, should the need for additional short-term liquidity arise.

Cash movements

An important aspect of our financial planning process is cash flow management. During 2021-22 there was a net cash inflow from operating activities of £117.8 million (compared to an inflow of £58.5 million in 2020-21) including £50.9 million related to the residence development arrangements described earlier. There were significant changes in our borrowing during the year: we repaid the £80 million Bank of England's CCF Fund loan in March 2022 and received the first tranche (£75 million) in July 2022 of the £175m sustainable private placement.

The chart shows the main components of the 2021-22 cash flows, budgeted cashflows for 2022-23 and projections to the end of 2023-24 based on the School's 2022 Financial Plan.

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



Capital expenditure

During 2021-22, the School spent a total of £41.9 million on fixed asset capital expenditure. This was mainly related to the following projects:

- The completion of the Marshall Building in Michaelmas Term 2021 (costs of £9.7 million in 2021-22); an academic building that provides state-of-the-art teaching space and houses our Accounting, Finance and Management departments, their associated Research Centres and the Marshall Institute for Philanthropy and Social Entrepreneurship
- The purchase of land at Glengall Road for £27.4 million to facilitate the construction of a new hall of residence. This brand-new 15-storey hall of residence will provide 676-bed spaces, with facilities including a gym, courtyards, roof terraces, shared kitchens, a cinema room, laundry room, amenity space and staff offices will open in September 2024. The project is structured as a partnership with DIF Capital Partner with LSE holding 19.9% of the equity in a special purpose vehicle, Spark Living (LSE Glengall Road) LLP, which has purchased a long lease on the site from the School. Once opened and operating the School will have the right to annually nominate beds and we plan to run the hall as a postgraduate residence. The School's shareholding in Spark Living is held via intermediary subsidiary companies and disclosed in note 13. The payment for the long lease on the site is treated as Deferred Income in note 17.

During 2022-23 work will start on two major capital developments: the redevelopment of 35 Lincoln's Inn Fields into the Firoz Lajji Global Hub; and the redevelopment of our Bankside hall of residence.

The Global Hub will be financed in part by the funding raised from sustainable bond issued in March. This will be a new flagship centre for the School to better facilitate executive education, summer schools, short residencies as well as an annual events programme

Redevelopment of Bankside Hall, located behind Tate Modern offers the School the opportunity to add c. 1,200 bed spaces. This scheme along with the Glengall Road scheme that achieved Financial Close in 2021-22 are key parts of the School's strategy to deliver 6,000 bed spaces. It is likely the Bankside development will be financed through an arrangement with a funding partner who will undertake design, construction, and operation of the hall within a specification and framework set by the School.

It is worth noting that the School reports 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 £1.5 billion. The option to adopt a revaluation policy remains available and is 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 £11.4 million and £65.7 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 expenses. 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 risk tolerance 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 a more febrile international political landscape may have on the LSE's sustainability.

The Business Model Risk Register evaluates exogenous and endogenous risks to the School's business model, considering the impact on the Financial Plan posed by external factors such as UK government funding cuts, a potential global recession, recruitment markets, and internal factors like the costs involved with such major undertakings as 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.

The Post-COVID-19 World

As the world returns to a degree of normality after the COVID-19 pandemic, the risk environment continues to be at the forefront of LSE decision-making related to student numbers and the impact of the last two years on research outputs. The exogenous risks posed by the Post-COVID-19 world have accentuated the need for the School to diversify revenue away from core student fees, leading to an increased focus on philanthropic development and the Extended Education portfolio. And while numbers on the School's Summer School programme are showing good signs of recovery, the threat posed by increasingly strong competition both in the UK and abroad, and the emergence of private providers remains an issue that will be monitored carefully in the coming years, particularly under the remit of the newly appointed Dean of Extended Education.

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. A new Research Strategy being developed by the Pro-Director for Research will address such risks to research as the loss of access to EU funding, increased internal competition and substantial reduction in QR funding, the government focus on STEM, and the erosion of research time. Work on support and incentives for externally funded research also mitigates these risks, particularly given the long-term uncertainty to the funding model for social sciences.

The School continues to monitor the risks to staff wellbeing following the uncertain—and, in many cases—demanding working conditions brought about by the lockdown. The Future Ways of Working project is an LSE project which looks to enhance technology and improve staff spaces to empower LSE's community to operate under the hybrid working model. It seeks to retain some of the opportunities from these arrangements, as well as keeping in mind the importance of flexibility and agility for staff retention and recruitment, particularly as the drive online has led to an increase in competition for key roles. Added to the issues, the instability caused by the war in Ukraine and the rise in inflation have all contributed to a period of uncertainty for individuals as well as institutions. The School will do all it can to put in place measures to support its staff through the current crisis, be that through increases in the availability of hardship funds, or other mechanisms. A pension continues to be an important element in the offer the School makes to its employees, and the School remains committed to contributing to positive engagement in Scheme reform for USS, to ensure the pension remains affordable for our staff. At an operational level, more stringent budgetary review and operational planning processes mean the School can ensure value for money and consistency of applications of resources across all its professional services.

Through this period of exogenous shock, 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 for LSE to remain at the forefront of understanding, forecasting, analysing, and explaining these changes, as they occur.

The School is acutely aware of the need to maintain and increase the diversity of countries from which we recruit. We believe this both enhances the student experience and mitigates, as far as practical, the risks inherent in an increasingly volatile global political environment.

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.

The 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 was awarded a Bronze award, and the Department of Mathematics was awarded a Silver award.
- 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 2021-22 academic year has also seen some important progress in Race Equity work. We have:

- Continued to provide funding for support to research on race (through the Research Support Fund)
- 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
- Continued to promote our fair recruitment advisor initiative for senior Professional Service Staff Recruitment.

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 recruited an anti-harassment support advisor in October 2021 working collaboratively with Student Services, the student body, and the counselling service we have implemented a suite of trainings and support mechanisms.

- Recruited further 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
- Working in collaboration with the Students' Union, in Welcome 2021, launched Consent Education for all new students, with priority for Undergraduate students. The training is provided by students working peer-to-peer and the feedback was unanimously positive. Consent Education will take place again during Welcome 2022. Training 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
- Continued our partnership with Rape Crisis South London. Our partnership with Rape Crisis includes a sexual violence support worker who provides appointments for staff and students, either online or in person.

LSE is committed to long term, systemic development of our approach to EDI. The examples listed above are not an exhaustive list and LSE 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, pay regard to the guidance on public benefit, as published by the Charity Commission, in exercising their powers and duties.

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, as 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 across the UK who faced barriers to success in their primary or secondary education or are currently underrepresented in higher education. The team delivers a wide range of events and long-term programmes to raise attainment, inform students about higher education and help them to make informed choices about their future, including supporting them to make competitive university applications. We also work closely with colleagues in student recruitment, marketing and undergraduate admissions to support students throughout their application and admissions journey.

During 2021-22, most of our widening participation activity was delivered virtually, due to the disruption and continuing uncertainty caused by the COVID-19 pandemic. Thanks to the huge efforts of staff, student ambassadors and academic contributors, we engaged with over 1,500 students throughout the year, mainly through live online events, such as webinars and workshops. Virtual delivery has enabled us to expand the reach of our activity across the UK, for example, through our new LSE Explore subject days, our Black Achievement Conference and events for teachers and careers advisers. We also successfully delivered in-person GCSE Mathematics tutoring to 40 pupils eligible for Pupil Premium funding at our two partner schools in London, Harris Academy St John's Wood and Barking Abbey School. This scheme is designed to help reduce the widening gaps in attainment in state secondary schools and is delivered through an innovative collaboration with the charity, Team Up, which trained twenty LSE students to deliver ten after-school sessions.

This year, we have been developing a new approach to widening participation, based on a review of our operational activities to ensure alignment with the LSE2030 strategic priorities, the School's Access and Participation Plan and new priorities identified by the Office for Students. One of the key outcomes has been the development of two new programmes, LSE Thrive (a mentoring programme for students of Black heritage) and LSE Springboard (a multi-intervention subject-based programme for year 12 students from under-represented groups who live outside of London and the South East). Both these programmes will launch during 2022-23 and have been developed in collaboration with current students and expert partner organisations.

In 2021-22, we were also delighted to continue our partnerships with Advancing Access, AccessHE and key social mobility charities, including IntoUniversity and the Sutton Trust, with whom we collaborate to deliver the highly successful Pathways to Law and Pathways to Banking and Finance programmes for over 250 students each year.

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 on measures to support the access, success and progression of UK undergraduate students, including generous financial support packages. The LSE Bursary package makes awards of between £500 and £4,000 per year to UK undergraduates with low household incomes. This is supplemented by the LSE Accommodation Bursary, which assists students from lower-income households with Halls of Residence fees, with awards between £500 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 85 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 through our existing In-course Student Support Funds and the Digital Support Fund, which we launched in January 2021.

Advancement and Learning

The LSE Library is one of the outstanding social sciences libraries in Europe, with designated status as a national research library as the British Library of Political and Economic Science from the Arts Council England. It is open to members of the public researching and engaged with the subjects taught at LSE.

Public and schools

The LSE Library delivers a varied programme of free workshops, public talks, exhibitions and online resources for school and public audiences. The Library delivered seven online public events to 642 attendees, which were subsequently viewed 1,304 times. There were two physical public exhibitions in the Library Gallery, *Out of the Box: stories from the archives*; and *Women's international thought*. Three events in the summer re-introduced in-person activities: The LSE Festival family workshop; an art-based workshop exploring gender equality, and a film screening of *Independent Miss Craigie*.

The development of the Library's YouTube channel provides access to past events, interviews and conversations enabling audiences to engage with the themes and narratives within the collections. The collection of 100 videos have had over 18,000 views.

The Library's schools programme caters for pupils from primary school through to sixth form, with support for those undertaking their Extended Project Qualification in Year 12. The 2022 LSE Festival schools project, Sunbeams: valuing children's voices was a collaboration of 60 Year 5 students; artist Becci Kenning; poet, Justin Coe; LSE academics and curators. The project produced lessons, art worksheets, videos and culminated in student artwork displayed at LSE Library and a family workshop attended by 40 children and parents. School workshops were delivered online during Michaelmas term 2021 to 75 students. Group visits to study the archives returned in summer 2022 with 130 students from UK schools and US universities. LSE Library resources available on the Times Educational Supplement teaching resource website have been downloaded 10216 times, including the 2021-22 additions, Suffrage Oral Histories and Sunbeams: valuing children and their voices.

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's archives and special collections. Notable collections added to the LSE's Digital Library in 2021-22 include:

- The complete [Charles Booth Digitised Archive](#).
- [Hugh Dalton's Diaries](#).
- The papers of [the Oxford Research Group](#).
- The [Peace and Internationalism Digitised Collection](#).

During 2021-22, the Library developed a Digitisation Suite which allows us to digitise collections in-house, as well as offering a "digitisation on demand" service for those interested in Library collections from anywhere in the world.

Acquisition programme

We have ensured that several unique collections of national significance have been saved for the benefit of future generations, including:

- A series of letters written by and about the suffragette Emily Wilding Davison. Davison is often remembered for being hit by the King's horse at the Epsom Derby in 1913. She died eight days later in hospital. Significantly, one of these new letters reveals that she regained partial consciousness in hospital. Historians have always thought that she remained unconscious from her injuries. Other letters in the collection include notes about her time in Holloway Prison and even some 'spirit' letters written by a medium as 'dictated' by Emily Wilding Davison.
- Papers relating to the history and development of the Green Party, from its foundation in Coventry in 1973 as the PEOPLE Party through to the present day.
- The archives of the Campaign Against the Arms Trade, a pressure group founded in 1974 to work towards the abolition of the international arms trade.

LSE Press

As a means of enabling public engagement with social science research, LSE manages its own digital open access publishing platform. We publish books, journals and supplementary materials and facilitate innovative and experimental publications. Through this approach we can share research findings with a range of audiences across the world, free of charge for the reader. Our first book *The UK's Changing Democracy* has been downloaded over 34,000 times since publication and has been used for teaching in schools as well as universities. In 2021 we published the textbook *Advanced Macroeconomics* which has been downloaded over 14,000 times and provides one of the few open access resources in Economics. Our three open access journals continue to grow, with *LSE Public Policy Review* maintaining its goal to deliver interdisciplinary research in a way that is highly accessible to the non-academic reader and policy makers. Throughout 2021-22 the *Journal of Long Term Care* has continued to add articles to its "COVID-19 and Long-Term Care Policy" collection.

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.

- A report by Dr Jonathan Birch and colleagues - showing that animals such as lobsters, octopuses and crabs are sentient. These generated national and international headlines and led to the UK government confirming the animals would receive greater protection in law.
- Research from Dr Grace Lordan outlining the need for greater transparency on pay and promotions for black women working in financial services and big tech.
- LSE academics provided insight and expertise on a wide range of issues relating to the war in Ukraine. These included Nikhil Kanyanpur commenting on sanctions for Sky News, Charlie Beckett addressing the role of social media for NBC News and Luca Tardelli speaking about NATO for Australia's SBS News.
- A report detailing how more than one in five top earning bankers has benefited from non-domicile tax status generated significant attention in the UK and international media. The Labour Party cited LSE research as it announced its policy to abolish non-domicile tax status in its current form.
- A study co-authored by Dr Aaron Cheng found playing Pokémon Go and other location-based games could alleviate non-clinical forms of mild depression and emotional distress.
- Research by Dr Rocco Friebel revealed how hospitalisations for opioid overdoses in England have soared by 50 per cent in a decade.
- Research by Professor Neil Cummins identified a notable wealth gap experienced by the Irish community in England.

LSE proactively supports impactful research through competitive internal funding. The Research and Impact Support Fund awarded 22 grants for projects exploring pressing issues of today, including air pollution, regional economic development, labour markets, wellbeing, ethnic inequality and the cost-of-living crisis.

This year our outstanding contribution to social science research was also recognised in the results of the Research Excellence Framework 2021, in which LSE was shown to be the top university (of multiple submissions) in the UK based on the proportion of 'world-leading' (4*) research produced. LSE is also the joint second ranking university in the UK overall, when considering research outputs, research impact and research environment. 58 per cent of LSE's research was judged to be world-leading (4*) and 35 per cent was deemed to be internationally excellent (3*). Several LSE departments did particularly well, with their Units of Assessment coming top overall. These are the departments of Economics, Anthropology, Social Policy, Health Policy and Media and Communications. Academics from the Departments of Gender Studies, Methodology and Psychological and Behavioural Science also contributed to these top scoring Units of Assessments. The School submitted 61 impact case studies, with examples ranging from improving safety culture in the aviation industry and shaping global accounting standards, to informing fairer, more cost-effective social care policy and recognising children's rights in a digital world.

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 40,000 in person and online attendees this year; a wide-ranging blog platform with over 2,500 articles published last year and over 10.7 million views annually; a significant social media following with approximately 1.9 million followers across Facebook, Twitter, LinkedIn, YouTube, Instagram and TikTok, and a wealth of digital content, including research films and podcasts with around 25 million downloads annually, and an online magazine, Research for the World which has had over 350,000 views in the last year.

LSE events

The academic year 2021-22 saw LSE's events programme continue online, with a gradual return to campus for in-person and hybrid events in the Lent and Summer Terms. Since September 2021 we have hosted over 140 free public events (not including LSE Festival events); 18 of which were hybrid, 2 in-person and 128 online.

Throughout the last year, we hosted an array of speakers from across the world, including politicians, business leaders and Nobel laureates. Speakers have included Michel Barnier, former Negotiator, Task Force for the Preparation and Conduct of the Negotiations with the United Kingdom under Article 50; Professor Amartya Sen, Nobel Laureate and Professor of Economics and Philosophy at Harvard University; Tharman Shanmugaratnam, Senior Minister of Singapore; John F Kerry, United States special presidential envoy for climate; and Christine Lagarde, President of the European Central Bank.

As in the previous year, our online offering has meant we have been able to attract a global audience, with viewers from over 100 countries tuning in. In addition to Zoom Webinar, we have increased our global reach by live streaming 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.

The LSE Festival 2022

The LSE Festival 2022 was hosted both online and in-person on the theme of "How do we get to a post-COVID world?", exploring what practical steps we can take to shape a better world. The Festival hosted panel discussions, a research showcase, events for families, receptions, and exhibitions. The home of this year's Festival was the Marshall Building, LSE's newest addition to campus, and all online content was accessible on the Festival Hub, a dedicated media player for all Festival content.

All events were free, open to all and were organised in three strands. The main programme, Festival Live, saw events primarily held in person and streamed on Zoom and the Festival Hub, with the Saturday events only held on campus to encourage in-person attendance. The Festival Shorts were a series of films showcasing LSE research. Finally, the online 'Festival Skills for a Fast-changing World', organised by LSE Extended Education, were taster sessions of what LSE Online courses can offer.

The Festival had a substantial reach, with 4,526 people attending the Festival Live and Skills events, 1,526 people attending on campus and 3,000 tuning in online via Zoom or Facebook.

Volunteering

As part of LSE's strong tradition of social awareness and engaging with the wider community, our dedicated Volunteer Centre seeks to inspire and empower our community to volunteer for causes they are passionate about. In 2021-22, the Centre saw huge interest from students who wanted to get involved in volunteering and make a difference.

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, 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 2021 to 31 March 2022. 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 15 with a full time equivalent of 13.39.

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%	1
1-50%	12
51- 99%	2
100%	-

The total cost of facility time was £0.06 million of a total pay bill of £230.1 million. The percentage of the total pay bill spent on facility time was 0.03 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. 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.

Section 172 also 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 2021-22 Council has received regular progress reports on LSE 2030 and the ongoing impact and response to the COVID-19 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, technology, health, safety and wellbeing, equity, diversity and inclusion, free speech, entrepreneurship and the philanthropic campaign.

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 continuing challenging environment, with 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 progress and approving options concerning the development of student residences and the estate, which have considered likely long-term consequences, the optimal student and staff 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
- revision of the Articles of Association and Council Standing Orders
- reviewing 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 80.

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

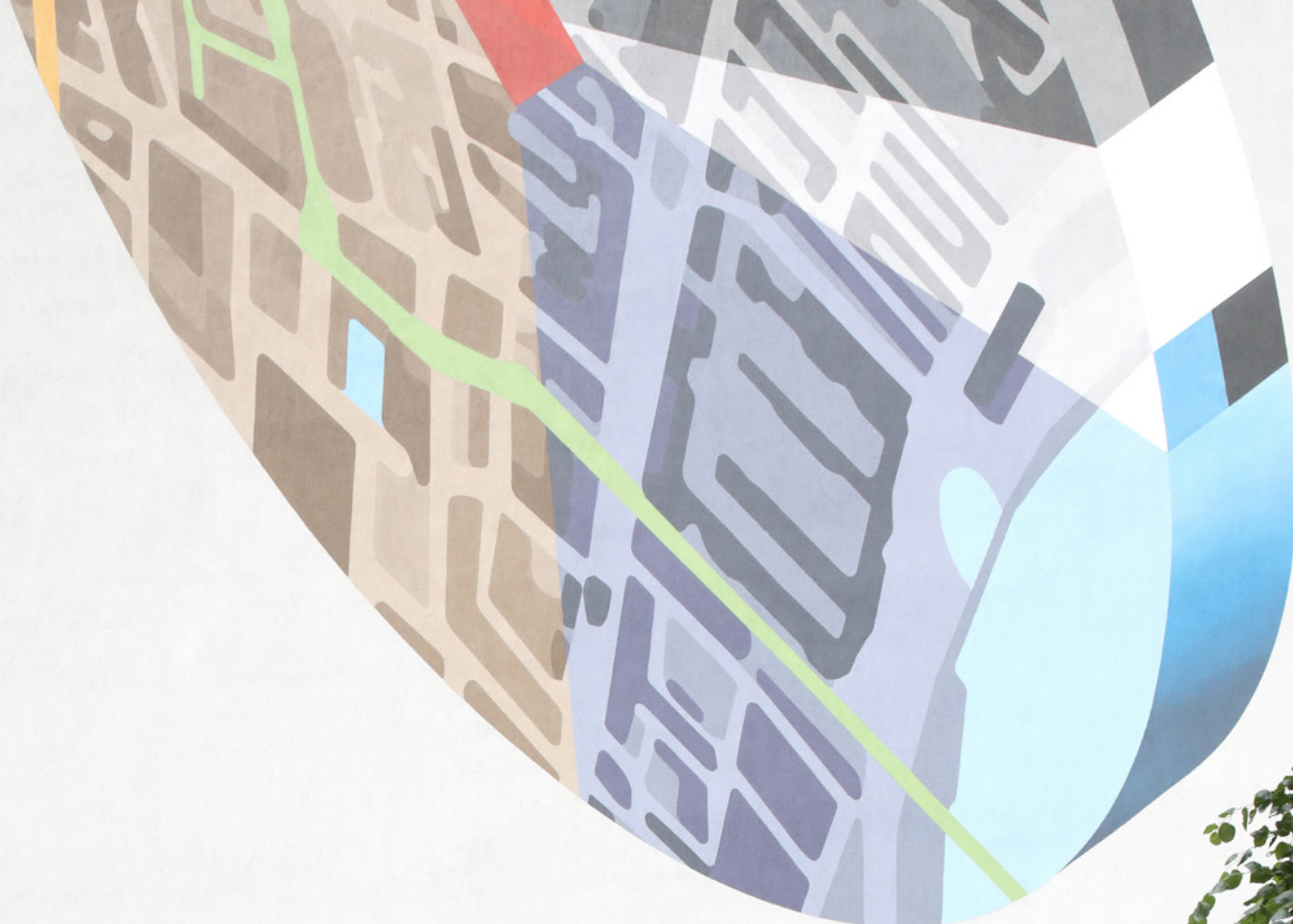
At the date of making this report, each of the Company's directors as set out on page 80, confirms the following:

- 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 22 November 2022.

Baroness Shafik

Director



Understand
the causes
of things!

Everyone
needs to be
whatever they
choose. 😊

SPI
STUDY ABROAD
SCHOOL OF POLITICAL AND SOCIAL SCIENCES

Corporate Governance and Internal Control Statement

This Corporate Governance and Internal Control Statement covers the 2021-22 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 the School's strategy, 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. 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. These were implemented during 2020-21 and 2021-22. A key action was revising the School's Articles of Association, which were adopted by Council in July 2022; the changes included relocating some more detailed operational provisions within Standing Orders and reflected that the School was granted university title earlier in 2022.

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 2021 to 31 July 2022 and up to the date of signing these financial statements can be found on page 80.

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.

The council formally meets at least four times a year. It was 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 revision to the School's Articles of Association now provides for 20 members with 2 further Independent member positions. Recruitment activity over 2022-23 will seek to identify new members for these vacancies.

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, 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'. From 2022-23 the Audit Committee's membership will comply fully with this requirement. This follows an arrangement during 2021-22 where committee membership comprised two Independent Council members together with external members; one external member had served as an Independent Council member until 31 July 2021 and was reappointed to Audit Committee to support transitional arrangements while a replacement third Independent Council member was appointed.

An effectiveness review of Audit Committee was undertaken during 2021-22, which raised no significant issues, but did identify some minor areas for improvement and these are being addressed.

Ethics Committee

Ethics Committee's remit is to provide governance oversight and assurance to Council on ethical matters affecting the School to contribute to the achievement of strategic objectives and to meeting regulatory and legal obligations. The role of the committee was reviewed and revised during 2020-21 to ensure that it continues to provide appropriate support. It was further reviewed during 2021-22, together with Audit Committee, in light of the CUC Higher Education Audit Committees Code of Practice in relation to the formal oversight of ethical matters, with some responsibilities being transferred to Audit Committee with effect from 2022-23.

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 the 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, is 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 that give a true and fair view of the situation 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 for the foreseeable future (and at least 12 months from the approval date of these accounts). 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





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. A *Programme Manager: Education for Sustainability* was appointed, and they are mapping LSE modules to gain an overview of the sustainability-related modules taught throughout the School, in collaboration with the Sustainable Futures Society.
- Sustainability is a key theme in LSE100, our flagship interdisciplinary course for all undergraduate students.
- LSE Careers launched its new 'Careers in Sustainability' programme mid-November. This included a range of events to connect students with alumni working in this field. This proved an extremely popular initiative and LSE Careers is developing further projects. LSE Careers' Energy and Environment sector page is being fully updated, and a new Sustainability sector page.
- The LSE Sustainable Projects Fund awarded funding to 9 staff and student led projects, with themes such as reducing food and plastic waste on campus.

- Department of Geography and Environment and Grantham Research Institute are developing a new online sustainability certificate course, as part of expanding LSE's online educational offer.
- Student surveys have shown a 2% for postgraduate and 3% for undergraduate increase in satisfaction (compared to 2020-21) with the level of sustainability education in the curriculum.



Research

Shaping the global sustainability debate through our research

- LSE's Research continued to make a significant contribution to sustainability and the UN Sustainable Development Goals, through their key engagement initiatives including Research for the World magazine, research showcase event series, public lecture programme, LSE Festival, blogs, and research films and podcasts.
- As above, LSE Festival and Shaping the Post-COVID World event series both featured sustainability as a key theme.
- To coincide with World Earth Day in April 2022, the Research team launched an externally facing landing page to bring together content from across the School relating to environmental sustainability.
- Sustainability continues to be a key theme in research. Four new research projects - internally funded via LSE's Research and Impact Support Fund 2022 - explored environmental sustainability themes: the long-term cost of air pollution, the geography of extractive industries, regional support for renewable energy, and perceptions of wildlife extinction.
- Increase in sustainability-related research funding in 2021-22 across all PAGE teams. The new funding is supporting a range of environmental work carried out by the Grantham Research Institute on Climate Change and the Environment, the International Growth Centre, and the Firoz Lalji Institute for Africa. One highlight was the funds secured to support the scale-up of the Transition Pathway Initiative (TPI) into the new £6.9 million TPI Global Climate Transition Centre which became operational in June 2022.



Engagement and Leadership

Deepening public discussion on sustainability across the world

- LSE has been at the forefront of engagement and action about sustainability in the UK and around 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.
- The Grantham Research Institute (GRI) actively contributed to COP26 Glasgow including media engagement (e.g. Bob Ward, GRI Director of Coms interview on BBC Breakfast), and has already formed a working group in preparation for COP27 in Egypt.

- LSE was awarded the Queen's Anniversary Prize for Higher and Further Education 2021-22 for its work on providing a multi-disciplinary response to climate change.
- LSE has been a leading participant in the Queen's Platinum Jubilee Challenge to accelerate the transition to net zero emissions in the tertiary education sector.
- LSE has been engaged internationally, with Lord Stern and his team commissioned by the UK Presidency of the G7 in 2021 to produce a report on 'G7 leadership for sustainable, resilient and inclusive economic recovery and growth', and commissioned by the German Presidency of G7 in 2022 to prepare a report on 'climate clubs'. His team have also been commissioned by the UK and Egyptian Presidencies of the COP26 and COP27 Presidencies to explore ways of increasing the flow of climate finance for emerging markets and developing countries.
- Other key contributions by the LSE have included engagements with central banks about their role in promoting action on climate change and biodiversity, with finance ministries on a sustainable economic recovery from the COVID-19 pandemic, with companies about their strategies for promoting the delivery of the Paris Agreement, and with decision-makers in China and India about sustainable economic development and growth.



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 undertook the following initiatives:
- Set-up a working group to review the School's Socially Responsible Investment (SRI) Policy with input from experts, colleagues and School-wide consultation opportunities. As a result of this review a new ESG policy has been developed.
- Established a Sustainable Finance Framework that ties LSE's social purpose and Sustainability Action Plan with the School's funding and financial strategies.
- Secured a £175m private placement for green and social projects.
- Continued to analyse the proportion of the investment portfolios which has been rated by the Transition Pathway Initiative (TPI) and publish the findings.



Collaboration

Working in partnerships within LSE and externally

- LSE continues to be a member of the Ellen MacArthur Foundation, to accelerate the transition to a circular economy and raise awareness of its benefits.
- LSE is 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 works with local groups to advance sustainability, such as the London Northbank Business Improvement District, London Higher and participates in a working group led by Westminster City council on sustainability for the Strand Aldwych area.

- LSE's Student Union ran a Green Week, with several events to engage students with sustainability and environmental awareness taking place throughout the week.
- LSE's Student Union has over 9 sustainability-themed societies. Societies led a busy schedule of sustainability events and workshops throughout the year.
- Student representation continues at all sustainability committees, which results 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 started to implement our Carbon Reduction Strategy by electrifying our heat systems. We also became the first Carbon Neutral verified university in the UK.
- **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 194.6kWh per m² in 2021/22, a 19 per cent improvement in efficiency against our 2005-06 baseline, despite the increase energy usage in 2021/22 due to the campus COVID-19-secured measures (with extra ventilation and heating). In addition, 99 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 opened in January 2022 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 continue to encourage staff to think 'digital by default' as part of our Digital Smart LSE campaign, which capitalises on some of the positives of the lockdown period.
- **Catering** - LSE Catering have noted a positive impact since the carbon labelling of all hot dishes across LSE has been implemented. The number of 'red' dishes (beef/lamb) consumed has dramatically dropped. Work with the LSESU Food Cycle Society continues, redistributing surplus food to those in need. They are currently piloting new technology to further reduce food waste.
- **Biodiversity** - In December 2021, LSE was awarded Bronze for the National Union of Student scheme for the conservation of hedgehogs. The opening of Marshall Building, the planting on the terraces and the pedestrianisation of Portsmouth Street has delivered additional biodiversity habitats, aids the greening of our urban campus with new trees and plants and helps to support the (LSE) bees.

LSE energy usage and associated carbon footprint:

	2021-22		2020-21		Change %
	Energy use (kWh)	Associated carbon emissions (kgCO ₂ e)	Energy use (kWh)	Associated carbon emissions (kgCO ₂ e)	
Electricity purchased	18,488,936	31,684	14,839,104	7,458	24.6
Gas consumed	23,515,587	4,292,535	22,244,929	4,074,381	5.7
Transport Personal car use mileage – claimed as expenses	7,566	1,867	18,335	4,518	(58.7)
Gasoil	36,125	9,277	42,746	10,977	(15.5)
District Heating	-	-	493,010	160,278	n/a
Biofuel	-	-	29	-	n/a
Total energy purchased	42,048,214	4,335,363	37,638,153	4,257,612	11.7
Renewable electricity produced onsite	130,429	-	119,469	-	9.2
Intensity measure per square metre	194.7	20.1	162.8	18.4	19.6

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 2021-22 financial year, the School's endowment reserves reduced from £240.8 million to £229.4 million largely due to the fall in market value of the underlying investments.

Endowment reserves	£ million
At 1 August 2021	240.8
New endowments received in year	3.1
Investment income	2.5
Expenditure for the year	(7.0)
Decrease in market value of the investments	(10.1)
At 31 July 2022	229.3

We are pleased that increasingly, many individual donors and foundations recognise 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 and the near-term commitments on permanent endowments. 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 pay-out 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. During the year, the Committee reviewed its SRI Policy and issued a new Environmental, Social & Governance policy (ESG) in November 2022.

Environmental, Social & Governance (ESG)

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 ESG strategy. We recognise that our endowment is not large compared with the assets under management in the funds we invest in, nevertheless the profile of the School is such that we believe that we can influence behaviours.

All 15 of the portfolios Fund Managers are signatories of the Principles of Responsible Investment (previously UNPRI), with 13 of them being rated A or A+, 1 being rated B and 1 being unrated by PRI.

Since the introduction of the LSE Socially Responsible Investment Policy (SRI) in 2015-16, the exposure of the endowments' investments in the areas it aims to minimise has reduced by over 82% from 3.4% of total assets to 0.6% in 2021-22 (0.2% tobacco, 0.3% 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 have significantly increased from a low base. Our new ESG policy will use the Transition Pathway Initiative's (TPI) tool that measures and rates companies' likely future carbon performance and emissions strategies. To ensure compliance with the policy, increased negative screening filters will be applied to our portfolios to limit our exposure to the most polluting fossil fuels alongside the production of tobacco and indiscriminate weapons.

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

Investment return	1 year	3 years	3 years cumulative return	5 years	5 years cumulative return	Long-term threshold objectives
Growth	-3.0%	6.5%	20.8%	7.5%	43.1%	-
Gift matching	-5.4%	-0.7%	-2.0%	0.3%	1.9%	-
Gift matching and growth combined	-3.2%	5.8%	17.8%	6.7%	37.5%	4.5% + CPI
FER	-0.2%	6.6%	20.2%	8.0%	44.1%	4.5% + CPI

As mentioned previously, the second half of the financial year was difficult for financial markets due to multiple reasons. High inflation has also meant that the portfolios have underperformed their long-term CPI objectives on 1-, 3- and 5-year returns. Each portfolio also lagged against its own benchmark except for FER which slightly outperformed its own.

Given the generally subdued market outlook for returns in the coming years, the Committee has agreed to allocate a portion of the portfolios into private equity (which is expected to yield a premium over listed equities) in order for the portfolios to meet their long-term threshold objectives.

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



Conference Room



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 2022 and of the Group's and the School's income and expenditure, gains and losses, changes in reserves and of the Group's and the 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 2022 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and School Balance Sheet, the Consolidated and School Statement of Changes in Reserves, the Consolidated Cash Flow Statement 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 the 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 the 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 Council is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify 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 annual report, which includes the Report of the Directors and the Strategic Report prepared for the purposes of company law, 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, which are included in the annual report 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 UK Research and Innovation (including 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 and 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 note 3 to the accounts, has been materially misstated.
- The School’s expenditure on access and participation activities for the financial year, as has been disclosed in note 8 to the accounts, has been materially misstated.

Responsibilities of the Council members

As explained more fully in the Declaration of the Council, the Council members (who are also the directors of the School for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 members are 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 members 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 are related to their registration with the Office for Students and their ongoing conditions of registration, 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:

- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and relevant regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Discussions with management and Audit Committee, including consideration of known or suspected instances on non-compliance with laws and regulations and fraud, including direct representation from the Accountable Officer;
- Reviewing items included in the fraud register as well as the results of internal audit’s investigations into these matters;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the pension provision, provision against student and other debtors and valuation of derivatives;
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition; and
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privileged access rights, journals posted by key management and journals posted after the year end.

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: [frc.org.uk/auditorsresponsibilities](https://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 UK Research and Innovation (including Research England).

Use of our report

This report is made solely to the Council 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, UK

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 53 to 78.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 Edition), 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 2024 and projections for years thereafter. Sensitivity analysis is undertaken against several scenarios reflecting the key risks identified by the School and based on latest available assumptions. The School's Financial Plan, taking account of reasonably possible changes in performance, shows that the School will 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 together with the share of the results of jointly controlled operations for the financial year to 31 July 2022. 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 endowments (with or without donor-imposed restrictions) 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.

There are four main types of donations and endowments identified within restricted reserves:

Restricted donations – the donor has specified that the donation must be used for a particular objective but not requested that the fund is to be invested.

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 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.

Restricted expendable endowments – the donor has specified that the fund is to be invested to generate an income stream to be applied to a particular objective and the School has the power to utilise the fund's capital to meet that objective.

Total return on investment for endowments

Total return is the whole of the investment return received by the School on its permanent endowment 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 in expenditure.

SAUL:

SAUL is a defined benefit scheme that 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where a fixed asset comprises of two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL.

Land and buildings

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their useful economic lives which range over the following periods:

Buildings – 3-95 years

Roofs – 25 years

Refurbishments including lifts, 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:

Fixtures & fittings – 7 years

Computer equipment – 3 to 5 years

Other equipment – 5 years

Impairment

A review for potential indicators of impairment is carried out at each reporting date. If events or changes in circumstances indicate that the carrying amount of the fixed assets may not be recoverable, a calculation of the impact is completed and arising impairment values charged against the asset and to the Consolidated Statement of Comprehensive Income and Expenditure.

Borrowing costs

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

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment. These assets primarily consist of computer and network software as well as software development projects. Costs in relation to purchased software as well as the development phase of an internal software project (including staff costs) are capitalised if over a £30,000 threshold and the project is expected to generate future economic benefit through use.

Intangible assets are amortised over 5 years representing the estimated economic life of the assets.

Costs associated with the research phase of software development projects are expensed as incurred.

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.

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 initially measured at fair value which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income.

The School's investments in property (via its shared equity housing loan scheme for staff) are revalued using a London housing price index to estimate the fair value of the property held with any changes in fair value at the reporting date are recognised in the statement of comprehensive income.

Investments in subsidiary and associate undertakings are carried at cost less impairment in the School's financial statements.

Jointly controlled operations

The School accounts for its share of transactions from joint operations in the Consolidated Statement of Comprehensive Income and Expenditure.

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 (with a maturity date of less than 3 months from the balance sheet date), highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial Instruments

The School has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition and measurement of financial instruments.

Financial Assets

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

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

Financial Liabilities

Basic financial liabilities include trade and other payables, bank loans, and intra-group loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Derivatives are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value of derivatives are recognised in the statement of comprehensive income.

Service Concession Arrangements

The School has one service concession arrangement. In December 2021, the School entered into a 50-year contract with Spark Living (LSE Glengall Road) LLP for the design, build and operation of a hall of residence at a site purchased at Glengall Road by LSE. At the end of the contract, the School will retain the beneficial ownership of the halls of residence.

The halls are scheduled to open in September 2024. Once operational, each year the School will have the right but not the obligation to nominate rooms for the following academic year and once nominated, the School will be required to underwrite that rental income. This arrangement is deemed to be a Service Concession Arrangement under the terms of Section 34 of FRS 102 and the School will recognise assets and liabilities to the extent that it is required to fulfil nomination commitments at each year-end once the hall has opened.

The School (via intermediary subsidiary companies) holds a 19.9% share of Spark Living (LSE Glengall Road) LLP. This investment is accounted for within non-current investments (refer to note 13) under the equity method for the purposes of the consolidated financial statements.

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.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- a. The School has a present obligation (legal or constructive) because 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 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.

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 with the control of the School.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in note 27.

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.

Critical accounting estimates

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, see note 19.

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.

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 and previous collection rates. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due. The provision for doubtful debts is netted off against trade receivables in note 16.

Significant judgements

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 research grants. This includes determining when performance related conditions have been met and determining the revenues associated with partially delivered courses.

Service Concession Arrangement- VAT Debtor

There is a balance of £6.6m included under Taxation and Social Security in note 16 for input VAT related to the School's Service Concession Arrangement at Glengall Road that was entered into in December 2021. Based on advice from the School's VAT advisors and its legal advisors, this balance is considered to be recoverable.

Consolidated Statement of Comprehensive Income and Expenditure

Company Registration no 00070527

Year ended 31 July 2022

	Notes	Group 2021-22 £'000	Group 2020-21 £'000	School 2021-22 £'000	School 2020-21 £'000
INCOME					
Tuition fees and education contracts	1	265,772	250,749	265,772	250,749
Funding body grants	2	29,152	37,001	29,152	37,001
Research grants and contracts	3	36,886	34,932	35,486	32,838
Other income	4	64,687	54,437	61,579	52,780
Investment income	5	3,546	3,286	3,544	3,296
Total income before endowments and donations		400,043	380,405	395,533	376,664
Donations and endowments	6	41,330	14,400	41,330	14,400
Total income		441,373	394,805	436,863	391,064
EXPENDITURE					
Staff costs	7	228,427	216,752	226,548	215,290
Movement in USS Pension Provision	7	77,086	(12,954)	77,086	(12,954)
Other operating expenses		133,907	109,086	130,766	107,343
Depreciation	11, 12	14,975	15,492	14,963	15,480
Interest and other finance costs	10	9,158	9,038	9,158	9,038
Total expenditure	9	463,553	337,414	458,521	334,197
(Deficit)/Surplus before other gains		(22,180)	57,391	(21,658)	56,867
(Loss)/Gain on investments		(11,973)	49,072	(11,973)	49,072
Change in fair value of hedging financial instruments	18	11,521	6,640	11,521	6,640
(Deficit)/Surplus before tax		(22,632)	113,103	(22,110)	112,579
Taxation		0	0	0	0
(Deficit)/Surplus for the year		(22,632)	113,103	(22,110)	112,579
Total comprehensive income for the year		(22,632)	113,103	(22,110)	112,579
Represented by:					
Endowment comprehensive income for the year	20	(11,492)	42,434	(11,492)	42,434
Restricted comprehensive income for the year	21	9,481	1,566	9,481	1,566
Unrestricted comprehensive income for the year		(20,621)	69,103	(20,099)	68,579
		(22,632)	113,103	(22,110)	112,579

All items of income and expenditure relate to continuing activities.

Consolidated and School Balance Sheet

At 31 July 2022

	Notes	Group 2022 £'000	Group 2021 £'000	School 2022 £'000	School 2021 £'000
Non-current assets					
Intangible assets	11	1,635	1,497	1,635	1,497
Fixed assets	12	709,960	682,432	709,576	682,038
Investments	13	366,310	351,124	363,695	351,274
		1,077,905	1,035,053	1,074,906	1,034,809
Current assets					
Stock	15	318	268	318	268
Trade and other receivables	16	54,204	46,233	57,678	46,881
Cash and cash equivalents	22	147,222	109,982	142,162	105,637
		201,744	156,483	200,158	152,786
Less Creditors: amounts falling due within one year	17	(132,843)	(207,083)	(128,260)	(203,666)
Net current assets / (liabilities)		68,901	(50,600)	71,898	(50,880)
Total assets less current liabilities		1,146,806	984,453	1,146,804	983,929
Creditors: amounts falling due after more than one year	17	(295,567)	(188,013)	(295,567)	(188,013)
Pension provisions	19	(116,151)	(38,720)	(116,151)	(38,720)
Total net assets		735,088	757,720	735,086	757,196
Restricted reserves					
Income and expenditure reserve – endowment reserves	20	229,357	240,849	229,357	240,849
Income and expenditure reserve – restricted reserves	21	21,166	11,685	21,166	11,685
		250,523	252,534	250,523	252,534
Unrestricted reserves					
Income and expenditure reserve – unrestricted		484,565	505,186	484,563	504,662
Total reserves		735,088	757,720	735,086	757,196

The financial statements on pages 53-78 were approved by Council on 22 November 2022 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 2021	240,849	11,685	505,186	757,720
Deficit from the income and expenditure statement	(11,492)	9,481	(32,142)	(34,153)
Other comprehensive income	-	-	11,521	11,521
Total comprehensive income for the year	(11,492)	9,481	(20,621)	(22,632)
Balance at 31 July 2022	229,357	21,166	484,565	735,088
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

School	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2021	240,849	11,685	504,662	757,196
Surplus from the income and expenditure statement	(11,492)	9,481	(31,620)	(33,631)
Other comprehensive income	-	-	11,521	11,521
Total comprehensive income for the year	(11,492)	9,481	(20,099)	(22,110)
Balance at 31 July 2022	229,357	21,166	484,563	735,086
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

Consolidated Cash Flow Statement

Year ended 31 July 2022

	Notes	Group 2022 £'000	Group 2021 £'000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(22,632)	113,103
Adjustment for non-cash items			
Depreciation	11, 12	14,982	15,492
Amortisation of premium on bonds	13	-	215
Loss/(gain) on investments		12,263	(49,072)
(Decrease) in fair value of hedging financial instrument	18	(11,521)	(6,640)
Increase in stock	15	(50)	(79)
(Increase)/decrease in debtors	16	(7,971)	8,133
Increase/(decrease) in creditors	17	54,493	(6,965)
Increase/(decrease) in pension provision	19	77,431	(12,580)
Adjustment for investing or financing activities			
Investment income	5	(3,546)	(3,286)
Interest payable	10	8,813	8,664
Endowment income	6	(3,149)	(7,105)
Loss on the sale of tangible fixed assets		9	147
Capital grant income	2	(1,311)	(1,550)
Net cash inflow from operating activities		117,811	58,477
Cash flows from investing activities			
Capital grants received		1,311	1,550
Disposal of non-current asset investments		55,488	142,306
Investment income	5	3,546	3,286
Payments made to acquire fixed assets	12	(41,907)	(57,777)
Payments made to acquire intangible assets	11	(750)	-
Purchase of non-current asset investments	13	(81,001)	(143,906)
Increase in investment cash	13	(1,936)	(3,851)
		(65,249)	(58,392)
Cash flows from financing activities			
Interest paid	10	(8,813)	(8,664)
Endowment cash received	6	3,149	7,105
New loans	23	75,000	80,000
Repayments of amounts borrowed	23	(84,658)	(4,657)
		(15,322)	73,784
Increase in cash and cash equivalents in the year		37,240	73,869
Cash and cash equivalents at beginning of the year	22	109,982	36,113
Cash and cash equivalents at end of the year	22	147,222	109,982

Notes to the Financial Statements

Year ended 31 July 2022

	Group 2021-22 £'000	Group 2020-21 £'000	School 2021-22 £'000	School 2020-21 £'000
1 TUITION FEES AND EDUCATION CONTRACTS				
Tuition fees:				
Home/EU students	75,959	78,384	75,959	78,384
Overseas students	153,516	143,241	153,516	143,241
Other courses	33,622	26,588	33,622	26,588
Examination and other fees	2,675	2,536	2,675	2,536
	265,772	250,749	265,772	250,749
2 FUNDING BODY GRANTS				
Block recurrent	20,585	24,158	20,585	24,158
Capital grant	1,311	1,696	1,311	1,696
Higher Education Innovations Fund	5,559	6,190	5,559	6,190
Other specific grants	1,697	4,957	1,697	4,957
	29,152	37,001	29,152	37,001
3 RESEARCH GRANTS AND CONTRACTS				
Research Councils	11,991	11,305	11,991	11,305
Government departments	5,340	5,400	5,166	4,985
Charities	1,507	1,812	1,469	1,699
European Commission and other EU based funders	9,962	9,684	9,337	8,976
Other outside bodies	8,086	6,731	7,523	5,873
	36,886	34,932	35,486	32,838
The source of grant and fee income, excluding VAT, included in notes 1, 2 & 3 above is as follows:				
	Group 2021-22 £'000	Group 2020-21 £'000	School 2021-22 £'000	School 2020-21 £'000
Grant income from the Office for Students	552	2,135	552	2,135
Grant income from other bodies	65,486	69,797	64,086	67,703
Fee income for taught awards	234,244	229,819	234,244	229,819
Fee income for research awards	6,158	5,513	6,158	5,513
Fee income from non-qualifying courses	25,370	15,418	25,370	15,418
	331,810	322,682	330,410	320,588

The prior year balance for Grant income from other bodies has been restated to include Research Grants and Contracts which were previously excluded from the disclosure. The current year is prepared on a consistent basis. The 2020-21 figures in the prior year financial statements read £34,865k (Group & School).

Notes to the Financial Statements continued...

		Group 2021-22 £'000	Group 2020-21 £'000	School 2021-22 £'000	School 2020-21 £'000
4 OTHER INCOME					
Residences and catering		30,028	16,866	27,520	16,679
Academic department income attributable to other activities		322	123	322	123
University of London International Programmes (ULIP)		11,581	10,733	11,581	10,733
Consultancy services and executive education (LSE Enterprise Limited)		5,718	3,803	-	-
Other services rendered		13,252	16,845	18,374	19,184
VAT Recovery		946	773	946	773
Staff and student facilities		70	71	70	71
Sundry		2,770	5,223	2,766	5,217
		64,687	54,437	61,579	52,780

		Group 2021-22 £'000	Group 2020-21 £'000	School 2021-22 £'000	School 2020-21 £'000
5 INVESTMENT INCOME					
	Notes				
Investment income on endowments	20	2,452	2,301	2,452	2,301
Other investment income		1,094	985	1,092	995
		3,546	3,286	3,544	3,296

		Group 2021-22 £'000	Group 2020-21 £'000	School 2021-22 £'000	School 2020-21 £'000
6 DONATIONS AND ENDOWMENTS					
New endowments	20	3,149	7,105	3,149	7,105
Donations with restrictions	21	12,942	3,849	12,942	3,849
Donations with performance related conditions		20,530	-	20,530	-
Unrestricted donations		4,709	3,446	4,709	3,446
		41,330	14,400	41,330	14,400

Notes to the Financial Statements continued...

		Group	Group	School	School
		2021-22	2020-21	2021-22	2020-21
		£'000	£'000	£'000	£'000
7 STAFF COSTS					
Wages and salaries		178,853	171,149	177,237	169,885
Social Security costs		19,721	18,087	19,519	17,931
Other pension costs		29,853	27,516	29,792	27,474
		<u>228,427</u>	<u>216,752</u>	<u>226,548</u>	<u>215,290</u>
USS pension provision utilised in year	19	(2,729)	(2,142)	(2,729)	(2,142)
Movement on USS pension provision	19	79,815	(10,812)	79,815	(10,812)
		<u>77,086</u>	<u>(12,954)</u>	<u>77,086</u>	<u>(12,954)</u>
		<u>305,513</u>	<u>203,798</u>	<u>303,634</u>	<u>202,336</u>

The School acts as an agent for its subsidiaries. In the current year, the School made management charges of £2,558k (2020-21: £787k) to LSE Enterprise Limited and £nil (2020-21: £144k) to LSE LETS Limited. These include staff costs.

		School	School
		2021-22	2020-21
		£'000	£'000
The average monthly number of persons employed by the group during the year expressed as full-time equivalent was:			
Research and teaching		1,723	1,692
Operational services		1,299	1,253
		<u>3,022</u>	<u>2,945</u>

Notes to the Financial Statements continued...

7 STAFF COSTS CONTINUED...

DIRECTORS' REMUNERATION	Group 2021-22 £'000	Group 2020-21 £'000
Emoluments (2021-22: 6 directors, 2020-21: 6 directors)	1,126	845

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

	Group 2021-22 £'000	Group 2020-21 £'000
Baroness Shafik - Director		
Basic salary	380	378
20% COVID related salary cut (from June 2020 to February 2021)	-	(44)
Net salary	380	334
Pension contributions	81	84
Other taxable benefits:		
Accommodation	66	24
Accommodation expenses	12	8
	78	32
Non taxable benefits:		
Accommodation	-	36
	539	486

Salaries are stated gross, before deductions of pension contributions made under the School's salary sacrifice scheme.

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 (across multiple submissions), of any UK university based on the 2021 Research Excellence Framework.

The Director's salary is decided by a remuneration committee, which considers a number of issues to ensure the salary is appropriate, including looking at remuneration at comparable universities in the UK and globally, and the need to attract and retain world-class leadership. Across 2019-20 and 2020-21, the LSE Director waived 20% of salary from June 2020 to February 2021 in anticipation of the potential impact of COVID-19. The monies saved were allocated to student hardship funds.

The Director 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. In April 2019, HMRC wrote to all universities to warn that changes to its interpretation of the relevant legislation would result in the provision of any accommodation associated with employment becoming a taxable benefit from 6 April 2021. The taxable benefit in respect of the accommodation for the year is derived from the market value of the accommodation in line with HMRC's 'cost of providing living accommodation' rules. The Remuneration Committee has approved a tax equalisation payment to the Director to cover the additional costs arising from the change in their tax position. Although a liability has arisen in the year to 31 July 2022, no tax payments in respect of HMRC's change in interpretation have fallen due in that year. The tax equalisation payments will therefore instead be reflected in the financial year they are paid. These payments are made to ensure that the Director's financial position is the same as it was before HMRC made this change.

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 10.7 (2021: 10.8). The total remuneration ratio (including accommodation) was 12.1 (2021: 11.5). Basic salary and total remuneration are based on full-time equivalent pay for permanent and contract staff employed during 2021-22.

7 STAFF COSTS CONTINUED...

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

	2021-22	2020-21		2021-22	2020-21
		Restated			Restated
£100,000 - £104,999	31	30	£190,000 - £194,999	4	4
£105,000 - £109,999	20	23	£195,000 - £199,999	4	5
£110,000 - £114,999	27	29	£200,000 - £204,999	2	3
£115,000 - £119,999	33	30	£205,000 - £209,999	3	3
£120,000 - £124,999	16	15	£210,000 - £214,999	2	-
£125,000 - £129,999	21	19	£215,000 - £219,999	3	3
£130,000 - £134,999	9	10	£220,000 - £224,999	1	2
£135,000 - £139,999	12	8	£225,000 - £229,999	3	2
£140,000 - £144,999	5	7	£230,000 - £234,999	1	1
£145,000 - £149,999	10	11	£235,000 - £239,999	1	-
£150,000 - £154,999	9	8	£250,000 - £254,999	2	3
£155,000 - £159,999	6	7	£255,000 - £259,999	1	-
£160,000 - £164,999	9	11	£265,000 - £269,999	-	1
£165,000 - £169,999	10	7	£280,000 - £284,999	1	2
£170,000 - £174,999	5	3	£285,000 - £289,999	1	-
£175,000 - £179,999	4	5	£375,000 - £379,999	-	1
£180,000 - £184,999	4	3	£380,000 - £384,999	1	-
£185,000 - £189,999	7	5		268	261

In accordance with the OfS Accounts Direction, the table above includes the number of staff with a full-time equivalent basic salary of over £100,000 per annum. Basic salary includes market supplements but excludes bonus payments, allowances, clinical excellence awards and other such payments. As per the guidance it also does not include any staff who joined or left during the financial year.

The prior year figures have been restated to include market supplements in accordance with the OFS Accounts Direction. The previous total figure for FY 2020-21 was 209; a breakdown of which can be found in the prior year financial statements.

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 (2021-22: 7, 2020-21: 8) are:

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

	Group 2021-22 £'000	Group 2020-21 £'000
Key management personnel compensation	1,228	1,184

Members of the Senior Management Committee waived 10% 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 £406k was made to 56 staff in 2021-22 (2020-21: 93 staff, £1,728k).

Notes to the Financial Statements continued...

8 ACCESS AND PARTICIPATION	Group 2021-22 £'000	Group 2020-21 £'000
Access Investment	985	958
Financial Support	3,995	3,877
Disability Support (excluding expenditure included in the two categories above)	325	376
Research and Evaluation	239	140
	5,544	5,351

The Access and Participation costs include £1,061k (2020-21 £1,002k) 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 2021-22 Staff costs £'000	Group 2021-22 Non pay costs £'000	Group 2021-22 Total £'000	Group 2020-21 Total £'000	School 2021-22 Total £'000	School 2020-21 Total £'000
Academic departments and other academic activities	140,637	23,272	163,909	141,430	163,508	141,430
Library and data and technology services	10,708	11,831	22,539	21,389	22,539	21,389
Research grants and contracts	18,161	6,759	24,920	20,089	23,709	20,089
Scholarships	-	25,817	25,817	24,966	25,817	24,966
General education expenditure	9,048	2,197	11,245	10,429	11,244	10,429
Estates	10,811	20,246	31,057	25,056	31,057	25,056
Administration and central services	15,203	7,544	22,747	25,957	22,742	26,464
Staff and student facilities	9,825	5,794	15,619	11,971	15,619	11,971
Residences and catering	6,816	18,548	25,364	22,383	25,364	22,383
Consultancy services, executive education & other services rendered	4,351	9,100	13,451	14,017	10,091	10,324
USS pension provisions utilised in year	(2,729)	-	(2,729)	(2,142)	(2,729)	(2,142)
	222,831	131,108	353,939	315,545	348,961	312,359
Movement on USS provision	79,815	-	79,815	(10,812)	79,815	(10,812)
Miscellaneous	2,867	2,799	5,666	8,151	5,624	8,132
Depreciation						
- Estates and IT	-	13,884	13,884	14,439	13,872	14,427
- Residences and catering	-	1,091	1,091	1,053	1,091	1,053
Interest and other finance costs	-	9,158	9,158	9,038	9,158	9,038
	305,513	158,040	463,553	337,414	458,521	334,197
Other operating expenses include:						
Fees payable to the School's auditors for the audit of the financial statements			110	105	110	105
Fees payable to the School's auditors for other services:						
Audit of the financial statements of the School's subsidiaries			10	10	-	-
Other services relating to taxation			5	-	-	-
All other services			7	3	7	3
			132	118	117	108
Operating lease rentals						
Land and buildings			5,065	8,564	5,065	8,564
Other			873	785	873	785
			5,938	9,349	5,938	9,349

Notes to the Financial Statements continued...

10 INTEREST AND OTHER FINANCE COSTS	Note	Group 2021-22 £'000	Group 2020-21 £'000	School 2021-22 £'000	School 2020-21 £'000
Loan interest		8,813	8,664	8,813	8,664
Net charge on pension scheme	19	345	374	345	374
		9,158	9,038	9,158	9,038

11 INTANGIBLE ASSETS	Group £'000	School £'000
Software		
As at 1 August 2021	1,497	1,497
Additions in the year	750	750
Amortisation charge for year	(612)	(612)
As at 31 July 2022	1,635	1,635

12 TANGIBLE FIXED ASSETS	Land and Buildings £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
GROUP				
Cost				
As at 1 August 2021	674,808	18,113	136,238	829,159
Additions in year	27,554	-	14,353	41,907
Transfer	141,956	3,159	(145,115)	-
Disposals in year	(1,146)	(160)	-	(1,306)
As at 31 July 2022	843,172	21,112	5,476	869,760
Accumulated depreciation				
As at 1 August 2021	129,294	17,433	-	146,727
Charge for year	13,587	783	-	14,370
Disposals in year	(1,137)	(160)	-	(1,297)
As at 31 July 2022	141,744	18,056	-	159,800
Net book value				
As at 1 August 2021	545,514	680	136,238	682,432
As at 31 July 2022	701,428	3,056	5,476	709,960
SCHOOL				
Cost				
As at 1 August 2021	674,142	18,133	136,238	828,513
Additions in year	27,554	-	14,353	41,907
Transfer	141,956	3,159	(145,115)	-
Disposals in year	(1,146)	(160)	-	(1,306)
As at 31 July 2022	842,506	21,132	5,476	869,114
Accumulated depreciation				
As at 1 August 2021	129,022	17,453	-	146,475
Charge for year	13,577	783	-	14,360
Disposals in year	(1,137)	(160)	-	(1,297)
As at 31 July 2022	141,462	18,076	-	159,538
Net book value				
As at 1 August 2021	545,120	680	136,238	682,038
As at 31 July 2022	701,044	3,056	5,476	709,576

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 2021-22, the Library's contents and works of art are insured for £186.1 million and £1.8 million respectively (2020-21: £178.5 million and £2.0 million respectively).

Additions in the year included the acquisition of land at Glengall Road for £27.4m in relation to the School's service concession arrangement.

Notes to the Financial Statements continued...

13 NON-CURRENT INVESTMENTS	Other fixed assets investments £'000	Subsidiary Undertakings £'000	Investment in Associates £'000	Total £'000
Group				
As at 1 August 2021	351,124	-	-	351,124
Additions	78,236	-	2,765	81,001
Disposals	(55,488)	-	-	(55,488)
Decrease in market value of investments	(12,263)	-	-	(12,263)
Increase in investment cash	1,936	-	-	1,936
As at 31 July 2022	363,545	-	2,765	366,310

School				
As at 1 August 2021	351,124	150	-	351,274
Additions	78,236	-	-	78,236
Disposals	(55,488)	-	-	(55,488)
Decrease in market value of investments	(12,263)	-	-	(12,263)
Increase in investment cash	1,936	-	-	1,936
As at 31 July 2022	363,545	150	-	363,695

Other fixed assets investments consist of: Group and School	2022 £'000	2021 £'000
Analysis of closing balance		
UK equities	18,610	53,771
Overseas equities	237,903	202,641
UK corporate bonds	47,633	49,523
Investment in property funds	39,470	25,181
Money market funds	6,280	9,090
Cash on account	11,926	10,011
Property	1,723	908
	363,545	351,125

Made up of the following portfolios:		
Capital projects	41,861	41,921
Growth and Central (Endowment and School/Sinking Fund)	267,198	254,267
Gift matching	20,935	22,137
FER	31,828	31,892
Property	1,723	908
	363,545	351,125

Subsidiary Undertakings

Name	Nature of Business	Country of registration	Shareholding	Number of Shares
LSE Enterprise Limited Houghton Street, London, WC2A 2AE	Consultancy & Vacation Lettings	England	100%	150,000
LSE LETS Limited Houghton Street, London, WC2A 2AE	Dormant Company	England	100%	2
LSE GGR Holding Company Limited Houghton Street, London, WC2A 2AE	Holding Company	England	100%	1
LSE GGR Intermediate Company Limited Houghton Street, London, WC2A 2AE	Holding Company	England	100%	1

Notes to the Financial Statements continued...

Spark Living LLP 3-5 Charlotte Street, Manchester, M1 4HB	Construction and operation of Hall of Residence	England	19.9%	None
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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.

The school has a 19.9% shareholding in Spark Living LLP through two wholly owned subsidiaries; LSE GGR Holding Company Limited and LSE GGR Intermediate Company Limited. The principal activity of the company is to build and operate a hall of residence on land owned by the School.

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 2022 was \$14.65 million (2021 \$13.39 million).

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

	Group & School 2022 £'000	Group & School 2021 £'000
Income and Expenditure		
Share of income	2,562	1,676
Share of expenditure	(1,825)	(1,092)
Share of surplus	737	584
Balance sheet		
Gross assets	16,487	15,221
Gross liabilities	(16,487)	(15,221)
Share of reserves	-	-
Balances due to other partners (within Other Creditors)	3,635	1,569

	Group 2022 £'000	Group 2021 £'000	School 2022 £'000	School 2021 £'000
15 STOCK				
Food, beverages and consumables	318	268	318	268

Notes to the Financial Statements continued...

	Group 2022 £'000	Group 2021 £'000	School 2022 £'000	School 2021 £'000
16 TRADE AND OTHER RECEIVABLES				
Amounts falling due within one year:				
Other trade receivables	27,708	26,435	25,051	25,061
Research grants receivable	8,661	7,362	8,661	7,362
Amounts due from group undertakings	-	-	8,501	3,002
Taxation and Social Security	6,158	393	6,157	438
Staff loans for housing	44	24	44	24
Other receivables	188	531	(684)	622
Prepayments and accrued income	11,163	11,230	9,666	10,114
	<u>53,922</u>	<u>45,975</u>	<u>57,396</u>	<u>46,623</u>
Amounts falling due after more than one year:				
Staff loans for housing	282	258	282	258
	<u>54,204</u>	<u>46,233</u>	<u>57,678</u>	<u>46,881</u>

Other trade receivables are shown net of a provision for debts considered not to be recoverable at the Balance Sheet date.

	Group 2022 £'000	Group 2021 £'000	School 2022 £'000	School 2021 £'000
17 CREDITORS				
Amounts falling due within one year:				
Bank loans	4,657	84,658	4,657	84,658
Trade payables	10,658	4,933	10,455	4,716
Research creditors and grants received on account	26,338	27,661	26,338	27,661
Amounts due to group undertakings	-	-	-	-
Taxation and social security	6,194	119	6,194	119
Other creditors	10,512	7,718	10,463	7,718
Accruals	36,326	28,883	32,722	26,065
Provision for dilapidations	205	687	205	687
Receipts in advance and deferred income	37,953	52,424	37,226	52,042
	<u>132,843</u>	<u>207,083</u>	<u>128,260</u>	<u>203,666</u>
Amounts falling due after one year:				
Bank loans and loan notes	225,614	155,271	225,614	155,271
Derivatives	13,926	25,447	13,926	25,447
Other creditors	6,978	7,246	6,978	7,246
Deferred income	49,049	-	49,049	-
Deferred VAT payments	-	49	-	49
	<u>295,567</u>	<u>188,013</u>	<u>295,567</u>	<u>188,013</u>

The balance within Deferred Income (falling due after one year) relates to funds received for a 50 year lease of the land purchased at the Glengall Road site. The minimum payments in relation to the Glengall Road service concession arrangement at July 2022 due within 1 year, 2-5 years and over 5 years are £nil.

Other creditors (falling due after one year) relates to monies held in trust. The School is entitled to the income, which is used to advance education by supporting an academic programme.

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 2022 £'000	Group 2021 £'000	School 2022 £'000	School 2021 £'000
Donations	207	20,848	207	20,848
Research grants received on account	26,338	27,660	26,338	27,660
Grant income	1,219	1,458	1,219	1,458
	<u>27,764</u>	<u>49,966</u>	<u>27,764</u>	<u>49,966</u>

Notes to the Financial Statements continued...

18 BORROWINGS	Group 2022 £'000	Group 2021 £'000	School 2022 £'000	School 2021 £'000
Bank loans and loan notes are repayable as follows:				
In one year or less	4,657	84,658	4,657	84,658
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	206,986	136,643	206,986	136,643
	230,271	239,929	230,271	239,929

The School has a £75.0 million amortising loan repayable by December 2028 secured over School property. £30.3 million was outstanding at 31 July 2022 (2021: £34.9m). 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 repaid its corporate bond under the Bank of England COVID Corporate Finance Facility in March 2022. Additionally the School was successful in issuing a £175m private placement, of which £75m was drawn down by 31 July 2022.

Lender	£m	Maturity	Interest Rate	Borrower
Bank loan	30.3	22 December 2028	SONIA + 0.25%	School
Private placement	75.0	11 July 2063	2.70% to 4.15%	School
Private placement	30.0	27 November 2028		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	230.3			

	Group 2022 £'000	Group 2021 £'000	School 2022 £'000	School 2021 £'000
Derivatives				
Fair value at 1 August 2021	25,447	32,087	25,447	32,087
Change in fair value	(11,521)	(6,640)	(11,521)	(6,640)
Fair value at 31 July 2022	13,926	25,447	13,926	25,447

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 2021		38,711	9	38,720
Utilised in year	7	(2,729)	-	(2,729)
Net charge on pension scheme	10	345	-	345
Increase in year	7	79,815	-	79,815
As at 31 July 2022		116,142	9	116,151

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 2022 the School's obligation to fund the deficit on the USS Scheme was 2.0 percentage points per annum from October 2019 to September 2021, 6.2 percentage points per annum from April 2022 to March 2024 and 6.3 percentage points thereafter until April 2038. Using prudent estimates of the School's future payroll expenditure and an appropriate discount rate this represented a provision of £116.1 million.

At 31 July 2021 the School's obligation to fund the deficit on the USS Scheme was 2.0 percentage points per annum from October 2019 to September 2021 and 6.0 percentage points thereafter until March 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 3.33 per cent discount in establishing a present value of these obligations:

	Group and School
Inflation	4 - 6 % over the period
Staff numbers	(2.34%) - 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	2022 Total £'000	2021 Total £'000
Group and School				
Capital value	116,821	120,243	237,064	195,185
Accumulated income	2,927	858	3,785	3,230
As at 1 August 2021	119,748	121,101	240,849	198,415
New endowments	1,409	1,741	3,150	7,105
Investment income	1,331	1,121	2,452	2,301
Expenditure for the year	(4,559)	(2,427)	(6,986)	(7,135)
Increase/(decrease) in market value of investments	(6,022)	(4,086)	(10,108)	40,163
Total endowment comprehensive income for the year	(7,841)	(3,651)	(11,492)	42,434
As at 31 July 2022	111,907	117,450	229,357	240,849
Represented by:				
Capital value	108,698	116,554	225,252	237,064
Accumulated income	3,209	896	4,105	3,785
	111,907	117,450	229,357	240,849
Analysis by type of purpose:				
Named chairs and lectureships	12,072	37,276	49,348	51,381
Scholarships and bursaries	18,060	27,505	45,565	48,015
Research support	9,698	50,119	59,817	63,041
Library	188	2,550	2,738	2,153
Widening participation	544	-	544	563
Support for academic activities	66,657	-	66,657	71,061
General	4,688	-	4,688	4,635
	111,907	117,450	229,357	240,849
Analysis by asset				
Non current asset investments	111,907	117,450	229,357	239,413
Receivables	-	-	-	1,436
	111,907	117,450	229,357	240,849

	Donations	
	2022 Total £'000	2021 Total £'000
21 RESTRICTED RESERVES		
Group and School		
Reserves with restrictions are as follows:		
As at 1 August 2021	11,685	10,119
New donations	12,942	3,849
Other income	209	652
Gain on investment	-	135
Investment income	-	7
Expenditure for the year	(3,670)	(3,077)
Total restricted comprehensive income for the year	9,481	1,566
As at 31 July 2022	21,166	11,685
	2022 Total £'000	2021 Total £'000
Analysis of other restricted funds /donations by type of purpose:		
Research support	4,097	3,559
Support for academic activities	15,184	6,491
Support for facilities	98	75
Capital development	100	100
Student support	1,687	1,460
	21,166	11,685

Notes to the Financial Statements continued...

22 CASH AND CASH EQUIVALENTS	At 1 August 2021 £'000	Cash flows £'000	At 31 July 2022 £'000
Group			
Cash and cash equivalents	103,121	(36,691)	66,430
Bank deposits	6,861	73,931	80,792
	109,982	37,240	147,222

23 CONSOLIDATED RECONCILIATION OF NET DEBT	2022 £'000
Net debt 1 August 2021	155,394
Movement in cash and cash equivalents	(37,240)
New loans obtained in year	75,000
Loan repayments	(84,658)
Changes in market value and exchange rates	(11,521)
Net debt 31 July 2022	96,975
Change in net debt	(58,419)

Analysis of net debt:	2022 £'000	2021 £'000
Cash and cash equivalents	147,222	109,982
Borrowings: amounts falling due within one year		
Secured loans	4,657	4,658
Unsecured loans	-	80,000
	4,657	84,658
Borrowings: amounts falling due after more than one year		
Derivatives	13,926	25,447
Secured loans	25,614	30,271
Unsecured loans	200,000	125,000
	239,540	180,718
Net debt	96,975	155,394

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	
	2022	2021	2022	2021
Active members	1,990	1,786	1,471	1,252
Contribution rate made by School				
For the period from 1 April 2022	21.6%		19%	
For the period from 1 October 2021 to 31 March 2022	21.4%		16%	
For the period from 1 August 2020 to 30 September 2021	21.1%	21.1%	16%	16%
Contribution made (in £'000)	24,253	22,602	5,512	4,800

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. It 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 School 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 assets and liabilities as a whole.

The latest available complete actuarial valuation of the Retirement Income Builder is as at 31 March 2020 (the valuation date), and was carried out using the projected unit method.

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

Deficit recovery contributions due within one year for the School are estimated at £7.1m (2020-21: £5.4m)

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles (uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles).

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a.

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

2020 Valuation	
Mortality base table	101% of S2PMA "light" for males and 95% of S3PFA for females
Future improvements to mortality	CMI 2019 with a smoothing parameter of 7.5, an initial addition of 0.5% p.a. 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:	
Males currently aged 65 (years)	2022 23.9 2021 24.7
Females currently aged 65 (years)	25.5 26.1
Males currently aged 45 (years)	25.9 26.7
Females currently aged 45 (years)	27.3 27.9

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024, at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

Notes to the Financial Statements continued...

	2022	2021
Discount rate	3.33%	0.89%
Inflation	Between 4.0% - 6.0%	Between 1.0% - 4.0%
Staff numbers	Between (2.3%) - 0.0%	Between (6.4%) - 0.0%

(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% of CARE Salaries to 19% of CARE Salaries from 1 April 2022 and to 21% 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.

Notes to the Financial Statements continued...

	Group 2022 £'000	Group 2021 £'000	School 2022 £'000	School 2021 £'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	367	4,431	367	4,431
Refurbishments	8,032	1,251	8,032	1,251
IT equipment and software	2,064	-	2,064	-
	<u>10,463</u>	<u>5,682</u>	<u>10,463</u>	<u>5,682</u>

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

	Land and buildings £'000	Other leases £'000	Group 2022 £'000	Group 2021 £'000
26 LEASE OBLIGATIONS				
Total rentals payable under operating leases:				
Payable during the year	5,065	873	5,938	9,349
Future minimum lease payments due:				
Within one year	4,552	111	4,663	5,754
Between two and five years	18,797	-	18,797	18,938
Five years or more	15,083	-	15,083	20,220
Total lease payments due	<u>38,432</u>	<u>111</u>	<u>38,543</u>	<u>44,912</u>

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 2022 £'000	Group 2021 £'000
Future minimum lease payments receivable:		
Within one year	1,429	1,176
Between two and five years	5,919	4,594
Five years or more	4,679	4,659
Total lease payments receivable	<u>12,027</u>	<u>10,429</u>

27 CONTINGENT LIABILITIES

The School has entered into rental guarantees with Sanctuary Students and Urbanest UK Minorities Limited. Between 2021-22 and 2040-41 the School has financial commitments relating to 1,734 beds with a potential liability estimated at £21.0 million per year. A liability has not been recognised in the financial statements for these commitments as the School expects to fulfill its obligations in ensuring these halls are sufficiently occupied in line with its guarantees.

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 2022, they have not unduly influenced any transaction between the School and a related party.

During the year ended 31 July 2022, 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 2022 £
Afreximbank	-	-	10,000
Bank of England	13,151	-	3,529
Carnegie Endowment for International Peace	-	13,721	-
CASE (Council for the Advancement & Support of Education)	-	20,648	(10,698)
Elsevier	3,325	149,152	4,300
Gates Foundation	806,237	-	-
Institute for Fiscal Studies	18,195	5,700	11,122
London Higher	25	20,223	-
LSE Students' Union	1,607,764	3,454,481	6,132
Open University	594	-	248
OFGEM	4,867	-	-
Rockefeller Foundation	232,403	-	-
Russell Group of Universities	34,872	83,000	-
Salesforce	451	727,643	(303,687)
Standard Chartered Bank	12,960	-	-
Stanford University	128	58,041	128
The Brookings Institution	-	271,535	(148,000)
University of Chicago	8,293	29,655	1,613
University of London	11,608,842	77,620	400

The School's Council members are the trustees for charitable law purposes. During 2021-22, no Council members were reimbursed for expenses in relation to their role as trustee (2020-21: no Council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity as Council members. 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 2021-22, 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 2021-22 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 2022					
Equity securities	13	295,983	-	295,983	295,983
Corporate debt securities	13	47,633	-	47,633	47,633
Cash and cash equivalents	13	18,206	-	18,206	18,206
		361,822	-	361,822	361,822
Financial assets not measured at fair value as at 31 July 2022					
Shared equity housing loans & freehold property	13	-	1,723	1,723	Not available
Investments in associates	13	-	2,765	2,765	Not available
		-	4,488	4,488	
Financial liabilities measured at fair value as at 31 July 2022					
Interest rate swaps associated with bank loans	18	13,926	-	13,926	13,926
Financial assets not 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 & freehold property	13	-	908	908	Not available
		-	908	908	
Financial liabilities measured at fair value as at 31 July 2021					
Interest rate swaps associated with bank loans	18	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 borrowings are held at amortised cost. Details can be found at notes 16, 17 and 18 to these financial statements.

Notes to the Financial Statements continued...

30 STATEMENT OF COMPREHENSIVE RESTRICTED AND UNRESTRICTED INCOME AND EXPENDITURE	Notes	Group 2021-22			Group 2020-21		
		Unrestricted and designated £'000	Restricted £'000	Total £'000	Unrestricted and designated £'000	Restricted £'000	Total £'000
INCOME							
Tuition fees and education contracts	1	265,772	-	265,772	250,749	-	250,749
Funding body grants	2	29,152	-	29,152	37,001	-	37,001
Research grants and contracts	3	36,886	-	36,886	34,932	-	34,932
Other income	4	64,478	209	64,687	53,785	652	54,437
Investment income	5	1,094	2,452	3,546	978	2,308	3,286
Total income before endowments and donations		397,382	2,661	400,043	377,445	2,960	380,405
Donations and endowments	6	25,238	16,092	41,330	3,446	10,954	14,400
Total income		422,620	18,753	441,373	380,891	13,914	394,805
EXPENDITURE							
Staff costs	7	224,224	4,203	228,427	213,110	3,642	216,752
Movement on USS Pension Provision	7	77,086	-	77,086	(12,954)	-	(12,954)
Other operating expenses		127,454	6,453	133,907	102,516	6,570	109,086
Depreciation	11, 12	14,975	-	14,975	15,492	-	15,492
Interest and other finance costs	10	9,158	-	9,158	9,038	-	9,038
Total expenditure	9	452,897	10,656	463,553	327,202	10,212	337,414
Surplus before other gains/losses		(30,277)	8,097	(22,180)	53,689	3,702	57,391
(Loss)/Gain on investments	13	(1,865)	(10,108)	(11,973)	8,774	40,298	49,072
Change in fair value of hedging financial instruments	18	11,521	-	11,521	6,640	-	6,640
Surplus before tax		(20,621)	(2,011)	(22,632)	69,103	44,000	113,103
Taxation		-	-	-	-	-	-
(Deficit)/Surplus for the year/ Total comprehensive income for the year		(20,621)	(2,011)	(22,632)	69,103	44,000	113,103
Represented by:							
Endowment comprehensive income for the year	20	-	(11,492)	(11,492)	-	42,434	42,434
Restricted comprehensive income for the year	21	-	9,481	9,481	-	1,566	1,566
Unrestricted comprehensive income for the year		(20,621)	-	(20,621)	69,103	-	69,103
		(20,621)	(2,011)	(22,632)	69,103	44,000	113,103

Notes to the Financial Statements continued...

	Group 2021-22 Total £'000	Group 2020-21 Total £'000	School 2021-2022 Total £'000	School 2020-21 Total £'000
31 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION				
Surplus before other gains/(losses)	(22,180)	57,391	(21,658)	56,867
Adjust for:				
Interest payable	8,813	8,664	8,813	8,664
Pension finance charge	345	374	345	374
Depreciation	14,975	15,492	14,963	15,480
Pension provision adjustments	77,086	(12,954)	77,086	(12,954)
Earnings before interest, tax, depreciation and amortisation	79,039	68,967	79,549	68,431

Notes to the Financial Statements continued...

32 FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE FOR THE U.S. DEPARTMENT OF EDUCATION			Group 2021-2022 Total £'000	Group 2020-21 Total £'000
Primary Reserve Ratio				
Expendable Net Assets				
Balance Sheet	Statement of Financial Position – Net assets without donor restrictions	Total unrestricted reserves	484,565	505,186
Balance Sheet	Statement of Financial Position – Net assets with donor restrictions	Total restricted reserves	250,523	252,534
Note 20	Statement of Financial Position – Net assets with donor restrictions	Restricted permanent endowments	(117,450)	(121,101)
Note 11	Statement of Financial Position – Property, plant and equipment, net	Intangible assets - software	(1,635)	(1,497)
Note 12	Statement of Financial Position – Property, plant and equipment, net	Tangible fixed assets	(709,960)	(682,432)
Note 18	Statement of Financial Position – Debt obligations, net	Borrowings	230,271	239,929
Note 19	Statement of Financial Position – Post-employment and pension liabilities	Pension provision	116,151	38,720
Expendable Net Assets			252,465	231,339
Total Expenses and Losses				
Note 9	Statement of Activities – Total Operating Expenses	Total expenditure	463,553	337,414
Note 9	Statement of Activities – Total Operating Expenses	Exclude movement on USS provision	(79,815)	10,812
			383,738	348,226
Note 18	Statement of Activities – Non Operating Activities	Change in fair value of derivatives	(11,521)	(6,640)
Total Expenses and Losses			372,217	341,586
Equity Ratio				
Modified Net Assets				
Balance Sheet	Statement of Financial Position – Net Assets without Donor Restrictions	Total unrestricted reserves	484,565	505,186
Note 20	Statement of Financial Position – Net Assets with Donor Restrictions	Endowment reserves	229,357	240,849
Note 21	Statement of Financial Position – Net Assets with Donor Restrictions	Restricted reserves	21,166	11,685
Modified Net Assets			735,088	757,720
Modified Assets				
Balance Sheet	Statement of Financial Position - Non-current assets	Non-current assets	1,077,905	1,035,053
Balance Sheet	Statement of Financial Position - Current assets	Current assets	201,744	156,483
Modified Assets			1,279,649	1,191,536
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	(20,621)	69,103
Change in Net Assets without Donor Restrictions			(20,621)	69,103
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	441,373	394,805
Note 5	Statement of Activities – Investment return appropriated for spending	Investment income	(3,546)	(3,286)
Total Revenues and Gains without Donor Restrictions			437,827	391,519

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)

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Income					
Tuition fees and education contracts	265,772	250,749	228,111	227,406	211,543
Funding body grants	29,152	37,001	29,304	60,132	25,311
Research grants and contracts	36,886	34,932	34,246	33,267	32,903
Other income	64,687	54,437	66,898	78,140	77,309
Investment income	3,546	3,286	3,879	4,667	4,451
Total income before endowments and donations	400,043	380,405	362,438	403,612	351,517
Donations and endowments	41,330	14,400	58,469	17,190	8,920
Total income	441,373	394,805	420,907	420,802	360,437
Expenditure					
Staff costs	228,427	216,752	220,334	205,254	190,331
Change in USS pension provision	77,086	(12,954)	(41,740)	59,555	(2,327)
Other operating expenses	133,907	109,086	136,438	124,368	120,553
Depreciation	14,975	15,492	15,047	13,528	12,915
Interest and other finance costs	9,158	9,038	9,730	9,016	8,767
Total expenditure	463,553	337,414	339,809	411,721	330,239
Surplus before other gains	(22,180)	57,391	81,098	9,081	30,198
Gain/(loss) on Investments	(11,973)	49,072	(3,681)	10,371	10,224
Change in fair value of hedging financial instruments	11,521	6,640	(2,617)	(4,001)	3,921
Surplus before tax	(22,632)	113,103	74,800	15,451	44,343
Taxation	-	-	-	-	-
Total comprehensive income for the year	(22,632)	113,103	74,800	15,451	44,343
At July 31 year end:					
Endowment comprehensive income for the year	(11,492)	42,434	43,384	13,399	8,908
Restricted comprehensive income for the year	9,481	1,566	3,000	2,395	2,052
Unrestricted comprehensive income for the year	(20,621)	69,103	28,416	(343)	33,383
Total	(22,632)	113,103	74,800	15,451	44,343
Income and expenditure reserve - restricted endowment reserves	229,357	240,849	198,415	155,031	141,632
Income and expenditure reserve - restricted reserves	21,166	11,685	10,119	7,119	4,724
Income and expenditure reserve - unrestricted	484,565	505,186	436,083	407,667	408,010
Total Reserves	735,088	757,720	644,617	569,817	554,366
Held as					
Fixed assets	711,595	683,929	641,983	612,311	552,987
Investments	366,310	351,124	296,816	284,282	227,056
	1,077,905	1,035,053	938,799	896,593	780,043
Net working capital	68,901	(50,600)	(24,072)	(18,738)	18,585
USS pension provision	(116,151)	(38,720)	(51,300)	(91,857)	(31,357)
Other long term liabilities	(295,567)	(188,013)	(218,618)	(216,181)	(212,905)
	735,088	757,720	644,809	569,817	554,366
Adjusted cash flow*	124,506	68,868	43,267	68,489	35,391
Debt servicing costs	93,471	13,321	12,940	13,001	12,919
Debt service cover	1.3	5.2	3.3	5.3	2.7
Total borrowing including derivative	244,197	265,376	196,673	198,713	199,369
** Consolidated net assets	851,239	796,440	695,917	661,410	585,735
Total borrowing as % of consolidated net assets**	28.7	33.3	28.3	30.0	34.0

*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
Chair of the Governance Committee

Ali Nikpay

Independent member
Vice Chair of Council & Senior Independent Director

Martin Anthony

Ex Officio member as Vice Chair of the Academic Board
(to 31 August 2022)

Pauline Barrieu

Academic Board nominee (to 31 August 2022)
Ex Officio member as Vice Chair of the Academic Board
(from 1 September 2022)

Julia Biggane

Professional Services Staff nominee (from 22 November 2022)

Alastair Da Costa

Independent member (to 31 July 2022)
Chair of the Remuneration Committee (to 31 May 2022)
Chair of the Ethics Committee (to 31 July 2022)

Sarah Gerwens

Students' Union nominee (from 16 November 2021)

David Higgins

Independent member
Chair of the Finance and Estates Committee

Johannes Huth

Independent member
Chair of the Audit Committee

Donald Kaberuka

Independent member

Musimbi Kanyoro

Independent member

David Kershaw

Academic Board nominee (from 1 September 2022)

Helly Mehta

Students' Union nominee (to 15 November 2021)

Tilly Mason

Ex Officio member as General Secretary of the Students' Union
(from 1 July 2022)

Niamh Moloney

Academic Board nominee (from 1 August 2022)

Gavin Patterson

Independent member

Claudine Provencher

Professional Services Staff nominee (to 31 July 2022)

Terhi Rantanen

Academic Board nominee (to 31 July 2022)

Stuart Roden

Independent member
Chair of the Remuneration Committee (from 1 June 2022)

Nemat (Minouche) Shafik

Ex Officio member as Director of the School

Angela Spatharou

Independent member (from 1 August 2022)

Josie Stephens

Ex Officio member as General Secretary of the Students' Union
(to 30 June 2022)

Elisabeth Stheeman

Independent member

Wim Van der Stede

Academic Board nominee

School Secretary/Company Secretary

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 School
 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)
 Phelan US Centre
 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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