THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Financial Statements

For the year ending 31 July 2017

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Report of the Chair of the Court of Governors and Council

It is a very great privilege to be joining LSE as Chair of Court and Council and to be part of this globally leading institution for the social sciences. I am grateful for the warm welcome I have received and look forward to being part of the next phase of the School's development and continuing success. Our goal from the School's inception has been 'for the betterment of society'. Our research, our staff and our alumni have successfully contributed to this mission in so many ways over the years. The demand for what we do seems, if anything, to be intensifying. There are profound challenges to the wellbeing of societies across the world. In this annual report you will see that the School is continuing to play its part in developing the people, knowledge and policies to meet these growing challenges and to add to our overall societal impact.

This is a particularly interesting time for UK higher education and we face a number of challenges. As a truly international institution, with such large proportions of staff and students from the EU, we are affected by the uncertainty associated with the Brexit negotiations, the international security situation and government policy on immigration. As you will see from this report, colleagues at LSE use every opportunity to ensure policy makers and politicians understand the benefits of a strong HE sector to the economic and social success of our country.

We are also experiencing a change in the regulatory environment and a balancing of the way our performance is measured. Student experience is now assessed as formally as the quality and impact of our research. We are all disappointed that our National Student Survey results are not at the level to which we aspire. These results have shown the complexity of the task of delivering excellence in both teaching and research. We are now addressing this challenge with urgency. It is important that LSE is seen as globally leading not only in our research but also in terms of the learning experiences we provide for our students.

Since arriving at LSE earlier this year I have had the great pleasure to meet many of our alumni and benefactors and I have been struck by the warmth and respect for LSE that they all describe. We are fortunate to have such a strong worldwide network of alumni and we are deeply grateful to them for the support they give us in so many different ways. They act as powerful advocates for the School and many also provide financial support that has enabled us to do things that would not otherwise have been possible. We value the relationships that we have with our alumni and donors and work hard to meet our shared goals.

I should like to thank everyone who has contributed to our achievements this year, particularly Professor Julia Black who acted as Interim Director and the members of the SMC that she led. But thanks are due right across the School. Whether working as academics, professional service staff or students everyone makes a difference to our overall success. Thank you.

At the end of every academic year there are people to whom we must say good bye, and new people to welcome. I would like to thank the lay members of Council whose terms of office come to an end this year: Alan Elias who acted as Interim Chair, Virginia Beardshaw, Tina Fahm, Harriet Spicer and the outgoing Students' Union General Secretary Busayo Twins. New members to Council this year are Alastair Da Costa, Nigel Hugill, Ruth Kosmin and Mahatir Pasha. In addition Ali Nikpay now takes up the role of Vice Chair alongside Susan Liautaud.

It is a particular pleasure to welcome Dame Minouche Shafik, who joined us in September as the new School Director. I know she has received a warm welcome and I am very much looking forward to working with her and to supporting her in the delivery of this next phase in the history of the LSE. We are very fortunate to have such a strong team to address the challenges we face and to build on our successes for the 'betterment' of societies across the world.

Shirley Pearce

Dame Shirley Pearce
Chair of Court and Council

Report of the Interim Director

It has been a real honour and privilege to have been able to lead the School over the last year. LSE is an extraordinary institution. I am delighted to have served as Interim Director, whilst simultaneously carrying on with my work as Pro-Director Research. My primary goal has been to continue to implement the School's strategy, building on our significant strengths and addressing areas where we need to improve, alongside managing the rapidly changing political context, as the implications of the EU Referendum have begun to emerge and the Higher Education and Research Act has been passed.

The external environment has certainly been challenging in 2016-17. LSE academics were the first to call the election result and predict a hung Parliament. Following that, we have continued to push our priorities and shape the debate on issues that are of central concern to LSE and the Higher Education sector as a whole, namely the rights of EU citizens and their families to reside in the UK, enabling international students to continue to come to the UK and to LSE, and to maintain access to research funding and collaborations through EU research funding programmes.

We have also continued to both respond to and shape the changes in the regulatory landscape. The School Management Committee was disappointed that LSE was awarded Bronze in the recent Teaching Excellence Framework (TEF) exercise. However, this has only strengthened our commitment to enhance our students' educational experience and speed up the implementation of our Education Strategy.

LSE LIFE is now well embedded after just one year. Departments are focusing on delivering on their own educational plans. Last term, the Academic Board agreed that the School can proceed with significant changes to our systems of assessment, including allowing in-year resits (already provided for by the Law Department for several decades), and a review of all of our programmes. We are developing a digital Student Hub to improve our students' ability to navigate our complex online systems. There is still much work to be done, and we will be focusing fully on implementing these changes next academic year.

Much else has been achieved this year. A new Department of Health Policy will open in September and the Institute of Public Affairs will transform into the School of Public Policy in September 2018, in order to promote the School's profile in this area and enable us to compete directly with schools of public policy across the world. We have completed an analysis of data to benchmark our Professional Services activities against the Russell Group through the Cubane programme. We will be using this information to improve the way we operate. We were awarded £32 million from HEFCE for the Centre Buildings, building on the £64 million which the Atlantic Foundation had donated to the International Inequalities Institute, and our academic and research staff continue to be successful in raising research grants. We have also continued our focus on staff engagement, and the Staff Survey Working Group has overseen a number of initiatives to improve the working environment and culture at the School. These include a greater emphasis on recognising and celebrating success, more opportunities for career development (including job shadowing and mentoring), and a refocusing on equity and diversity, including the creation of a network of Equity, Diversity and Inclusivity Advisers. I am personally delighted to have witnessed the flying of the Rainbow Flag above the School for the first time too, in celebration of Pride 2017. We will be continuing this important work in these areas next year.

During my period as Interim Director over this last year, I have thoroughly enjoyed working with the wonderfully talented and committed people who are here. Whilst we will undoubtedly need to make changes to adjust to the challenges we face, I am sure that the School will continue to go from strength to strength. On behalf of the School, it is my pleasure to warmly welcome Dame Minouche Shafik as the next Director of LSE. Previously the Deputy Governor of the Bank of England, Minouche is already very familiar with the School as one of our alumnae and has spent time here, prior to her start in September 2017, deepening her understanding of the School's immediate and more long-term objectives. Both I and the School Management Committee very much look forward to working with her and sharing in the successes and challenges of what lies ahead for our wonderful and very special institution.

Professor Julia Black
Interim Director

Welcome from the Director

I am thrilled to be given the opportunity to lead LSE. The School's long tradition of bringing the best of social science research and teaching to bear on the problems of the day is needed now more than ever. LSE is a unique institution that combines intellectual excellence and global reach.

I wish to pay tribute to Professor Julia Black for her excellent leadership of the School over the last 12 months. Julia has worked tirelessly and resolutely to take the School's case to Government, including successfully influencing a series of significant improvements to the Higher Education and Research Bill. Julia and the School Management Committee have progressed many important internal changes, including the new School of Public Policy to be launched in 2018, the continuing transformation of LSE's estate and the important decision to diversify how the School assesses students in order to improve the student experience. I am looking forward to working with the School Management Committee, and LSE's student and staff communities to guide the School through what will be a time of challenge and opportunity in the higher education sector.

Key priorities

Prior to formally starting as Director of LSE, I have been spending time meeting with and listening to members of LSE's diverse community. It is clear to me that the School has many strengths, as an intellectual pioneer, with a clear social purpose, comprising truly talented staff and students from around the world. I will aim to build on these excellent qualities and address areas where the School needs to improve, with a special emphasis on teaching and the student experience in the year ahead. I also want to launch a consultation in the coming year to pose the big questions about the future of the School, to lay the groundwork for a new strategy.

Accelerating the implementation of the School's Education Strategy will be front and centre of my agenda for 2017-18, and I will be working with Professor Paul Kelly, Pro-Director Education, and the School Management Committee to drive this forward. Much progress has been made since the Strategy was launched in 2015, underpinned by an investment of £10.5 million over three years, to enhance the student experience. The allocation of a Bronze TEF award was disappointing for the School and means we must re-double our efforts to significantly improve the learning experience for our students. I am determined to ensure that our world-leading status in research is matched by the quality of our student experience and that there is parity of esteem between teaching and research.

External environment

The School will continue to work with Government on the design of TEF and closely engage with the Department for Education on their plans to launch the next stage of TEF developments, including specifications for how subject-level TEF will work in practice and the recent announcements to pilot new TEF metrics. Following the triggering of Article 50, Brexit continues to provoke debate and understandable anxiety for an institution as internationally connected as we are. The School Management Committee has been overseeing our response and coordinating its support and analysis through a Steering Group comprising representatives from our academic departments and professional service teams. We recently launched a new Brexit-focused website, with the latest news, information, and commentary, to help LSE staff and students navigate some of the complexity that the UK's departure from the EU brings. We have also been presenting our case to Government to protect the School's continued access to research funding and international partnerships, and to ensure that we remain a destination for Europe's – and indeed the world's – best students and academics. I am honoured to be leading LSE through these challenging yet exciting times and look forward to working with the whole LSE community to make it even greater.

Dame Minouche Shafik
Director

Strategic Report and Report of the Directors

School Mission and Strategy

The LSE's Council adopted the LSE Strategy 2020 in December 2015. Our strategy orients the School to the next stage in its continuing development and sets out specific areas of focus for our activity as we seek to keep advancing the quality of our teaching and research whilst retaining the vitality and public impact of the work carried out by our students and staff.

The School approaches this strategy aware of significant challenges facing the institution and the wider education sector. These include:

- Educational performance and experience inconsistent with our high aspirations and impressive performance in research.
- Sharp decline in the proportion of the School budget provided direct from UK government funding, with direct grants falling from nearly 80 per cent to less than 10 per cent and our consequent transformation into a university-funded mainly by student fees.
- Intensified competition from both UK and international universities (and research and educational provision in other organisations), many of which have improved performance and are continuing to innovate in technology, educational programmes and their global reach.

In approaching the development and delivery of our strategy the School has had to make a number of strategic choices. The School Management Committee and Council are committed to:

- Building a core faculty committed to both education and research.
- Focusing on social science and closely related fields that contribute knowledge to understanding and changing society, collaborating with but not seeking to expand into other major dimensions of academic work.
- Strengthening face-to-face education and the intellectual community at our central London campus and developing thriving educational, research, and public engagement at this campus; this may be complemented by programmes overseas and benefit from technological innovation.

In pursuing our strategy, we will continue to focus on the six key themes of our Strategy 2020:

1 We will substantially improve the quality of our educational programmes including the overall student experience, and develop opportunities for the brightest students regardless of their background.

2 We will strengthen our commitment to equity, diversity and inclusion and take relevant action throughout the institution.

3 We will continually improve faculty quality, research performance and intellectual innovation and enhance the quality of our Professional Services staff.

4 We will lead (and continue to be recognised in leading) in innovative, international, interdisciplinary, and issue-oriented social science.

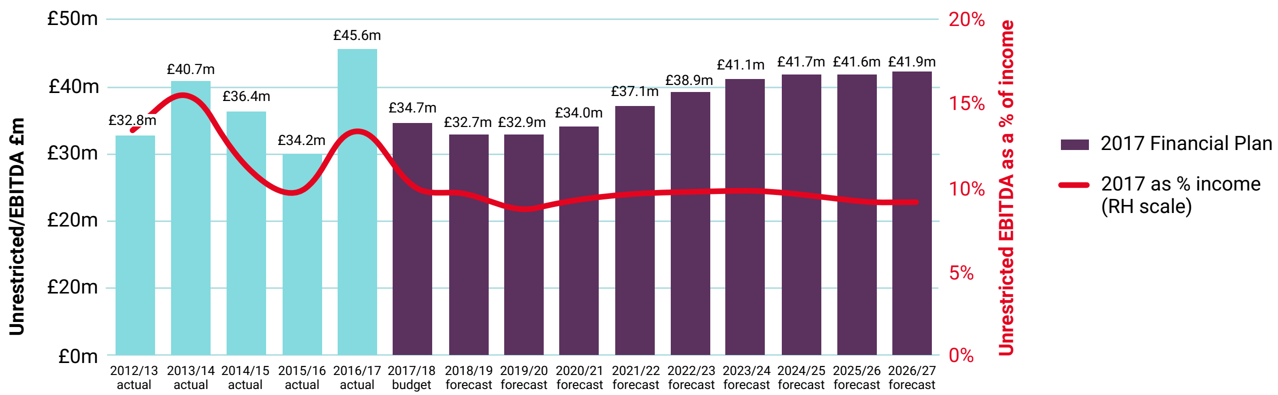
5 We will enhance and diversify our revenue streams.

6 We will secure an estate and other facilities commensurate with our standing and aspirations.

Through the leadership of the School Management Committee (SMC), academic departments and professional services have integrated these aims into their own strategic and operational plans and the Council receives a regular update from the Director on our progress in meeting these aims.

The goal of this strategy is clear: to enable LSE to thrive and to show in the future the brilliance it has exhibited in the past, to achieve the highest intellectual quality and to contribute to society.

Table 1 – Unrestricted earnings before interest payable, tax, depreciation and amortisation



Financial review of the 2016-17 Financial Statements

These financial statements show the School making great progress in growing, strengthening and diversifying its revenues, a key element of the Strategy 2020: revenues continue to grow faster than our core costs and are increasingly diversified with more than a quarter of overall income last year derived from sources other than degree programme teaching and research grants.

The overall Surplus Before Other Gains And Losses of £35.4 million represents a margin on income of 10.0 per cent, and Unrestricted Earnings before Interest payable, Taxation, Depreciation and Amortisation – which is our preferred measure of annual financial performance – of £45.6 million was equivalent to a margin of 13.5 per cent. The School's governing body, Council, has adopted a preliminary target of 10 per cent of revenue for this measure to meet our interest and capital repayments, fund further capital investment and allow sufficient flexibility to support innovation and investment.

These results show the strength of our underlying operating model and confirm the importance we place on adherence to our Financial Plan. During the current period of significant change and uncertainty in the sector, it remains critical to our future that we have the flexibility in our finances to respond with agility to sudden and unwelcome challenges without sacrificing the commitment to teaching and research that lie at the heart of our mission.

During the past year the School has been able to invest in an important set of developments: establishing and operating a series of new interdisciplinary Institutes and Centres (£4.6 million); the first phase of an ambitious programme to improve the student experience (£11.0 million over three years); and to continue the significant investment to expand and upgrade our academic buildings (£33.5 million gross).

Table 2 – Summary financial data

	2016-17		2016-17	2015-16	Change	
	Unrestricted funds £m	Restricted or designated funds £m	Total £m	Total £m	£m	%
Operating income	338.2	5.4	343.6	311.2	32.4	10%
Donations and endowments	–	9.5	9.5	29.5	(20.0)	(68%)
Total income	338.2	14.9	353.1	340.7	12.4	4%
Operating expenses	(292.6)	(8.9)	(301.5)	(283.4)	(18.1)	6%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	45.6	6.0	51.6	57.3	(5.7)	(10%)
USS and SAUL past service deficit provisions	5.7	–	5.7	(3.9)	9.6	246%
Depreciation	(12.9)	–	(12.9)	(11.2)	(1.7)	15%
Interest and other finance costs	(8.9)	–	(8.9)	(8.7)	(0.2)	2%
Operating surplus before other gains and losses	29.5	6.0	35.5	33.5	2.0	6%
Gains on investments	5.1	13.1	18.2	8.5	9.7	114%
Change in the fair value of hedging financial instruments	7.2	–	7.2	(10.8)	18.0	167%
Comprehensive income for the year	41.8	19.1	60.9	31.2	29.7	95%
Balance sheet						
Fixed assets			459.3	438.5	20.8	5%
Endowment assets and investments			270.5	253.0	17.5	7%
Net current assets (liabilities)			1.0	(16.6)	17.6	106%
Creditors over one year			(187.1)	(187.0)	(0.1)	0%
Pension provisions			(33.7)	(38.8)	5.1	(13%)
Net assets			510.0	449.1	60.9	14%
Building and infrastructure investment			43.0	41.4	1.6	4%
Liquidity						
Cash and cash equivalents			80.2	60.8	19.4	32%
Investments			270.5	253.2	17.3	7%
Loans			(145.7)	(147.5)	1.8	(1%)
Net funds			205.0	166.5	38.5	23%
Unrestricted/EBITDA as percentage of income			13.5%	9.8%		

Table 2 – Summary financial data continued...

Student numbers	2016-17	2015-16
Undergraduate	4,949	4,853
Postgraduate – taught	4,732	4,212
Postgraduate – research	448	483
Full-time student number	10,129	9,548
Part-time	535	500
Others (visiting executive)	1,221	1,099
Part-time and other	1,756	1,599
London Summer Schools and Executive Summer Schools	6,597	6,015
Beijing and Cape Town Schools	333	373
University of London International Programme – LSE programmes	19,191	19,901
Other programmes	6,930	6,388

Staff numbers (FTE)		
Average full-time equivalent staff numbers	2,289	2,234
Average pay per full-time equivalent	£63,415	£61,298
Staff costs as a percentage of income before donations	50.7%	54.9%
Research grant and HEFCE funding per academic	£86,360	£87,080

At the end of 2016-17 Academic Board and Council approved the creation of a new Department of Health Policy and a School of Public Policy from 2018. The new Department of Health Policy will consolidate and grow the School's existing work in this area – we already run one of the largest cohorts of health-related post-graduate programmes in the world, with six masters programmes and host four health-related research Centres. The ambitious agenda for this new department includes developing its global partnerships and consolidating its role as a leading academic player in the field to address the public health and health care challenges of the 21st century.

Scope

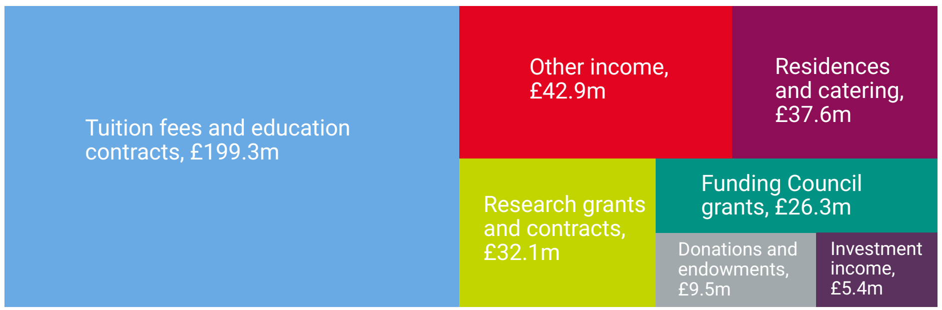
The financial statements comprise the results of the School, consolidated with the results of its subsidiaries. Our subsidiaries' operations are vacation letting of student accommodation, consultancy services, exploitation of intellectual property, the operation of executive education programmes, and overseas fundraising.

For commercial, legal and taxation reasons these activities are channelled through limited companies which, where appropriate, transfer their profits to the School through an annual payment of Gift Aid. In addition, the School is a partner in the TRIUM Executive MBA programme with New York University and HEC in Paris. The School's share of this programme is incorporated on a proportional basis.

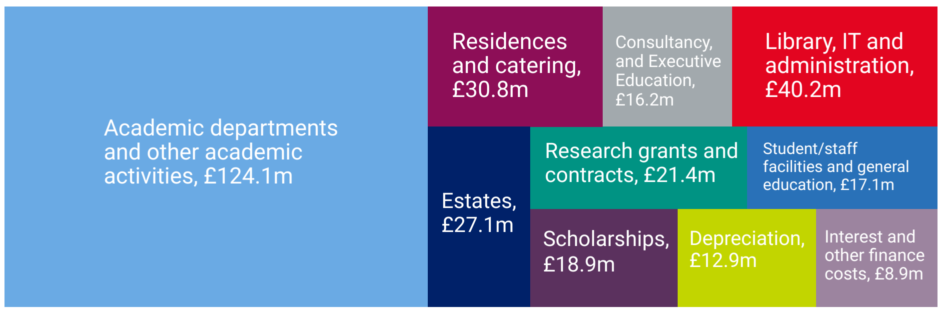
The LSE Students' Union is a separately constituted body over which the School does not exert significant influence and so is not consolidated in these financial statements.

Table 3 – Income and expenditure analysis 2016-17

Total Income: £353.1m



Total Expenditure: £317.6m



Income

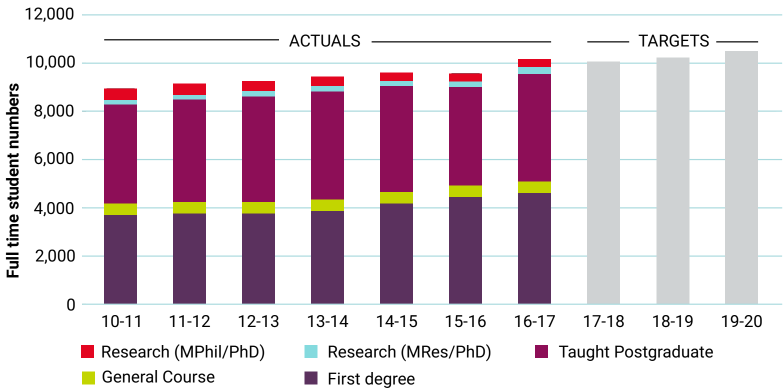
	2016-17 £m	2015-16 £m	Change £m	%
Tuition fees	199.3	177.1	22.2	12.5%
Funding Council grants	26.3	25.3	1.0	4.0%
Research grants	32.1	31.5	0.6	1.9%
Other income	80.5	71.9	8.6	12.0%
Investment income	5.4	5.3	0.1	1.9%
Total income before endowments and donations	343.6	311.1	32.5	10.4%
Donations and endowments	9.5	29.5	(20.0)	(67.8%)
Total income	353.1	340.6	12.5	3.7%

Support from the government for research continues to decline: our research funding from the Higher Education Funding Council for England (HEFCE), the Quality Related (QR) grant fell, in real terms, despite our being ranked near the top for research quality and impact in the most recent Research Excellence Framework (REF). HEFCE's teaching grant makes a negligible contribution to teaching income other than providing some support for our sector-leading Access and Widening Participation activities and for students with disabilities. Research grant income, like QR income, is under growing pressure and Funding Councils are increasingly asking institutions such as LSE to contribute to the costs of the research which they exist to fund. For us, this means subsidising research from auxiliary income.

Tuition fee income grew by 12.5 per cent to £199.3 million through a combination of increased full-time student numbers and price increases on postgraduate and overseas courses. We want to ensure we continue to have the flexibility to invest in research and education opportunities as they emerge, irrespective of the external environment. We believe diversification of income sources is key to this and over 15 per cent of our fee income comes from summer schools and the expanding executive education masters programme. The importance of this to the School cannot be exaggerated and we believe we are well placed intellectually and geographically to expand in this area further.

Ensuring financial sustainability

The School's ambition is to continue as a world leader in research and teaching in the social sciences, so the generation of sustainable surpluses is essential to give us the flexibility to invest in the academic innovation that this ambition requires. Each year, the School Management Committee and Council approve a 10-year Financial Plan that quantifies the Strategic and Operational Plans for the School using a set of prudent assumptions. The financial results portrayed in the Plan are measured against a range of targets and metrics and tested against the School's Strategic Risk Register to ensure we have a reasonable expectation of delivering a sustainable long-term position. The first year of the 2017 Plan also provides the School's operating budget for 2017-18. Any significant investments and associated returns are assessed and tested against the Plan and where appropriate examined on a standalone basis before a final decision is made. This ensures that our decisions contribute to the financial sustainability of the School.



As part of this financial planning process, a range of financial and non-financial key performance indicators are tracked and reviewed regularly by the School Management Committee and Council.

With these processes and assurances, Council is satisfied that the School is operating in a financially sustainable manner and remains a "going concern".

Students, education and tuition fees

Undergraduates

The School received nearly 18,000 applications for full-time undergraduate study in the academic year 2016-17. We made offers to 21 per cent of applicants and enrolled 9 per cent as new undergraduate students. We have an average of 11.4 applications per place for undergraduate study, a level that has remained strong in recent years.

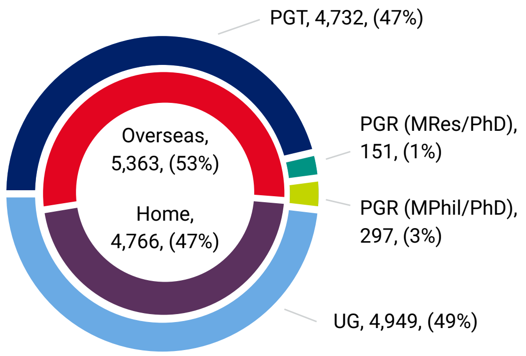
Postgraduate

At the postgraduate level, we enrolled 4,492 students, a 13.1 per cent increase on 2015-16, two-thirds of whom were from outside the UK and EU. Average demand was a little higher than last year at just over five applicants per place.

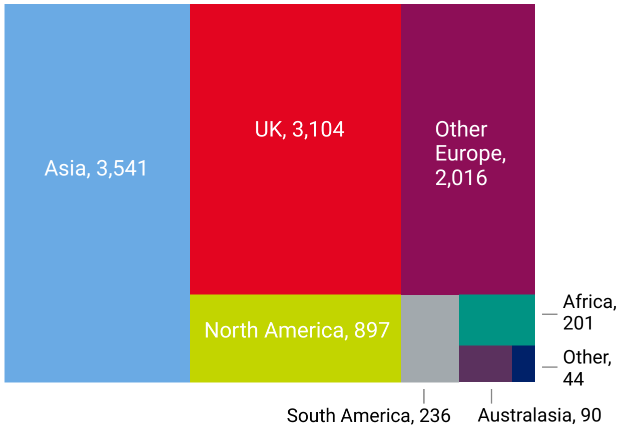
Support for learning – Scholarships and bursaries

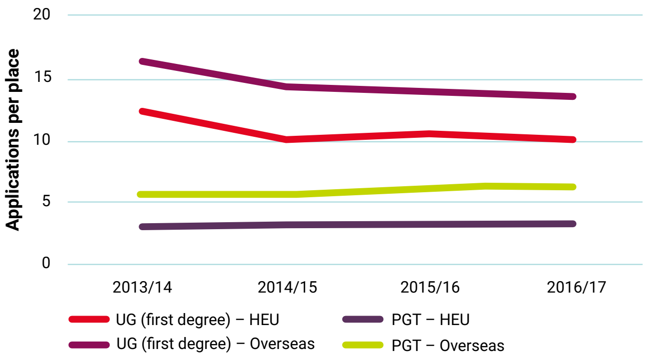
In 2016-17 the School spent £18.9 million on bursaries for undergraduates and postgraduates to enable them to study at the School. In particular, UK and EU undergraduates can qualify for bursaries up to the value of £4,000 per year for each year of study. For UK undergraduates, the School is also supporting its commitment under the Access Agreement to widen participation. In addition to all this, in 2016-17 we piloted a scheme to offer residential bursaries at our halls. To do so, the School is successfully investing through bursaries and extensive programmes for raising aspiration, supporting attainment, and preparing students for higher education, resulting in increasing numbers of students meeting widening participation criteria, obtaining offers and taking up places at LSE. In 2015-16 the total amount reported to the Office of Fair Access for this overall programme of funding and support was £4.6 million.

Full time students



Full time students by continent/country in 2016/17





The School has two flagship funding schemes for doctoral students – our own LSE PhD Studentship scheme which supported 236 fully funded students across four years of study and the Economic and Social Research Council Doctoral Training Centre (DTC) scheme with a further 143. In addition, PhD students are funded by philanthropic support and other Research Councils, and some institutes and departments provide scholarships. All these awards provide a maintenance grant and pay a fee. They are awarded on academic merit and research potential and are highly competitive. Across all these schemes 60 per cent of the total number of doctoral students enrolled at the School had full funding. Additionally, the School set aside other funds to support conference attendance and support for the writing up period available to all PhD students.

In 2016-17 the result of the bid to become an ESRC Doctoral Training Partnership (DTP) was announced, and LSE was granted single institution status. The DTP will replace the DTC, with a further six cohorts to be funded.

Support for learning – New Education Strategy

The School's performance in the National Student Survey has been very disappointing but is being tackled as a priority through the Education Strategy that was launched at the start of 2016. The work implementing the new Education Strategy commenced in earnest during 2016-17 and will accelerate significantly during 2017-18 under the leadership of our new Director, who has made it her priority.

LSE LIFE opened in September 2016. This £3.8 million investment, in the refurbished ground floor of the Library, provides academic, personal and professional development resources for all our students. During its first year, 8,039 LSE students have used the centre; we have run over 300 workshops per term achieving 92 per cent "Good" or "Excellent" ratings by students; and 29 collaborative events with academic departments have been run, aimed at developing engagement "beyond the classroom".

During 2016-17, as part of the Education Strategy, the Pro-Director's Vision Fund supported a range of innovations to support programme-level enhancements to student learning and experience covering curriculum diversification, developing an educational toolkit around Brexit related issues, teaching innovation around interdisciplinary research-led teaching; collaboration with industry partners, including Aviva and JP Morgan.

LSE taking major steps in widening participation and access

The latest data from the Higher Education Statistics Agency show LSE far surpassed its benchmark for the proportion of students admitted from "low participation neighbourhoods". This is a particularly significant development as these students are one of the most under-represented groups in higher education, and a key target for the government's social mobility agenda.

This notable progress is a direct result of LSE improving how it uses contextual information to better identify candidates from "low-participation neighbourhoods" when they apply. Alongside the improved flagging of candidates, the School has enhanced the targeting of its widening participation outreach programme, to support broader progression into higher education, including at LSE.

As highlighted by the latest Office for Fair Access (OFFA) monitoring report, LSE also invests more in outreach, widening participation and bursaries as a proportion of its home undergraduate fees than any other English university. The School spent a total of £4.6 million per year on student support, bursaries and measures to widen access in 2015-16.

As OFFA does not monitor spending on postgraduate or international students, LSE's total investment in all widening participation initiatives was, in fact, significantly higher than outlined in the report. In 2015-16 the School spent over £4.5 million on taught postgraduate and over £680,000 on support for overseas undergraduates.

Work is underway to benchmark our undergraduate programmes against key features of peer programmes in other institutions. The outcomes will form part of the data set informing effective review and redesign of current programmes during 2017-18, and support decision-making about the School's programme portfolio and our undergraduate offer more generally.

Implementation of the LSE Education Strategy is academically led through the development of departmental education strategies. In tandem, our professional service teams have been tasked by the Director with delivering a series of actions targeted to materially improve student feedback from the National Student Survey (NSS). This work will include the introduction of in-year resits, a review of the academic year dates, academic support standard, and a digital app to enable our students to access essential information in a personalised way and engage with academics, service providers and each other.

Alongside this programme of academic change, our 2017 Financial Plan incorporates £12.6 million for the refurbishment of the infrastructure of the School's existing teaching rooms.

After LSE

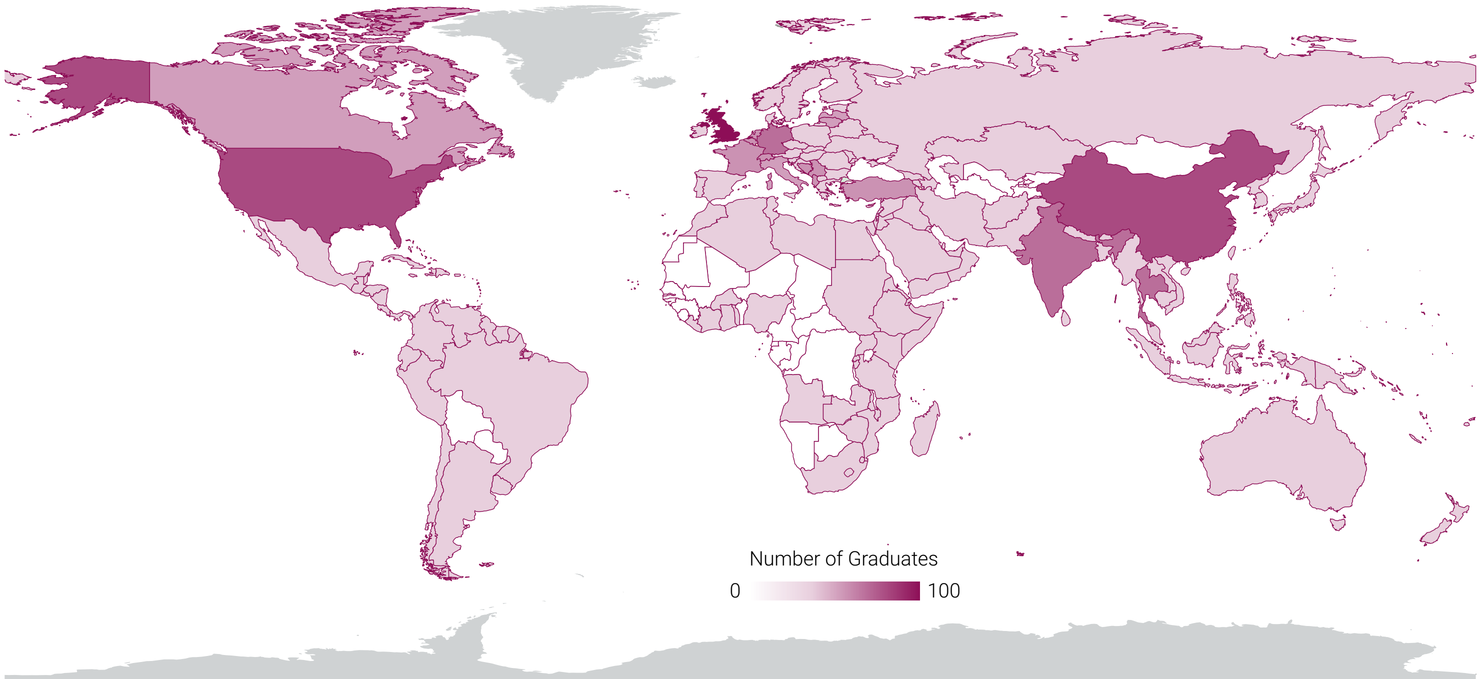
A degree from LSE is widely recognised globally and our graduates go on to pursue successful careers in a wide variety of sectors across the world. Employers value an LSE education because of the intellectual rigour of our programmes and the breadth of our students' experiences: students develop a range of analytical and communication skills in the classroom, which can be complemented by team work and organisational and creative skills gained from extracurricular activities. Students can also acquire foreign languages and IT skills, and work/volunteer experience.

Of those who graduated in 2015/16, 86.8 per cent progressed on to employment or study within six months. Of those in full-time work, 96.1 per cent (ranked third in the UK) were classed as being in highly-skilled employment. 2015/16 graduates found work in 116 different countries.

The median salary* of those working full-time in the UK was £29,000 (ranked second in the UK). A new national data set for UK-domiciled graduates reveals that LSE alumni are amongst the top earners by median salary in their respective subject areas at one, three and five years after completing their Bachelor's degrees.

[Based on the national DLHE survey; LSE's response rate was 69.2 per cent of all students.]*

Employment locations six months after graduation for 2015-16 graduates



Higher Education Funding Council for England (HEFCE) grants

The School's primary sources of direct public funding are HEFCE grants and Research Council funding for research projects. HEFCE funding comprises three elements, quality-related research funding (QR), teaching funding and knowledge exchange funding, titled Higher Education Innovation Funding (HEIF).

HEFCE funding for teaching is largely confined to HEFCE initiatives to mitigate the impact of fees on the diversity and access of students to higher education and the higher costs of delivering teaching in central London. The School's research block grant (QR) was flat in cash terms, at £18.6 million in 2016-17. Of course, this represents a real terms cut which is disappointing given the inflationary pressures on pay and non-pay costs we face and does not easily reconcile with our outstanding success in the 2014 Research Excellence Framework (REF), where LSE was placed at or close to the top in the rankings of research quality.

We received £3.1m in 2016-17 in HEIF funding to support Knowledge Exchange. This money is supporting and developing a broad range of knowledge-based interactions between universities and the wider world, which will result in economic and social benefit to the UK. The School welcomes the Funding Council's on-going commitment to this funding stream.

Most significantly, in November 2016 we were awarded a £32 million grant, through the Higher Education Funding Council for England's UK Research Partnership Investment Fund (UKRPIF), which provides funding for capital projects that can attract significant investment from private partners. We are in discussion with HEFCE regarding the profile of payments and expect receipts to commence in 2018. This funding will make a very important contribution to the redevelopment of the Centre Buildings which will house the International Inequality Institute.

Research grants and contracts

Our continued strategy to grow our grants portfolio has seen a steady growth in research funding for 2016-17. Research income was in excess of £32 million, an increase of 2 per cent on that of 2015-16, and represents 9 per cent of the School's total income.

The mix of funding from different sponsor types remains fairly constant across the two years, with just over three-quarters of income continuing to come from the UK Research Councils, UK Government, and the EU.

The School continues to do extremely well under the Horizon 2020 and other European Commission programmes: 16 new awards commenced during 2016-17 with a book value of €12.4 million – particularly welcome in a year when there have been widely-reported concerns that the result of the Brexit referendum would lead to an immediate reduction in EC funding. It is particularly noteworthy that we have received awards with a value of €10.6 million from the European Research Council (among the most prestigious research funding available, supporting the highest quality research), up from €7.9 million last year. Other successes have been £4.2 million from the Economic and Social Research Council (ESRC) to fund the Centre for Public Authority and International Development (CPAID), whose research focuses on how societies are governed in impoverished and unstable places in Africa and £2.6 million from the Department for International Development (DfID) to support the Conflict Research Programme. Council remains concerned over the potential implications of the current Brexit negotiations, the increasing focus of domestic funding on grand challenges, and the increasing pressures on the sustainability of external research funding.

The School continues to prepare for REF2021, with key processes and systems being developed and implemented during 2017-18. Further details of the REF rules around the eligible staff and research outputs are expected by the end of Michaelmas Term 2017.

Table 4 – Analysis of Other Income

	2016-17	2015-16	Change	
	£m	£m	£m	%
Residences and catering	37.6	36.2	1.4	4%
University of London International Programmes	10.1	10.2	(0.1)	(1%)
LSE Enterprise Limited	9.3	6.2	3.1	50%
Other Services Rendered and other activities	23.5	19.3	4.2	22%
	80.5	71.9	8.6	12%

Other Income

The School derives significant value from its academic reputation and resources, through additional activities such as consultancy activities which are operated through LSE Enterprise Limited and the International Growth Centre. Our residences and catering services provide a range of affordable accommodation to students, house a large proportion of our summer school students and operate as a hotel business during the rest of our vacation periods. They operate on a long-term breakeven basis after making a significant contribution to the School for the capital invested. Other Services Rendered income in 2016-17 includes a one-off receipt related to a Rights of Light agreement with the developer of a nearby building. As well as attracting staff and students, these activities make an invaluable contribution to the financial health of the School, contributing over a fifth of the School's income.

Residence and catering

With over 4,000 bed spaces in 12 halls of residence and University of London halls, the School can offer a guaranteed place to all first-year undergraduate students and accommodate 41 per cent of all full-time students. Unlike the numerous commercial providers of student accommodation in London, we can offer 31-week contracts to undergraduate students making our residences far more affordable. We can do this by generating income from operating many of our halls on a commercial basis during vacation periods.

The offer of affordable accommodation to our students is central to our recruitment strategy and, through a partnership with Urbanest, we provided 484 additional beds at Westminster Bridge


LSE LIFE

LSE LIFE and the student experience

In June 2017, LSE LIFE – the School's centre for the academic, personal and professional development of taught students – celebrated its first full academic year in operation. Only nine months after it officially opened in September 2016, the centre had already helped to transform the LSE experience for thousands of undergraduates and taught master's students – having registered over 200,000 visits to the LSE LIFE space, 5,000 attendances to LSE LIFE-delivered events and more than 2,000 individual appointments with students.

The centre works in close collaboration with academic departments in helping their students make the most of their time at LSE. Important collaborations also take place with other parts of the School, such as LSE Careers, the Library and LSE Counselling, to maximise the development opportunities for students. In addition, like the PhD Academy which opened in 2015, LSE LIFE is a one-stop shop for undergraduate and master's students, alleviating the need for them to go to several different areas of the School to get relevant information.

LSE LIFE hosts an extensive range of workshops on topics such as how to read academic papers more effectively, how to prepare for exams and how to develop critical thinking skills. Feedback so far has been enthusiastic with more than 90 per cent of surveyed respondents rating the centre's talks and workshops as either excellent or good.

The Head of LSE LIFE, Dr Claudine Provencher, says the large open space and relaxed atmosphere contribute to a welcoming environment: "The layout at LSE LIFE promotes collaboration and closeness, encouraging students to reach out to others and discuss their concerns. Starting university can be a stressful time and the more we can do to help and encourage students in their journey at LSE, the better for everyone."

from September 2015. We aim to add more places in the coming years through a combination of partnership agreements and, where affordable, developing our own halls.

LSE Enterprise Limited

The School is keen to apply the social science expertise of LSE academics to researching and resolving issues across as wide a range of policy, social and business areas as possible, and where appropriate to do this on a commercial basis. LSE Enterprise Limited (LSEE) will pay the School a Gift Aid payment of £2.1 million representing a £1.2 million contribution to the School's general funds and £0.9 million earmarked for further investment in academic research.

Summer School

Now in its thirtieth year, the Summer School Programme is the largest in Europe and the third biggest programme of its kind globally with only Berkeley and Harvard having a larger student cohort. This year we welcomed 6,334 individual students representing 122 different nationalities to the three sessions run in June, July and August. The programme offered 94 courses together with a developed social programme alongside a wide variety of other events and ensures that our campus, Student Union and halls of residence and catering outlets remain intensively used during the summer.

The Summer School allows LSE to extend its teaching far beyond the limited number of degree programme places and financially it provides the School with the means to attract and retain key faculty. The programme provides a significant annual return which enables the School to invest in teaching, research, and campus redevelopment.

Executive Programme

This open enrolment one week intensive Executive Programme is aimed at professionals and is now in its ninth year. It attracted 263 students to its June session and for the first time will offer an additional stream in October 2017 which is likely to attract a further 100 students over five courses.

International Programme

Under a collaboration agreement, the School participates in the University of London International Programme, which sees our academic material taught under the University of London badge to over 20,000 students around the globe annually. This study leads to the award of a University of London degree via distance learning. The School plays a key role in the academic direction, examination and quality assurance processes of the programmes in which it is involved. While recruitment to the programme has been falling in recent years, there is an ambitious plan in place to reinvigorate and revitalise the programme through the appointment of more LSE academics to provide content and ownership of the courses and a scheme for raising the academic quality and tuition fees over the next five years.

Online certificate courses

A pilot project has been developed by our summer schools team to launch three online courses in finance, management, and business/IR taught by some of our pre-eminent faculty. These are a suite of interactive and highly supportive online courses designed to offer, to a global audience, relevant and meaningful skills across a range of areas where LSE has an international reputation. The first cohort enrolled on these programmes in October 2017, with further programmes starting later in 2017-18. To date recruitment to all three courses is very encouraging.

Investment income, cash and treasury management

Investment income comprises investment returns from the School's working capital, bond holdings and endowment investments. Our treasury and investment strategy provides for different investment approaches depending on the level of risk and timescales associated with the use of the funds we hold. As a consequence we have five distinct investment and treasury strategies: (i) working capital held in sterling and other currencies where we have future liabilities; (ii) working capital held in managed corporate bond funds; (iii) a bond portfolio with maturities to match our capital programme; (iv) a long-term Growth Portfolio invested in a portfolio of equities that includes actively managed funds and; (v) the Financial Economic Review (FER) portfolio which contains only passively managed investments. Where necessary these funds are unitised to allow both endowment and School funds to be held in the same underlying investment while maintaining a separation of funds. Table 5 summarises these holdings and the returns achieved during 2016-17.

The School adopts a "total return" approach to the investment of its long-term funds, so a significant proportion of returns are unrealised and reported as Gain on Investments in the Statement of Comprehensive Income and Expenditure. In the case of the bonds in our capital development portfolio, which will be held to maturity, they are not reported at their market value at the balance sheet date: if they were we would have disclosed an unrealised gain of £0.6 million.

We target a return of 4.0 per cent plus RPI and our investment performance continues to deliver excellent results despite significant market volatility during 2016-17. In the year, the unit price of the Growth Portfolio investment appreciated 17.9 per cent (against a benchmark of 16.0 per cent) and, when combined with the Gift Matching portfolio – which is designed for funds which are required within a shorter time horizon – achieved a 14.5 per cent return. The FER portfolio returned 13.2 per cent (against a benchmark of 13.0 per cent). Over the last five years, the Growth Portfolio has returned 11.3 per cent per annum, and FER returned 8.9 per cent. All returns are quoted net of fees.

Table 5 – Summary of investment returns and treasury management

	School general and designated funds £m	Endowment funds £m	2016-17 £m	2015-16 £m
Investment income	3.1	2.3	5.4	5.3
Gain on investments	5.2	13.1	18.3	8.5
Return	8.3	15.4	23.7	13.8
Investments	142.1	128.4	270.5	253.0
Cash and cash equivalents	77.2	2.9	80.1	60.8
Other receivables	–	1.4	1.4	–
	219.3	132.7	352.0	313.8
Held as:				
Cash and working capital	77.2	2.9	80.1	39.0
Capital Projects Portfolio	98.4	–	98.4	125.1
Gift Matching Portfolio	1.3	20.4	21.7	12.7
Growth Portfolio	25.2	84.5	109.7	80.9
FER Portfolio	–	23.5	23.5	21.0
LSE Portfolio	17.2	–	17.2	14.7
Accrued income	–	1.4	1.4	–
Donations awaiting investment	–	–	–	20.4
	219.3	132.7	352.0	313.8

Philanthropic support received in 2016-17

The presentation of philanthropic gifts in a university's financial statements can be difficult to follow because the Higher Education SORP only allows gifts and donations with restricted uses to be recorded in Endowment reserves. Gifts and donations with flexibility in how they can be used have to be recorded as part of the School's General Reserves, even though we will internally have "designated" them for specific purposes. As a matter of policy, we would seek to work with potential philanthropists to ensure that their support could be used strategically to support the School's priorities.

Note 6 to the financial statements draws together the impact of philanthropy on the 2016-17 figures showing a contribution of £9.5 million from the following donors:

Table 6 – Summary of gifts and donations received in 2016-17

	£m
The Sequoia Trust	6.0
Accounted for as deferred income	(4.0)
The Sequoia Trust (Marshall Institute of Philanthropy and Social Entrepreneurship)	2.0
Firoz Lalji Centre for Africa	1.4
Annual Fund	0.9
Named Scholarships	0.6
Lee Family MSc Scholarship Fund	0.5
Professor Saw Swee Hock – South East Asia Centre	0.4
Stelios Scholarships	0.3
The Kuwait Endowed Professorship of Economics	0.2
Others	3.2
	9.5

Socially Responsible Investment and Procurement

Council approved the School's Socially Responsible Investment Policy in November 2015 and delegated its implementation to the Investment Committee. The objectives of the Policy are to comply with the UN Principles for Responsible Investment and, consistent with the School's objectives and its legal obligations, to avoid as far as possible investment in activities specified in the Policy. The School is aware that these obligations include investing its funds to achieve the best possible expected long-term return within the agreed risk parameters.

Consistent with the Council's statutory fiduciary responsibilities as charity trustees, the School will specifically:

- Avoid direct investments in tobacco manufacture, indiscriminate armaments and in companies whose business focuses significantly on the extraction of thermal coal or tar sands.
- Seek to reduce, as far as possible, investments placed indirectly through investment funds in these companies.
- Explore opportunities to collaborate with other universities to encourage fund managers to develop new socially responsible investment products.
- Work to ensure that all the fund managers used for indirect equity investment support the six UN Principles of Responsible Investment.

In addition to representing our desire to avoid supporting industries which do direct harm through indiscriminate arms and tobacco manufacture, this represents a positive commitment to support the transition to the low-carbon economy. We are proud of our rigorous and innovative academic contributions on climate change and the environment, and also of our high environmental standards on campus, and it is right that our investment policy reflects this work. The detail of our investment approach and invested assets held are set out later in this report.

During the coming year we plan to vigorously pursue the key elements of this policy.

Responsible procurement

The School continues to look for savings and value for money opportunities to make the most effective use of its resources. Central to our approach to procurement is the use of competitive tendering and consortium framework agreements and carefully developed and reviewed specifications for goods and services. In addition, our process also places emphasis on non-financial aspects of procurement, with suppliers evaluated on their approach and policies on: environmental sustainability; equality, diversity and inclusion; modern slavery; health and safety; information security; and ensuring compliance with the School's commitment to pay at least the London Living wage. Our sustainable procurement goal is to procure goods and services in ways that maximise efficiency and effectiveness, while minimising social, environmental and other costs.

The total expenditure in 2016-17 that was susceptible to procurement through a competitive process was £96.5 million, of which 93.0 per cent was either tendered or procured via available framework agreements, with contracts awarded on our approved terms and conditions whenever possible. The remaining 7.0 per cent was procured by either a quotation process or, if under £8,000, a single source purchase. The procurement team delivered savings of over £5.4 million (annual savings based on comparison with average tendered, or incumbent supplier charge).

The School recognises its responsibility to deal fairly with its suppliers and works to pay all approved invoices in accordance with the agreed terms of payment, which are available on the School's website. At the year-end, the amount due to trade creditors was equivalent to 14 days of purchases. Nothing was due to be paid under the Late Payments of Commercial Debts (Interest) Act 1998.

Expenditure

Table 7 – Summary of expenditure

	2016-17	2015-16	Change	
	£m	£m	£m	%
Staff costs	179.9	167.0	12.9	7.7%
Net movement in pension provisions	(5.7)	3.9	(9.6)	(246.2%)
Other operating expenses	121.6	116.4	5.2	4.5%
Operating expenses	295.8	287.3	8.5	3.0%
Depreciation	12.9	11.2	1.7	15.2%
Interest and other finance costs	8.9	8.7	0.2	2.3%
Total expenditure before other gains and losses	317.6	307.2	10.4	3.4%

Total operating expenses increased by 3.0 per cent which is significantly lower than the growth in income of 10 per cent (measured by total income). However disaggregating this into its pay and non-pay elements reveals the total pay costs that the School faced rose rather faster.

Staff costs

An academic institution's most valuable resource is its staff – the salary and related costs to sustain them in 2016-17 were £179.9 million (before deducting the movement in the provision for the funding deficits on the USS and SAUL pension schemes of £5.7 million) and these costs as a proportion of income fell by 0.7 percentage points to 51.0 per cent. In line with our Financial Plan targets, year-on-year staff costs increased by 7.7 per cent reflecting a net of 55 additional full time equivalent staff members (accounting for 2.5 percentage points of the increase) and 4.5 per cent relating to a combination of the annual pay award, automatic pay increments, discretionary pay awards, the impact of the changes in the USS and SAUL pension schemes and employment taxes. The average all-in cost (pay, national insurance, pension contribution, apprenticeship levy) of an employee at LSE rose by 5.2 per cent to £74,614 per annum. Faculty pay budgets are under significant pressure. The fall in sterling following the referendum and election have made our academic salaries look uncompetitive when compared to those on offer in Europe and the US. In addition, our budgets have had to absorb higher costs of funding the deficit recovery plans in our pension schemes, and these costs are likely to rise further if Gilt yields remain at the current historically low levels. We have also had to absorb additional employment taxes following the increase in National Insurance contributions in 2016 and the recent 0.5 per cent Apprenticeship Levy.

Pension schemes

LSE staff are eligible to join the Universities Superannuation Scheme (USS) or the Superannuation Arrangements of the University of London (SAUL), depending on the grade of their post and the restrictions imposed by USS.

At 31 March 2017 triennial valuations for both schemes were made. We expect these valuations to show an increase in the schemes deficits.

Consultation exercises are now underway to decide how best to address this latest increase in the deficit. At the time of writing they are at an early stage. However, it is looking possible that we may see further changes to either benefits, contribution rates or both. The School remains committed to the provision of attractive, robust and cost-effective pension arrangements for all its staff, and will work constructively with all stakeholders to ensure that the School's pension contributions are used in the most effective manner possible. In drawing up our Financial Plan, we have made a prudent provision for an increase in contribution cost.

As the School is contributing to a deficit repayment plan for both schemes, the estimated present value of our commitment to enhanced future contributions is required, to be recognised in the financial statements. Based on our estimates of future pay costs and a suitable discount factor (see note 18), these provisions are £33.2 million and £0.4 million as at 31 July 2017 for USS and SAUL respectively. This is not the same as the School's share of the total scheme deficit which, as it is not separately identifiable, does not require recognition nor does it represent the cost of exiting either scheme – a so-called "Section 75" charge. This figure is significantly higher.

Equity and Diversity

LSE is committed to building a diverse, equitable and truly inclusive university. Through the implementation of transparent policies, practices, and procedures, the School has due regard to our duties under the Equality Act 2010, and to the protected characteristics detailed in the Act. The School seeks to fulfil this commitment by ensuring that our policies, training, and development reflect the principles laid down in this statement, as well as our obligations under the law.

The School is committed to embedding and mainstreaming equity, diversity, and inclusion. This includes communicating and monitoring policies, procedures and practices, to ensure that all are inclusive and equitable, that the record of the School is understood and evaluated effectively, that information is published and made available, that good practice is shared, that complaints are taken seriously and action is taken, and new initiatives are proposed and implemented to foster equitable treatment for all at LSE.

In June 2017, an extraordinary meeting of the Academic Staff Reward Committee was held to look specifically at pay equity for academic, research and teaching staff in general, though with a particular focus on gender pay. The same principles were applied when looking at all these staff groups. Out of the 108 staff whose salary was amended on the ground of pay equity, 103 (95 per cent) of the changes were for academic staff. The remaining five (5 per cent) of changes were for research staff. There were no changes for teaching only staff. 22 per cent of women's pay was amended and 10 per cent of men's pay was amended on the grounds of pay equity. All changes to pay were effective from 1 August 2017.

The School's Equity, Diversity and Inclusion policy statement applies to all students, staff, applicants and visitors. The principles of non-discrimination and equity also apply to the way in which staff and students should treat each other, visitors, contractors, service providers, suppliers, former staff and students and any other persons associated with the functions of the School.

Other operating expenses

Other operating expenses, which includes expenditure on academic departments, institutes, subsidiary company activities, student accommodation, bursaries and premises costs, have increased in total by £5.2 million – 4.5 per cent – from last year (Table 7). Spending on Academic departments and other academic activities increased as the new Institutes and Centres reached scale, residences spending increased in line with growth in business, particularly from summer schools and vacation letting. Spending in some other areas fell or increased at a slower rate: for example, less was spent on smaller estates projects than in 2015-16, as attention was focused on the School's two large capital projects.

Building for equality and inclusion

In 2017 the Equality Challenge Unit – which supports equality and diversity for staff and students across UK higher education institutions – cited LSE's work to ensure better representation of women on key School committees as an example of "sector-leading and innovative practice".

With students and staff from over 160 countries, diversity is integral to LSE. The mix of people and ideas underpins our global reputation for excellence, and makes studying and working at the School an enriching experience.

LSE acknowledges work must take place on a number of fronts to foster a fully inclusive and diverse environment. To this end, the School established an Equity, Diversity and Inclusion Taskforce, for two years from 1 September 2015.

In December 2015, LSE's Academic Board approved a proposal from the Taskforce to introduce a gender target for key committees. It was agreed that women or men would represent at least 30 per cent of the Academic Board's five strategic committees from 2016-17.

This target was chosen to reflect the fact that women currently make up 29 per cent of the LSE's associate and full professors. A more ambitious target would have the unintended effect of overburdening this staff group.

Initial data points to positive change. For example, the Academic Planning and Resources Committee composition has moved from 87 per cent male and 13 per cent female in 2014-15 to 62 per cent male and 38 per cent female in 2016-17. The targets have also stimulated procedural changes to encourage greater gender balance, such as changes to the nomination procedure for Promotions Committee.

Interest payable

Interest payable comprises interest payments on the School's borrowings, interest rate swaps and a charge based on the agreed future contributions relating to pension scheme past service deficits.

The small downward movement in three-month Libor during 2016-17 resulted in a small increase in swap costs which was only partially offset by a reduction in the cost of our variable rate borrowings.

Balance sheet

Table 8 – Summary Group Balance Sheet

	2017 £m	2016 £m	Change +/- £m	Change %
Intangible assets	1.1	1.2	(0.1)	(8%)
Tangible assets	458.2	437.3	20.9	5%
Investments	270.5	253.0	17.5	7%
Investment in Joint Venture	–	–	–	–
Total non-Current assets	729.8	691.5	38.3	6%
Stock	0.1	0.1	–	(6%)
Trade and other receivables	28.0	20.3	7.7	38%
Cash and cash equivalents	80.2	60.8	19.4	32%
Total current assets	108.3	81.2	27.2	33%
Creditors: falling due in within 1 year	(107.3)	(97.8)	(9.4)	10%
Net current assets/(liabilities)	1.1	(16.7)	17.7	(106%)
Total assets less current liabilities	730.9	674.9	56.0	8%
Creditors: falling due after 1 year	(187.1)	(187.0)	(0.2)	0%
Pension provisions	(33.7)	(38.8)	5.1	(13%)
Net Assets	510.0	449.1	60.9	14%
Expendable endowments	51.4	49.5	1.9	4%
Permanent endowments	81.3	69.7	11.6	17%
Endowment reserves	132.7	119.2	13.5	11%
Restricted Reserve	2.7	1.6	1.1	69%
General reserve	374.6	328.3	46.3	14%
Total Reserves	510.0	449.1	60.9	14%

We are pleased to report continued strength in the School's consolidated balance sheet. Our strategy is to ensure that the balance sheet remains strong to ensure we remain an attractive partner for long-term funding, be it from those offering philanthropic partnership, government grants or financial investors.

Funding strategy

The School's strategy is to fund capital development on a portfolio rather than a building-by-building basis, using cash flow and cash reserves to leverage external grants and donations and periodically raise cash through long-term debt as required. Over the past five years we have generated £193.3 million in operating cash (an annual average of 12.4 per cent of income).

Investing in a world-class estate

Our Estates strategy is ambitious and designed to provide a high-quality physical environment for our students and faculty, facilitating ground-breaking research, supporting recruitment and retention, creating connections physically and intellectually and enabling innovative and interactive teaching. Off-campus, the School is working to increase the provision of accommodation for our students as we know this is an important part of the LSE experience and a critical factor in attracting the diversity of students that gives the School its unique character.

Unlike many Russell Group universities, LSE did not "inherit" many of its physical assets; instead the School has had to finance development of the estate through operating cash generation, borrowing, philanthropic support and capital grants.

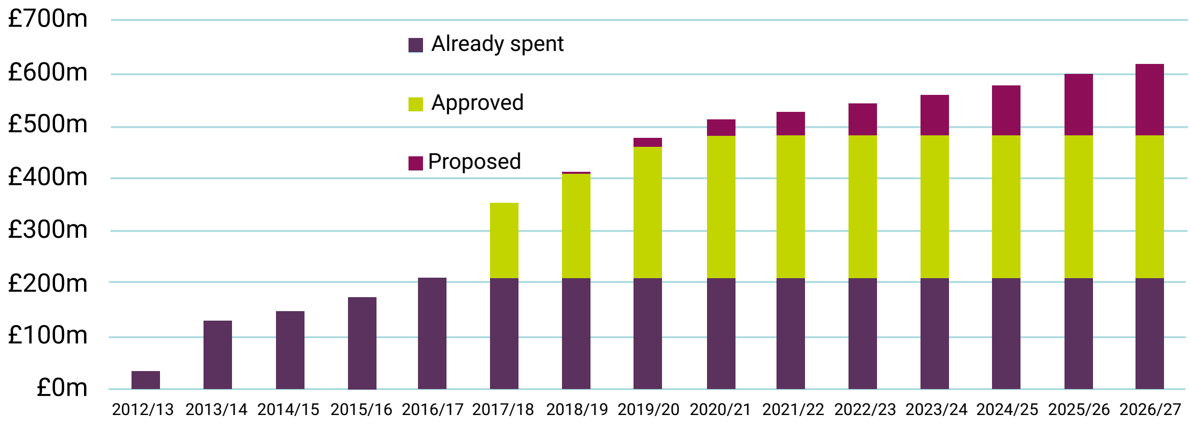
The School continues to deliver a significant programme of estates development and equipment procurement. During 2016-17 we spent in total £33.5 million (gross): Centre Buildings redevelopment – £22.5 million, due to complete in 2019; Marshall Building – £10.4 million, due to complete in 2021; and £0.4 million on other building projects and equipment.

We had planned to complete the purchase of the Nuffield building before the end of 2016-17 but this was delayed until early October 2017, so it does not appear on this year's balance sheet. The location of this property, on the south side of Lincoln's Inn Fields, between the Marshall Building and our Economics building at 32 Lincoln's Inn Fields make this an acquisition of strategic importance and allows us to consolidate our campus around that part of Lincoln's Inn Fields. We do not gain vacant possession until 2021 and that will allow us time to develop robust and sustainable plans for its use and to secure donations and other support to fund the development.

Our current forward 10-year plan for capital investment on the Houghton Street/Lincoln's Inn Fields campus totals £406 million, which would be an 80 per cent increase in current net assets, representing our commitment to deliver high quality educational and research facilities. In addition to this we are developing plans to ensure we can provide our students with secure, affordable and high-quality residential accommodation. We are keen to develop effective partnerships with third parties to leverage our financial capacity to deliver these ambitious plans. Whatever the eventual mix of funding, it will require disciplined and prudent financial planning alongside the careful stewardship of School cash reserves to leverage donations and external grants.

The introduction of FRS 102 in 2015-16 permitted a rebasing of property or classes of property to their market value on 1 August 2014. After careful consideration, the Finance Committee concluded that while the market value of the School's estate is significantly higher than book value, this would not provide the reader with any better understanding of the School or its finances, so we will continue to report our fixed assets at historic cost. Had that approach been taken we estimate that the value of the School's freehold and leasehold property would have been approximately £1.1 billion. The option to adopt a revaluation policy remains available and it will be considered periodically in future.

Table 9 – Cumulative 15-year campus investment programme



Cash

The generation of cash to meet current and future obligations as they fall due is critical to any well-run organisation. Without it, however strong the academic reputation or the quality of its infrastructure, the School will not be financially sustainable and will lack the flexibility to invest in faculty, initiatives and infrastructure. Our strategy is to make our cash balances work hard before they are required to fund our capital plans and we therefore have relatively low levels of current assets.

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. Commercial trading activities undertaken by the School are operated through its subsidiary companies and attract VAT where applicable. Indirect tax (VAT) and payroll taxes (PAYE and National insurance contributions) collected and paid amounted to £13 million and £51 million respectively. We received £51 million from HEFCE, Research Councils, and government departments during 2016-17, so we are a net contributor to HM Treasury.

Risk

Understanding our risks

The School's mission of discovering, advancing and disseminating knowledge to address major socio-economic challenges across the globe will always carry certain risks. Effective risk management helps to achieve these strategic objectives, while protecting the School's values, reputation, and sustainability.

Risk management processes

The School Management Committee (SMC) monitors and reviews emerging and changing risks throughout the year. Its 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. 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. The Strategic Risk Register aligns with the School Strategic Plan 2020. Each Strategic Risk (SR) is graded with a level of risk tolerance. Once tolerance has been defined, SMC evaluates what action needs to be taken to address the risk. The School's approach is to minimise its exposure to reputational, compliance and financial risk while accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its tolerance for risk varies according to the activity undertaken.

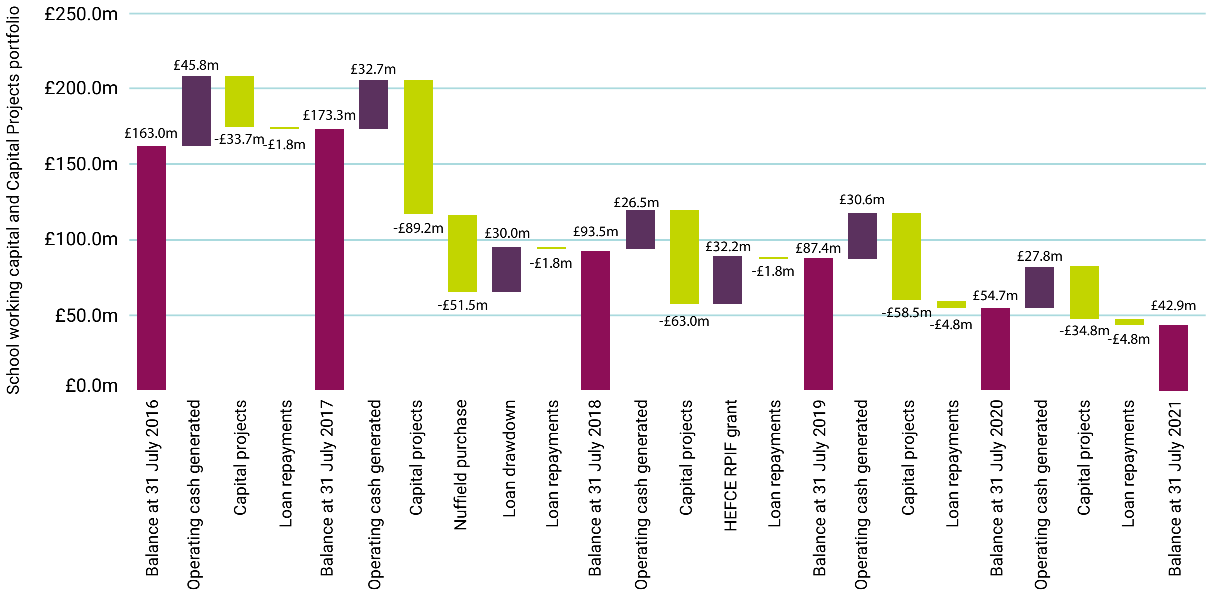
Professional service area risk registers ensure key operational risks are identified and managed at the appropriate level within the organisation. High-profile operational risks are monitored by SMC in the central Operational Risk Register. Internal Audit undertakes reviews of key areas throughout the year which are reported to the School's Audit Committee. Academic risks are monitored through the School's Annual Monitoring exercise.

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.

Strategic Risks

Teaching Excellence Framework / Brexit

The School's award of a 'Bronze' rating in the Teaching Excellence Framework (TEF) has provided stark evidence of the changing regulatory environment in which LSE now operates. While the TEF panel recognised that rigorous academic standards and independent critical analysis are an essential part of undergraduate education at LSE, more work needs to be done. The School is mindful that such regulatory indicators, as well as student dissatisfaction with teaching quality and educational experience expressed in the National Student Survey (NSS), may



affect the long-term perception of the value of a School degree in terms of employability and relevance.

With an Education Strategy devoting an additional £11million over three years, the School has pledged significant investment to address issues raised by the TEF and the NSS. LSE continues to boast an exceptional graduate record, as evidenced by students' high attainment and outstanding performance in highly-skilled job markets, which remain outside the TEF metrics. The School will look forward to working with the Government in reviewing and revising the TEF in the near future.

The fallout from the vote to leave the European Union ("Brexit") continues to present both risks and opportunities to the School's strategic aims. Now that Article 50 has been invoked, and negotiations between the British Government and the European Union are underway, the reality of what Brexit means is beginning to take shape. The Government's aims in key areas of the negotiations are still unclear, however, as is the extent to which they will be achievable.

With its potential to restrict the freedom of movement of EU students and staff, not to mention the impact on access to funding and legislative structures, there is no doubt that Brexit could change the entire environment in which the School operates. The persistence of uncertainty will doubtless bring short and medium-term challenges, but it is clear that the School will need to take a strategic view of the threats and opportunities in order to generate positive longer-term outcomes. The Senior Management Committee (SMC) continues to coordinate work across the full range of the School's activities, considering the implications for the future of developments in student and staff recruitment and retention, current applications being developed and awards held for EU funded research projects, capital projects underway and short-term philanthropic giving.

In this context, the School's Strategic Risk Register explores the following risks to its business model:

- SR1: That fewer high-quality students choose LSE because of educational factors.

- SR2: That fewer high-quality students choose LSE because of competitive and related factors.

- SR3: That the School lacks consistency in innovating and monitoring the academic portfolio.

The international profile of its student body means that the School monitors issues such as the UK visa and immigration policy, and the way political language around immigration might foment a hostile environment to foreign staff and students – particularly following Brexit – as external factors which may deter some students from applying to study in the UK. An over-reliance on key markets may also make the School vulnerable to developments by global competitors, or geo-political events. Other internal factors, such as established structures for programme allocation, may affect the School's income from student fees.

- SR4: That the School fails to generate enough revenue from other activities to support academic excellence or innovation.

- SR5: That the School is unable to offset increases in costs with sufficient revenue growth to keep up with better-funded competitors, further loss of public funding, and spiralling costs (eg, pensions).

The School is aware of the increasingly strong competition for its ancillary programmes, both in the UK and abroad, and the emergence of private providers remains an issue that will need to be monitored carefully in the coming years. The drive to diversify revenue away from the student fees has also led to an increased focus on philanthropic development. School employees participate in two pension schemes, USS and SAUL. While some steps have been taken by trustees to improve the long-term sustainability of these schemes, concerns remain about their long-term sustainability.

In terms of Brexit, the respective Project Boards for the Centre Buildings Redevelopment and Marshall Building projects continue to closely monitor closely the potential and real implications on budgeted costs and other related risks.

- SR6: That the School's research quality, reputation and impact decline.

- SR7: That the School fails to maintain the academic quality of faculty.

The School continues to face serious competition to recruit and retain its best faculty. The challenge remains to ensure that an effective reward policy is developed to attract new talent and retain existing faculty while ensuring long-term affordability. The establishment of the REF Strategy Committee as a standing committee of the School allows long-term planning and control of research issues, while the School continues with its rigorous approach to research mentoring and appraisal. The continuing work on support and incentives for externally funded research also mitigates these risks.

In terms of the impact of Brexit on research, the UK Government has guaranteed to underwrite existing funding from Horizon 2020, which might otherwise have been jeopardised in the exit process. The need for a Strategic Research fund to address shortfalls in the funding of research has been noted by Council, with the development of detailed proposals to be undertaken by Finance Committee. The School will aim to increase grant applications to UK research councils, as well as increase efforts to gain funding from foundations and other philanthropic sources. The Russell Group has already identified that its overall priority is to secure full associated country status for the UK participation in EU programmes. Eleven non-EU states, including Iceland and Norway, participate in Horizon 2020 on the same basis as the Member States, and funding under the programme is available globally.

The School will continue to monitor the impact of the impending Brexit on staff recruitment, both in terms of any likely visa changes and the effects of the tone of the debate on immigration. Irrespective of the funding environment, a serious risk to the School is a "talent drain" of research staff. Any strategy for research must address this risk at its core, as the loss of key staff would both reduce the School and enhance the profiles of competitors.

Public benefit

As noted elsewhere in these statements the School has the status of a company limited by guarantee and an exempt charity under the terms of the Charities Act 2011. The members of Council are the trustees of the Charity. The School's objectives are set out in our Memorandum and Articles of Association, the public benefit objectives include providing liberal and quality education, to promote and assist research, and the advancement of learning in the branches of knowledge dealt with by the School. Since its foundation, LSE has sought to apply teaching and research to improve society, and that goal remains unchanged today. The following narrative explains how the School has delivered public benefit during the year. In setting and reviewing the School's objectives and activities the Council has had due regard to the guidance on public benefit published by the Charity Commission.

Public Events

The School's location in central London and close links with Westminster, Whitehall and the City help to maintain our reputation as the place where the world comes to debate. Everyone is welcome to attend LSE's public events, where some of the most influential figures in the social sciences and public life can be heard. In 2016-17 LSE's Public Events programme hosted over 230 lectures, debates, exhibitions and concerts. Speakers included President of Columbia Manuel Santos, prominent neuroscientist Baroness Susan Greenfield, World Bank President Dr Jim Yong Kim, former Danish Prime Minister Helle Thonrning-Schmidt and former Australian Prime Minister Julia Gillard. In order to maximise the opportunity for those outside London and overseas to benefit from the programme, many were also made available online by video or podcast, with debate being sustained through social networking and syndication via sites such as Twitter, Facebook, RSS, Atom, iTunesU, Soundcloud, YouTube, etc. In 2016-17, there were over 12 million views of the School's rich media offerings via video and audio podcast.

Volunteering

The School has a strong tradition of social awareness and engaging with the wider community. LSE supports such efforts through its dedicated Volunteer Centre. In 2016-17, the Centre saw a huge amount of interest from students who wanted to get involved in volunteering and our research shows that almost 40 per cent of them do during their time at LSE, rising to 50 per cent amongst our undergraduates. LSE students complete a range of roles including mentoring, campaigning, fundraising, marketing, research and many more. Students who volunteer say that they have wider groups of friends, feel part of LSE and the community, more confident in themselves and have skills that employers will value. 70 per cent say that volunteering improves the LSE experience. The Volunteer Centre works with over 400 organisations promoting almost 1,000 opportunities to students. In the past year over 100 organisations were welcomed onto campus for volunteering fairs, panels and other events. We are proud to be making a difference, both to the students and to those reached by their volunteering.

Library

LSE Library is one of the largest social sciences libraries in Europe, with designated status as the British Library of Political and Economic Science from Arts Council England. It is open to members of the public who need to use its collections. We curate three exhibitions each year, which in 2016-17 included "Glad to be Gay: the struggle for legal equality" to mark the 50th anniversary of the Sexual Offence Act 1967 which decriminalised homosexuality. The September 2017 exhibition was titled "Journeys to independence: India, Pakistan and Bangladesh". These exhibitions are open to the public, free of charge, and are accompanied by a public event and lecture series. Over the past year the Library public event programme was attended by over 1,200 people, and included film screenings, panel discussion and book launches.

We have developed an education and outreach programme to build on existing work with schools and community groups. Learning activities have included facilitated archival research and A-level course work support and research skills workshops for students undertaking an Extended Project Qualification (EPQ) or GCSE courses. Subjects covered in school visits include, "History of Feminism", art workshops inspired by the Women's Library collection of suffrage banners, and introductions to the heritage collections such as the Women's Library, the Booth and LGBT archives. This year we worked in partnership with Digital Drama and the community of Endell Street, London which utilised the collections to create an immersive dramatic performance, "Deeds not Words" which was seen by over 250 people over eight performances. In the past year the Library has provided enriching learning experiences for over 500 secondary school students and 200 adult learners and continues to support LSE's Widening Participation programmes, facilitating access, visits and training for primary and secondary students interested in pursuing higher education.

Research

The School prides itself on a policy of engagement and the provision of research which seeks to address the burning issues of the day and influence public policy. The work of many of our research centres and academic departments has direct relevance to our charitable aims and the delivery of public benefit. A few examples include the following:

The prevention and relief of poverty: the International Growth Centre, Asia Research Centre, the Centre for Analysis of Social

Exclusion, the Centre for Economic Performance, and the Department of International Development.

The advancement of health or the saving of lives: LSE Health and Social Care, and the Centre for the study of Human Rights.

The advancement of citizenship or community development: LSE Cities, the Spatial Economics Research Centre, the Centre for Analysis of Social Exclusion, the Marshall Institute for Philanthropy and Social Entrepreneurship, and the International Inequalities Institute.

The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity: the Centre for the study of Human Rights; Diplomacy and Strategy (IDEAS); the Department of International Relations, the Department of Government, the Gender Institute, the Crisis States Research Centre, the Middle East Research Centre, and the Centre for Women, Peace and Security.

The advancement of environmental protection or improvement: Grantham Research Institute on Climate Change and Environment, Centre for Climate Change Economics and Policy, Department of Geography and the Environment.

The relief of those in need, by reason of youth, age, ill health, disability, financial hardship or other disadvantage: the Centre for Analysis of Social Exclusion, LSE Health and Social Care, the Department of International Development, the International Growth Centre, the Centre for Economic Performance, and the Suntory and Toyota International Centre for Economics and Related Disciplines.

Research that has hit the headlines in the past year includes: A study by Dr Luna Glucksberg has highlighted the importance of the "family office" in protecting and preserving the wealth of London's elite families.

Research by Dr Alice Goisis shows that, in contrast to 40 years ago, children born to older mothers today are more likely to perform better in cognitive ability tests than those born to younger mothers.

An LSE study showed half of airline pilots have reported that fatigue is not taken seriously by airlines, in the first large-scale survey of pilots' perceptions of safety within the European aviation industry.

An LSE study by Dr Joan Costa-Font suggests that our 21st century, globalised lifestyles are fuelling the rise of obesity.

Research by Dr Chia-Huei Wu, Assistant Professor of Management, suggests that by playing sport in a team you will not only gain the health benefits of exercise, you may also be happier.

An analysis of electricity consumption data by Dr Tom Kirchmaier shows how economic activity in England and Wales has slumped since the Brexit vote.

A study by Dr Valeria Cetorelli and colleagues has provided evidence that the so-called Islamic State of Iraq and Syria (ISIS) killed or kidnapped an estimated 9,900 members of the Yazidi religious minority over the course of a few days in August 2014 (margin of error: 7,000-13,900).

The English Football League has adopted a fairer format for penalty shootouts, based on research by Professor Ignacio Palacios Huerta, from the Department of Management.

Poorer children have worse cognitive, social-behavioural and health outcomes because they are poor, and not just because poverty is correlated with other household and parental characteristics, according to a new report by Kerris Cooper and Kitty Stewart from CASE.

Two LSE academics developed the only polling model to correctly predict a hung Parliament in the UK general election, where other pollsters and forecasters were predicting a Conservative majority.

Three quarters of British people would maintain or increase EU citizen voting rights, according to findings from a survey produced by Professor Michael Bruter and Dr Sarah Harrison.

A paper from LSE's Centre for Economic Performance (CEP) analyses the "Britain Alone" policy and predicts a 2.3 per cent loss of welfare compared with staying in the EU.

According to a study by the What Works Centre for Local Economic Growth, a research centre based at the LSE, higher skill levels among London's workforce explains about two-thirds of the productivity gap between the capital and the rest of the country.

LSE IQ, a new research-based LSE podcast, has achieved approximately 8,000 downloads per episode and focussed on issues such as high executive pay, Brexit and the "war on drugs".

Employment

The School promotes equality of opportunity for staff from all social, cultural and economic backgrounds and ensures freedom from discrimination on the basis of disability, gender, race, age, religion or belief, or sexual orientation, or personal circumstances. Equality and diversity are integral to the School priorities and objectives. The School supports inter-faith and inter-cultural dialogue and understanding and engage all students in playing a full and active role in wider engagement with society. The School's policy of employment with regard to disabled persons is to consider positively any registered disabled person who may apply for a post and provide similar opportunities for training, career development and promotion as for other members of staff.

Directors

The directors of the Company are listed at page 66.

Independent Auditors

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

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 66, 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 21 November 2017

Dame Minouche Shafik
Director

Thank you

We would like to thank the many generous donors and sponsors, without whom LSE's public benefit activities would not be sustainable at their current scale. The School is indebted to the enthusiasm and engagement of members of the LSE Council, who receive no remuneration for their services as charity trustees.

Corporate Governance and Internal Control Statement

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

Status of the School

The School is an exempt charity and a company limited by guarantee. The Council is the Governing Body of the School and its members are charity trustees and company directors and as such are expected to discharge their duties with prudence and care and to accept ultimate responsibility for the affairs of the School.

The School is subject to the conditions set out in HEFCE's Memorandum of Assurance and Accountability between HEFCE and Institutions for receipt of HEFCE grants. These conditions have been met in full during 2016-17. The School adopted the Committee of University Chairs' (CUC) Higher Education Code of Governance in 2015 and continued to apply the code in 2016-17. LSE is committed to upholding best practice in all aspects of corporate governance and endeavours to conduct its business in accordance with the seven Principles of Public Life advocated by the Nolan Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). Further, the School has an overarching Ethics Code which all members of the LSE community including staff, students and Governors are expected to observe. The values enshrined in the Ethics Code are those of responsibility and accountability, integrity, intellectual freedom, equality of respect and opportunity, collegiality, and sustainability.

The Council

The Council is the governing body of the School and its formal powers and terms of reference are set out in the Articles and in its Statement of Primary Responsibilities. A full list of Council members from 1 August 2016 to 31 July 2017 and up to the date of signing these financial statements can be found on page 66.

Its primary role is to provide strategic leadership and to maintain a focus on areas identified as being of strategic importance. It is responsible for the system of internal control operating within the School and for ensuring it is effective, based on reports and views from its Committees, detailed below.

Audit Committee

The Audit Committee is a standing committee of the Council. It is chaired by a lay member of Council and meets at least four times a year. It is responsible for advising the Council on the effectiveness of the School's risk management and controls systems. Both the External and Internal Auditors provide the Committee with detailed reports and attend meetings to discuss findings and recommendations for the improvement of systems of internal control, together with management's response and implementation plans. The reports to the Audit Committee include the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement, which is included in the Committee's report to HEFCE. The Audit Committee reports three times a year to Council, through its Chair, and provides an annual opinion on risk management, control and governance.

Estates Strategy Committee

The Estates Strategy Committee is responsible for overseeing the implementation of strategic priorities relating to the estate, including capital projects.

Ethics Policy Committee

The Ethics Policy Committee was established as part of the School's wider ethical framework in 2012 with a remit to ensure that the Ethics Code is communicated and embedded in the life and work of the School through the plans, policies, procedures, guidelines and other documents which govern and inform the conduct of the business of the School. The Committee reports regularly to the Council, and has advised on a range of issues.

Finance Committee

The main activities of the Finance Committee relate to the following areas: financial strategy and risk; funding adequacy, cash flow and investment; financial forecasting and budgets; financial policies and regulations; evaluation of major commitments; and review of financial performance at aggregate level. The Finance Committee has lay, academic and expert membership.

The Financial Regulations are updated annually, are approved by the Council, and are available online. These set out policies and procedures related to capital expenditures. In practice, the School has three main categories of capital expenditure: buildings and estate related; IT related; and catering equipment. Capital expenditure on land, buildings, furniture, equipment and associated costs are only normally considered if they form part of the approved capital programme. Major acquisitions and disposals are subject to Council approval. The Financial Regulations also set out policies and procedures related to purchasing. The Purchasing Manager reports annually on value for money related to purchasing activities.

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

Health and Safety Committee

The Health and Safety Committee, chaired by a lay member of Council, meets at least twice a year. It is responsible for monitoring both health and safety performance and the development and delivery of strategic health and safety objectives.

Remuneration Committee

The Remuneration Committee oversees remuneration arrangements, which operate within a national job evaluation and pay negotiation framework. There are controls on hiring of staff and headcount operated by Finance and Planning to ensure that staff are only recruited where budgets are approved and are sufficient to meet the cost of employment.

The Remuneration Committee has recently reviewed its Terms of Reference and an early outcome has been a change in the membership of the Committee to exclude any member of the School's Executive so that, in accordance with best practice, the membership now only consists of lay and independent members.

The Remuneration Committee is also overseeing a review of the School's strategy for senior staff remuneration to ensure we make the right decisions for LSE as a whole in the rapidly changing, internationally competitive environment in which we operate. The review is taking into account the CUC illustrative practice note for remuneration committees, guidance from HEFCE about senior staff remuneration and the Association of Chief Executives of Voluntary Organisations (ACEVO) principles. The review will report to the Remuneration Committee in January 2018 and the outcome of the review will be shared across the School.

The Court of Governors

The Court may have up to 100 members, approximately 80 per cent of whom are lay members. The remainder are elected academic and student members, and ex-officio members including the Director and Pro-Directors. The lay members of the Court bring to the School a wide range of expertise from a number of sectors, including business, the professions, and the third sector. Many are alumni, and all have a keen interest in upholding the values and reputation of the School and ensuring its long term sustainability.

Members of the Court are "members of the Corporation" who support the life and work of the School in a range of formal and informal ways, the most common being as members of committees and as ambassadors.

As constitutional guardian, the permission of the Court is required to amend the School's Memorandum and Articles of Association. The Court has the following formal powers: the appointment of members of the Court and its subcommittees; the appointment of members of the Council; election of the Chair and Vice Chairs of the Court and Honorary Fellows of the School; and appointment of the School's external auditors. The members have the power of recall under the Companies Acts and could, in extremis, dismiss the Council.

Chair and Vice Chair Selection Committee

The role of the Chair and Vice Chair Selection Committee of the Court is to search for and recommend appointments to Court for the roles of Chair and Vice Chairs. In 2016-17 the Committee conducted two searches which led to the appointment of Dame Shirley Pearce as Chair of Court and Council and Ali Nikpay as a Vice Chair of Court.

Nominations Committee

The Nominations Committee makes recommendations to the Court on the full range of lay and honorific appointments within the School. In 2016-17 the committee recommended three appointments to Council to replace retiring members which were subsequently approved by the Court.

The Academic Board

The Academic Board is the principal academic body of the School. It reports to the Council and is chaired by the Director and considers all major issues of general policy affecting the academic life of the School and its development. It is supported by its own structure of committees which deal with academic and student affairs, research and academic planning and resources. The Vice Chair of the Academic Board is a member of the Council and reports at each meeting on the formal outcomes of Academic Board meetings.

Controls Framework

The Council confirms that it complies with the CUC Higher Education Code of Governance (December 2014). 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 for which it is responsible under the terms of the Articles and the HEFCE Memorandum of Assurance and Accountability. 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.

The School's controls assurance come from a variety of sources, including:

- 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;
- Review of the strategic and operational risk registers, risk mitigation strategies and business continuity arrangements by the Audit Committee, and subsequent discussion at Council;
- 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.
- 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;
- Oversight by the Academic Planning and Resources Committee of matters relating to resource allocation, forward planning, effectiveness and value for money;

- The School's internal audit service annual programme of reviews is approved by the Council on the advice of the Audit Committee, and whose Head provides the Council and the Committee with a report on internal audit activities within the School and an annual opinion on the adequacy and effectiveness of the School's system of internal controls. The Head of Internal Audit is independent of the School and has direct access to the lay Chair of the Audit Committee, and to the Director as the School's Accountable Officer;

- Financial Regulations detailing financial controls and procedures approved by the Council;

- Clearly defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;

- Scrutiny of policy and practice by committees of the Council;

- Regular reviews of the effectiveness of the Council;

- A written scheme, setting out delegation of executive authority;

- Constitutional documents (the Memorandum and Articles of Association), which reserve certain powers to the Council and the Court;

- Written reports from the Director to the Council, and from the Council to the Court, providing transparency and opportunity for constructive challenge.

Internal and external audit services

Throughout 2016-17 the School's internal audit service was provided by BDO LLP. From 1 August 2017 KPMG LLP were appointed as the School's internal auditors following a competitive tendering exercise. The School's external auditors are PricewaterhouseCoopers LLP. Representatives of the School's internal and external audit firms attend meetings of the Audit Committee and have an opportunity at each meeting to raise any issues of concern with members of the Committee in private session (ie, in the absence of Officers of the School). The performance of both the Internal and External Auditors is subject to annual review by the Audit Committee. The School's Internal Audit service operates to standards defined in the HEFCE Code of Practice.

Declaration of the Council

In accordance with the Companies Acts, the Council, as directors, are responsible for the administration and management of the School's affairs, including running an effective system of internal controls, and is required to present audited financial statements for each financial year. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the School and enable it to ensure that the financial statements are prepared in accordance with the Companies Acts, the latest Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability between the Higher Education Funding Council for England and the Council of the School, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the School and of the surplus or deficit and cash flows for that year. The designated office holder for this purpose is the Director. In directing the preparation of the financial statements, the Council has ensured that:

- Suitable accounting policies were selected and applied consistently;

- Judgements and estimates made were reasonable and prudent;

- Applicable accounting standards were followed, subject to any material departures disclosed and explained in the financial statements;

- Financial statements were prepared on the going concern basis.

The Council is satisfied that the School has adequate resources to continue in operation through 2017 and 2018. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps:

- To ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;

- To ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.

Fundraising statement

The School is registered as a levy payer with the Fundraising regulator, demonstrating its commitment to good fundraising practice and to abide by the Code of Fundraising Practice and Fundraising Promise. There were no annual complaints returns or adjudications and investigations in 2017.

Environmental sustainability report

LSE has made strong progress on the commitments in our Environmental Sustainability Policy.

Over the last 10 years we have reduced our carbon emissions by 16.8 per cent despite the expansion of our estate and growth in student and staff numbers. Most recently our carbon intensity – a measure of efficiency – was 57.6kg CO_2 emmissions per square metre which based on the 2014-15 Higher Education sector carbon intensity would have placed LSE as the twenty seventh lowest institution in the UK. This carbon reduction was largely achieved through energy-efficient retrofitting works delivered via the Mayor of London's "RE:FIT" programme.

Our Environmental and Energy Management Systems retained ISO 14001 and 50001 certification. We also rose to fourteenth in the People and Planet University "Green League", placing us second in London and second of the Russell Group universities. We have now achieved a "First Class" award for seven years running – one of only six institutions to do so.

Sustainability considerations were incorporated into contracts for stationery, electricity and travel, valued at £2.9 million annually. We continue to send zero waste to landfill and 58 per cent of our waste was recycled, composted or re-used.

The Centre Buildings Redevelopment achieved BREEAM "Excellent (Design)" for sustainable construction, and the Marshall Building is on track to achieve the same standard. The refurbishment in the Library of LSE LIFE, the new centre to support students' development achieved a "RICS Ska: Gold" rating for its sustainable refurbishment and we were the first university to be awarded "Silver" in the new (more stringent) "Ska: Higher Education" rating.

Following the success of RE:FIT, a second tranche of retrofits will now be delivered, investing a further £2 million in 40 individual projects over 21 buildings, projected to cut LSE's carbon footprint by a further three per cent.

We supported a number of student-led sustainability projects through the Sustainable Projects Fund, including the installation of an observation bee hive on campus. The LSE bees (pictured) are now looked after by over 100 staff and students in the LSESU Beekeeping Society and in the last season produced 94 jars of honey.

Over 30 departments engaged with the Green Impact programme which saw staff hosting a vegetarian cooking competition, volunteering in a wet woodland nature reserve and developing a "Green Mile Map" which plots sustainable shops and restaurants around LSE. This year we piloted a new energy-saving initiative, "Reduce the Juice", which saved 33,286 kWh of electricity as well as increasing recycling by 2.5 per cent in two halls.

For full details of LSE's sustainability performance, please see our Annual Sustainability Report.

Endowment Investment Performance

Funding from philanthropy, along with tuition fees, HEFCE 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 2016-17 financial year, the School's endowment grew from £119.2 million to £132.7 million.

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

Portfolios and their objectives

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

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

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

The Financial Economic Review (FER) portfolio: a separate investment portfolio for a permanent endowment to support the STICERD research centre. The objective for this portfolio is to generate a long term total investment return of four per cent per annum plus the Retail Price Index of which about £530k is used to fund annual operating costs of STICERD.

Investment performance

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

Investment return	1 year	3 years cumulative return	5 years cumulative return	Long-term objectives
Growth	17.9%	39.0%	70.8%	
Gift matching	1.7%	7.8%	–	
Gift matching and growth combined	14.5%	33.8%	64.7%	4% +RPI
FER	13.2%	36.4%	53.2%	Distribution of £530k + RPI

Investment Sub-Committee

Established in 1989, the LSE Investment Committee is a sub-committee of the Finance 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 meets at least three times a year and appoints an 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 through its oversight of the portfolios' exposure to the designated areas and the performance of the fund managers in relation to the UN Principles of Responsible Investment.

Asset allocation

	Growth Portfolio		Gift Matching Portfolio		FER Portfolio		Total
	£m	%	£m	%	£m	%	£m
UK equities	24.9	28	–		3.9	17	28.8
Overseas	39.7	44	–		14.8	63	54.4
Emerging market	13.7	15	–		–	–	13.7
UK bonds	–	–	18.3	100	4.1	17	22.4
Property	11.3	13	–		–	–	11.3
Money market	–	–	–	–	0.7	3	0.7
	89.6	100	18.3	100	23.5	100	131.3
Gift awaiting investment	1.4						1.4
	91.0	–	18.3	–	23.5	–	132.7

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

Report on the audit of the financial statements

Opinion

In our opinion, the London School of Economics and Political Science's group financial statements and School financial statements (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 2017 and of the group's income and expenditure, changes in reserves and cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", and applicable law);
- Have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education, and the requirements of the 2016/17 HEFCE Accounts Direction; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise the Consolidated and School Balance Sheets as at 31 July 2017; the Consolidated Statement of Comprehensive Income and Expenditure for the year then ended; the Consolidated and School Statement of Changes in Reserves for the year then ended; the Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The Councils' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Council has not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the group's and parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Report of the Directors' and Strategic Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Financial Review and Report of the Directors, for the year ended 31 July 2017 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent institution and their environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors' and the Strategic Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the Financial Statements

As explained more fully in the Declaration of the Council set out on page 29, the Council (who are also the directors of the School for the purposes of company law) is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Council of the London School of Economics and Political Science, in accordance with the Charters and Statutes of the institution and Chapter three of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992. In our opinion, in all material respects:

- Funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;

- Income has been applied in accordance with the institution's statutes; and

- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability, and any other terms and conditions attached to them.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or

- Adequate accounting records have not been kept by the parent institution, or returns adequate for our audit have not been received from branches not visited by us; or

- The parent institution financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Internal control

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report arising from this responsibility.

Ian Looker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 November 2017

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, and is unable to recover the majority 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 39 to 65.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 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 School meets its day-to-day working capital requirements through managing liquidity and through its bank facilities. The School's Financial Plan, taking account of reasonably possible changes in performance, show that the School should be able to operate within the level of its current facilities. The directors have a reasonable expectation that the School has adequate resources to continue in operational existence for the foreseeable future. The College therefore continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

The consolidated financial statements include the School and all its subsidiaries for the financial year to 31 July 2017. 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. Jointly controlled operations are accounted for on a proportional basis.

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 on the basis of teaching days. The School's share of surplus from the participation in the University of London International Programme is recognised on an accrual 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 Funding Council block grants and research grants are recognised as income when the School is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

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

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

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

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

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

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

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

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

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

Expense recognition

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

Accounting for retirement benefits

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

USS:
With effect from 1 October 2016, USS changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The School is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the School therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme. Since the School has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, it recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

SAUL:
SAUL is a defined benefit scheme which is independently managed. It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. The School accounts for its participation as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102.

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

Each fund is valued every three years by professionally qualified independent actuaries.

A liability for each scheme is recorded within provisions for any contractual commitment to fund past deficits within the schemes.

Employment benefits

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

Fixed assets

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

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

Buildings – 75 years
Roofs – 25 years
Refurbishments including mechanical and electrical services – 10 to 20 years
Leasehold buildings are depreciated over the period of the lease.

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

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

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:
Computer equipment – three years
Other equipment – five years

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

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

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

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

Investments
Non-current asset investments are held on the Balance Sheet at market value, except for corporate bond investments invested with the intention to hold to maturity which are recognised at amortised cost.

Investments in subsidiaries are carried at cost less impairment in the School's financial statements.

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

Cash and cash equivalents
Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets
Provisions are recognised in the financial statements when:

a. The School has a present obligation (legal or constructive) as a result of a past event;

b. It is probable that an outflow of economic benefits will be required to settle the obligation; and

c. A reliable estimate can be made of the amount of the obligation.

A contingent liability arises from a past event that gives the School a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in note 25.

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

Reserves
Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the School, are held as a permanently restricted fund which the School must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the School is restricted in the use of these funds.

Loans and derivatives
Loans are liabilities with fixed or determinable payments and are held at book cost.

Derivatives are held on the Balance Sheet at fair value with movements in fair value recorded in the Statement of Comprehensive Income and Expenditure.

Key accounting estimates and assumptions
The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

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. During 2014-15 and 2015-16, the trustees of both pension schemes have agreed a recovery plan to fund past service deficits. The calculation of the School's contribution to the deficit depends on a number of 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 18). The assumptions reflect historical experience and current trends.

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

Consolidated Statement of Comprehensive Income and Expenditure

Company registration no 70527
Year ended 31 July 2017

	Notes	Group 2016-17 Total £'000	Group 2015-16 Total £'000	School 2016-17 Total £'000	School 2015-16 Total £'000
INCOME					
Tuition fees and education contracts	1	199,346	177,155	199,346	177,155
Funding body grants	2	26,276	25,339	26,276	25,339
Research grants and contracts	3	32,113	31,503	31,458	30,337
Other income	4	80,475	71,853	75,412	63,097
Investment income	5	5,372	5,304	5,381	5,307
Total income before endowments and donations		343,582	311,154	337,873	301,235
Donations and endowments	6	9,489	29,482	9,489	29,482
Total income		353,071	340,636	347,362	330,717
EXPENDITURE					
Staff costs	7	174,285	170,887	171,277	166,470
Other operating expenses		121,631	116,364	118,948	110,889
Depreciation	10, 11	12,859	11,186	12,779	11,159
Interest and other finance costs	9	8,852	8,729	8,852	8,729
Total expenditure	8	317,627	307,166	311,856	297,247
Surplus before other gains/(losses)		35,444	33,470	35,506	33,470
Gain on investments	12	18,247	8,450	18,247	8,450
Change in fair value of hedging financial instruments	17	7,235	(10,768)	7,235	(10,768)
Surplus before tax		60,926	31,152	60,988	31,152
Taxation		–	–	–	–
Surplus for the year / Total comprehensive income for the year		60,926	31,152	60,988	31,152
Represented by:					
Endowment comprehensive income for the year	19	13,483	30,635	13,483	30,635
Restricted comprehensive income (deficit) for the year	20	1,079	(462)	1,079	(462)
Unrestricted comprehensive income for the year		46,364	979	46,426	979
		60,926	31,152	60,988	31,152

All items of income and expenditure relate to continuing activities.

Consolidated and School Balance Sheet

Year ended 31 July 2017

	Notes	Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Non-current assets					
Intangible assets	10	1,122	1,195	1,072	1,195
Fixed assets	11	458,205	437,309	457,688	436,829
Investments	12	270,472	253,008	270,622	253,158
Investment in joint venture	13	1	21	–	–
		729,800	691,533	729,382	691,182
Current assets					
Stock	14	111	118	111	118
Trade and other receivables	15	28,084	20,265	29,636	21,803
Cash and cash equivalents	21	80,151	60,791	77,475	58,605
		108,346	81,174	107,222	80,526
Less Creditors: amounts falling due within one year	16, 17	(107,292)	(97,851)	(105,763)	(96,927)
Net current assets/(liabilities)		1,054	(16,677)	1,459	(16,401)
Total assets less current liabilities		730,854	674,856	730,841	674,781
Creditors: amounts falling due after more than one year	16, 17	(187,123)	(186,957)	(187,123)	(186,957)
Pension provisions	18	(33,708)	(38,802)	(33,708)	(38,802)
Total net assets		**510,023**	**449,097**	**510,010**	**449,022**
Restricted reserves					
Income and expenditure reserve-endowment reserves	19	132,724	119,241	132,724	119,241
Income and expenditure reserve-restricted reserves	20	2,672	1,593	2,672	1,593
Unrestricted reserves					
Income and expenditure reserve-unrestricted		374,627	328,263	374,614	328,188
Total reserves		**510,023**	**449,097**	**510,010**	**449,022**

The financial statements were approved by Council on 21 November 2017 and were signed on its behalf on that date by:

Shirley Pearce

Dame Shirley Pearce
Chair of Court and Council

Dame Minouche Shafik
Director

Consolidated and School Statement of Changes in Reserves

Group		Income and expenditure account		
	Endowment £'000	Restricted £'000	Unrestricted £'000	Total £'000
Balance at 1 August 2016	**119,241**	**1,593**	**328,263**	**449,097**
Surplus from the income and expenditure statement	13,483	1,079	39,129	53,691
Other comprehensive income	–	–	7,235	7,235
Total comprehensive income for the year	13,483	1,079	46,364	60,926
Balance at 31 July 2017	**132,724**	**2,672**	**374,627**	**510,023**

School		Income and expenditure account		
	Endowment £'000	Restricted £'000	Unrestricted £'000	Total £'000
Balance at 1 August 2016	**119,241**	**1,593**	**328,188**	**449,022**
Surplus from the income and expenditure statement	13,483	1,079	39,191	53,753
Other comprehensive income	–	–	7,235	7,235
Total comprehensive income for the year	13,483	1,079	46,426	60,988
Balance at 31 July 2017	**132,724**	**2,672**	**374,614**	**510,010**

Consolidated Cash Flow Statement

Year ended 31 July 2017

	Notes	Group 2017 £'000	Group 2016 £'000
Cash flow from operating activities			
Surplus for the year		60,926	31,152
Adjustment for non-cash items			
Depreciation		12,859	11,186
Amortisation of premium on bonds	12	3,100	3,233
Gain on investments	12	(18,247)	(8,450)
Change in fair value of hedging financial instruments	17	(7,235)	10,768
Decrease/(increase) in stock	14	7	(14)
(Increase)/decrease in debtors	15	(7,819)	700
Increase in creditors		17,195	910
(Decrease)/increase in pension provision	18	(5,094)	4,363
Share of operating deficit in joint venture	13	20	–
Adjustment for investing or financing activities			
Investment income	5	(5,372)	(5,304)
Interest payable	9	8,271	8,214
Endowment income	6	(4,855)	(26,775)
Loss on the sale of tangible fixed assets		12	116
Capital grant income	2	(1,477)	(1,561)
Net cash inflow from operating activities		**52,291**	**28,538**

Consolidated Cash Flow Statement continued...

	Notes	Group 2017 £'000	Group 2016 £'000
Cash flows from investing activities			
Proceeds from sales of fixed assets		–	56
Capital grants receipts	2	1,477	1,561
Disposal of non-current asset investments		118,591	18,586
Investment income	5	5,372	5,304
Payments made to acquire fixed assets		(32,064)	(27,559)
Payments made to acquire intangible assets	10	(182)	(182)
New non-current asset investments	12	(125,650)	(20,700)
Other investment cash movement	12	4,741	(4,140)
		(27,715)	(27,074)
Cash flows from financing activities			
Interest paid	9	(8,271)	(8,214)
Endowment cash received	6	4,855	26,775
Repayments of amounts borrowed		(1,800)	(1,800)
		(5,216)	**16,761**
Increase in cash and cash equivalents in the year		**19,360**	**18.225**
Cash and cash equivalents at beginning of the year	21	60,791	42,566
Cash and cash equivalents at end of the year	21	80,151	60,791

Notes to the Financial Statements

Year ended 31 July 2017

1 TUITION FEES AND EDUCATION CONTRACTS	Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
Tuition fees:				
Home/EU Students	59,844	53,554	59,844	53,554
Overseas Students	106,204	95,462	106,204	95,462
Short Courses	33,177	27,774	33,177	27,774
Examination and Other Fees	121	365	121	365
	199,346	177,155	199,346	177,155

2 FUNDING BODY GRANTS	Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
From HEFCE				
Block recurrent	20,563	20,415	20,563	20,415
Capital grant	1,477	1,561	1,477	1,561
Higher Education Innovations Fund	3,128	3,010	3,128	3,010
Other Specific Grants	1,108	243	1,108	243
Total HEFCE	26,276	25,229	26,276	25,229
Joint Information Systems Committee and other grants	–	110	–	110
	26,276	25,339	26,276	25,339

3 RESEARCH GRANTS AND CONTRACTS	Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
Research Councils	8,654	7,758	8,654	7,758
Government departments	7,129	7,551	6,971	7,150
Charities	1,580	1,426	1,552	1,251
European Commission and other EU based funders	8,573	7,485	8,327	7,178
Other outside bodies	6,177	7,283	5,954	7,000
	32,113	31,503	31,458	30,337

4 OTHER INCOME	Notes	Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
Residences and catering		37,639	36,227	32,218	30,936
Academic department income attributable to other activities		1,782	971	1,782	971
University of London International Programmes (ULIP)		10,106	10,237	10,106	10,237
Consultancy services and executive education (LSE Enterprise Limited)		9,297	6,221	–	–
Other Services Rendered		14,865	14,364	24,481	17,120
VAT Recovery		1,620	1,263	1,620	1,263
Staff and student Facilities		688	646	688	646
Sundry		4,478	1,924	4,517	1,924
		80,475	71,853	75,412	63,097

5 INVESTMENT INCOME		Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
Investment income on endowments	19	2,280	2,152	2,280	2,152
Other investment income		3,092	3,152	3,101	3,155
		5,372	5,304	5,381	5,307

6 DONATIONS AND ENDOWMENTS		Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
New endowments	19	4,854	26,775	4,854	26,775
Donations with restrictions	20	2,249	177	2,249	177
Donations with performance related conditions		70	567	70	567
Other donations		2,316	1,963	2,316	1,963
		9,489	29,482	9,489	29,482

7 STAFF COSTS	Notes	Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
Total staff costs for the year were:					
Wages and salaries		145,217	136,355	142,789	132,748
Social Security costs		14,618	12,898	14,374	12,557
Other pension costs		20,113	17,780	19,777	17,311
		179,948	167,033	176,940	162,616
USS pension provision utilised in year	18	(1,992)	(1,159)	(1,992)	(1,159)
SAUL pension provision utilised in year	18	(429)	–	(429)	–
Movement on USS pension provision	18	(2,908)	3,834	(2,908)	3,834
Movement on SAUL pension provision	18	(334)	1,179	(334)	1,179
		174,285	170,887	171,277	166,470

The School acts as an agent for LSE Lets Limited. In the current year, the School made a management charge of £6,986,000 to LSE Lets Limited. This includes staff costs.

The average monthly number of persons employed by the group during the year expressed as full-time equivalent was:	Group 2016-17 Number	Group 2015-16 Number (restated)
Research and Teaching	1,328	1,289
Operational Services	930	916
Subsidiaries	31	29
	2,289	2,234

2015-16 staff numbers have been restated as a result of a change in the method of calculating hourly paid teaching employees. The current method is by reference to actual hours worked rather than contracted hours.

7 STAFF COSTS CONTINUED...	Group 2016-17 £'000	Group 2015-16 £'000
Emoluments (2016-17 – 7 directors; 2015-16 – 8 directors)	731	1,089

Included in the above are emoluments of those who served as Director and Interim Director of the School during the year:

Professor Julia Black – Interim Director (from 1 September 2016)		
Salary	259	–
Bonus	–	–
	259	–
Employer's pension contributions	19	–
	278	–
Professor Craig Calhoun – Director (to 31 August 2016)		
Salary	26	315
Bonus	–	30
Benefits in kind	–	15
	26	360
Employer's pension contributions	5	53
	31	413

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

The taxable element associated with the subsidised accommodation occupied by the Director is included in the above table.

7 STAFF COSTS CONTINUED...

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

	2016-17 Contractual pay	2016-17 Total remuneration	2015-16 Contractual pay	2015-16 Total remuneration
£100,001 – £110,000	53	53	48	47
£110,001 – £120,000	22	39	23	26
£120,001 – £130,000	26	25	25	26
£130,001 – £140,000	15	15	21	14
£140,001 – £150,000	9	15	12	13
£150,001 – £160,000	15	14	11	13
£160,001 – £170,000	5	8	5	14
£170,001 – £180,000	14	12	9	15
£180,001 – £190,000	12	12	10	9
£190,001 – £200,000	3	9	4	6
£200,001 – £210,000	4	8	2	3
£210,001 – £220,000	1	4	3	3
£220,001 – £230,000	2	7	3	2
£230,001 – £240,000	3	4	3	6
£240,001 – £250,000	2	2	2	4
£250,001 – £260,000	2	3	1	4
£260,001 – £270,000	2	1	1	–
£270,001 – £280,000	–	2	–	1
£280,001 – £290,000	–	1	–	2
£290,001 – £300,000	–	2	–	–
£300,001 – £310,000	–	2	–	–
	190	238	183	208

Contractual pay refers to salary as stated in the contract of employment.

The total remuneration includes additional payments relating to teaching the Summer School and executive programmes, research and consultancy delivered via LSE Enterprise Limited; none of these additional payments are pensionable.

No payment of compensation for loss of office was made to senior post-holders in 2016-17 (2015-16 – one person, £99,000). These payments are included with contractual pay in the total figures disclosed above.

7 STAFF COSTS CONTINUED...

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 (SMC). Staff costs include compensation paid to key management personnel.

Key personnel (2016-17: 5, 2015-16: 6) are:
Pro-directors
Chief Financial Officer
Chief Operating Officer
Provost
School Secretary

	Group 2016-17 £'000	Group 2015-16 £'000
Key management personnel compensation	872	829

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Group 2016-17 Staff costs £'000	Group 2016-17 Non pay costs £'000	Group 2016-17 Total £'000	Group 2015-16 Total £'000 (reclassified)	School 2016-17 Total £'000	School 2015-16 Total £'000 (reclassified)
Academic departments and other academic activities	110,478	13,618	124,096	112,377	122,353	110,909
Library and IT Services	11,566	11,600	23,166	22,683	23,166	22,683
Research grants and contracts	14,721	6,682	21,403	21,741	21,403	21,741
Scholarships	–	18,949	18,949	19,410	18,949	19,410
General education expenditure	7,619	2,536	10,155	9,830	10,155	9,421
Estates	6,316	20,830	27,146	28,851	27,135	28,851
Administration and central services	13,311	3,788	17,099	15,979	17,092	15,972
Staff and student facilities	3,750	3,503	7,253	6,213	7,253	6,213
Residences and Catering	5,830	24,931	30,761	27,816	32,821	24,104
Consultancy services and executive education	3,367	12,799	16,166	13,902	10,176	9,606
USS pension provisions utilised in year	(1,992)	–	(1,992)	(1,159)	(1,992)	(1,159)
SAUL pension provisions utilised in year	(429)	–	(429)	–	(429)	–
Movement on USS provision	(2,908)	–	(2,908)	3,834	(2,908)	3,834
Movement on SAUL provision	(334)	–	(334)	1,179	(334)	1,179
Miscellaneous	2,990	2,395	5,385	4,595	5,385	4,595
Depreciation						
– Estates	–	11,889	11,889	10,260	11,889	10,260
– Residences and catering	–	902	902	910	890	899
– Consultancy services and executive education	–	68	68	16	–	–
Interest and other finance costs	–	8,852	8,852	8,729	8,852	8,729
	174,285	143,342	317,627	307,166	311,856	297,247

2015-16 have been reclassified to align with current management reporting.

Notes to the Financial Statements continued...

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY CONTINUED	Notes	Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
Other operating expenses include:					
Fees payable to the School's auditors for the audit for the financial statements		69	82	69	82
Fees payable to the School's auditors for other services:					
Audit of the financial statements of the School's subsidiaries		7	6	–	–
Other services relating to taxation		–	–	–	–
All other services		6	31	6	31
		82	119	75	113
Operating lease rentals					
Land and buildings		9,248	8,560	9,248	8,560
Other		938	997	938	997
		10,186	9,557	10,186	9,557

9 INTEREST AND OTHER FINANCE COSTS		Group 2016-17 £'000	Group 2015-16 £'000	School 2016-17 £'000	School 2015-16 £'000
Loan interest		8,271	8,214	8,271	8,214
Net charge on pension scheme	18	581	515	581	515
		8,852	8,729	8,852	8,729

10 INTANGIBLE ASSETS	Group £'000	School £'000
Software		
As at 1 August 2016	1,195	1,195
Additions in the year	182	107
Amortisation charge for the year	(253)	(228)
Disposals	(2)	(2)
As at 31 July 2017	1,122	1,072

11 TANGIBLE FIXED ASSETS	Land and Buildings Freehold £'000	Land and Buildings Long Leasehold £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
GROUP					
Cost					
As at 1 August 2016	453,996	30,443	17,692	21,876	524,006
Additions in year	992	(227)	651	32,094	33,511
Transfer	1,196	–	–	(1,196)	–
Disposals in year	(2,980)	(11)	(1,472)	–	(4,463)
As at 31 July 2017	453,204	30,205	16,871	52,774	553,054
Accumulated depreciation					
As at 1 August 2016	65,154	7,929	13,614	–	86,697
Charge for year	9,694	1,186	1,725	–	12,605
Disposal in year	(2,980)	(1)	(1,472)	–	(4,453)
As at 31 July 2017	71,868	9,114	13,867	–	94,849
Net book value					
As at 1 August 2016	388,842	22,514	4,078	21,876	437,309
As at 31 July 2017	381,336	21,091	3,004	52,774	458,205
SCHOOL					
Cost					
As at 1 August 2016	453,996	29,778	17,651	21,876	523,301
Additions in year	992	(227)	562	32,094	33,421
Transfer	1,196	–	–	(1,196)	–
Disposals in year	(2,980)	(11)	(1,468)	–	(4,459)
As at 31 July 2017	453,204	29,540	16,745	52,774	552,263
Accumulated depreciation					
As at 1 August 2016	65,155	7,728	13,589	–	86,472
Charge for year	9,694	1,171	1,687	–	12,552
Transfer	–	–	–	–	–
Disposal in year	(2,980)	(1)	(1,468)	–	(4,449)
As at 31 July 2017	71,869	8,898	13,808	–	94,575
Net book value					
As at 1 August 2016	388,841	22,050	4,062	21,876	436,829
As at 31 July 2017	381,335	20,642	2,937	52,774	457,688

Group and School

Fixed assets acquired by the School are funded by retained surplus, loans, HEFCE grants and donations. Many assets have conditions attached in the case of disposal and the proceeds may therefore not be available to the School. The HEFCE Exchequer Interest amounts to £17.2 million at 31 July 2017. 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 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 2017-18, the Library's contents and works of art are insured for £119.0 million and £1.6 million respectively.

Notes to the Financial Statements continued...

12 NON-CURRENT ASSET INVESTMENTS	Subsidiary Undertakings £'000	Other fixed assets investments £'000	Total £'000
Group			
As at 1 August 2016	–	253,008	253,008
Additions	–	125,650	125,650
Disposals	–	(116,223)	(116,223)
Increase in market value of investments	–	15,878	15,878
Increase in investment cash	–	(4,741)	(4,741)
Amortisation of premium on bonds	–	(3,100)	(3,100)
As at 31 July 2017	–	270,472	270,472
School			
As at 1 August 2016	150	253,008	253,158
Additions	–	125,650	125,650
Disposals	–	(116,223)	(116,223)
Increase in market value of investments	–	15,878	15,878
Decrease in investment cash	–	(4,741)	(4,741)
Amortisation of premium on bonds	–	(3,100)	(3,100)
As at 31 July 2017	150	270,472	270,622

Gains on investments **Group and School**	**2017** **£'000**	**2016** **£'000**
Realised gains/(losses)	2,369	(2,456)
Unrealised gains	15,878	10,906
	18,247	8,450

Other fixed assets investments consist of: **Group and School**	**2017** **£'000**	**2016** **£'000**
Analysis of closing balance		
UK equities	30,422	43,202
Overseas equities	99,066	55,063
UK corporate bonds	108,378	135,898
Properties	16,064	13,173
Money market funds	15,710	600
Cash on account	798	5,038
Share of Freehold Property	34	34
	270,472	253,008

Included in investments are £80.4m of corporate bonds at amortised cost. At 31 July 2017, the market value was £81.0m.

12 NON-CURRENT ASSET INVESTMENTS CONTINUED...	Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Subsidiary Undertakings	–	–	150	150

Name	Nature of Business	Country of registration	Shareholding £1 Ordinary Shares	Number of Shares
LSE Enterprise Limited	Consultancy	England	100%	150,000
LSE LETS Limited	Vacation Lettings	England	100%	2

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 Statement of Comprehensive Income and Expenditure.

13 INVESTMENT IN JOINT VENTURE

The School has one-third share in the TRIUM MBA course with NYU Stern and HEC Paris. This has been consolidated on a proportional basis in accordance with FRS102. The total cash held by the School as an administrator as at 31 July 2017 was $14 million.

The joint venture investment is disclosed in the financial statements as follows:

	Group 2017 £'000	Group 2016 £'000
Share of income	2,899	2,801
Share of operating profit	1,557	1,102
Share of gross assets	3,634	3,353
Share of gross liabilities	(3,633)	(3,332)
Share of reserves	1	21

14 STOCK	Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Food and beverages	96	95	96	95
Consumables	15	23	15	23
	111	118	111	118

Notes to the Financial Statements continued...

15 TRADE AND OTHER RECEIVABLES	Notes	Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Amounts falling due within one year:					
Other trade receivables		10,152	6,218	8,388	4,787
Research grants receivables		4,635	4,882	4,635	4,882
Amounts due from group undertakings		–	–	4,146	3,717
Staff loans for housing		34	38	34	38
Other receivables		8,849	5,555	8,769	5,484
Prepayments and accrued income		4,156	3,235	3,406	2,558
		27,826	19,928	29,378	21,466
Amounts falling due after more than one year:					
Other trade receivables		–	44	–	44
Staff loans for housing		258	293	258	293
		258	337	258	337
		28,084	20,265	29,636	21,803

16 CREDITORS		Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Amounts falling due within one year:					
Bank loans	17	1,800	1,800	1,800	1,800
Trade payables		8,423	5,621	8,312	5,584
Research creditors and prepayments		18,260	15,162	18,260	15,162
Amounts due to group undertakings		–	–	919	1,645
Taxation and social security		4,997	4,804	4,927	4,663
Other creditors		9,788	7,930	7,808	7,890
Accruals and deferred income		64,024	62,534	63,737	60,183
		107,292	97,851	105,763	96,927
Amounts falling due after one year:					
Bank loans and loan notes	17	143,900	145,700	143,900	145,700
Derivatives	17	29,390	36,625	29,390	36,625
Other creditors		5,428	–	5,428	–
Deferred Income		8,045	4,000	8,045	4,000
Deferred VAT payments		360	632	360	632
		187,123	186,957	187,123	186,957

16 CREDITORS CONTINUED...

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

Deferred income	Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Donations	8,206	4,131	8,206	4,131
Research grants received on account	18,260	15,162	18,260	15,162
Grant income	382	116	382	116
	26,848	19,409	26,848	19,409

Other creditors – falling due after one year

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

17 BORROWINGS	Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Bank loans and loan notes are repayable as follows:				
In one year or less	1,800	1,800	1,800	1,800
Between one and two years	1,800	1,800	1,800	1,800
Between two and five years	5,400	5,400	5,400	5,400
In five years or more	136,700	138,500	136,700	138,500
	145,700	147,500	145,700	147,500

The School has arranged a £75.0 million amortising loan repayable by December 2028 secured over three properties. £20.7 million was outstanding with a residual facility of £30.0 million remaining undrawn at the balance sheet date. 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.

Lender	£m	Maturity	Interest Rate%	Borrower
Bank loan	20.7	22 December 2028	Libor + 0.25	School
Private placement	30.0	27 November 2028	3.73 to 4.15	School
Private placement	25.0	27 November 2043		School
Private placement	30.0	27 November 2043		School
Private placement	40.0	27 November 2053		School
Total	145.7			

Notes to the Financial Statements continued...

17 BORROWINGS CONTINUED	Notes	Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Derivatives					
Fair value at 1 August		36,625	25,857	36,625	25,857
Change in fair value		(7,235)	10,768	(7,235)	10,768
Fair value at 31 July		29,390	36,625	29,390	36,625

18 PENSION PROVISION		Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on SAUL Pension £'000	Pension enhancement on termination (FSSU) £'000	Total Pensions Provisions £'000
Group and School					
As at 1 August 2016		37,523	1,179	100	38,802
Utilised in year	7	(1,992)	(429)	–	(2,421)
Net charge on pension scheme	9	563	18	–	581
Reductions in year	7	(2,908)	(334)	(12)	(3,254)
As at 31 July 2017		33,186	434	88	33,708

Obligation to fund deficit on USS and SAUL Pensions

The obligation to fund the past deficits on the University's Superannuation Scheme (USS) and The Superannuation Arrangements of the University of London (SAUL) arises from the contractual obligation with the pension schemes for total payments relating to benefits arising from past performance. Management have used the following estimates of the growth in employee numbers, salary payments and applied a 1.5 per cent discount factor in establishing a present value for these obligations:

	Group and School
Inflation	4.0% per annum
Staff numbers	0% – 1.9% 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.

19 ENDOWMENT RESERVES	Expendable £'000	Restricted permanent £'000	2017 Total £'000	2016 Total £'000
Group and School				
Capital value	47,759	69,725	117,484	86,761
Accumulated income	1,757	–	1,757	1,845
At 1 August 2016 / 1 August 2015	49,516	69,725	119,241	88,606
New endowments	2,327	2,527	4,854	26,775
Transfer	(33)	33	–	–
Investment income	1,044	1,236	2,280	2,152
Expenditure for the year	(5,275)	(1,462)	(6,737)	(5,369)
Increase in market value of investments	3,861	9,225	13,086	7,077
Total endowment comprehensive income for the year	1,924	11,559	13,483	30,635
At 31 July 2017/31 July 2016	51,440	81,284	132,724	119,241
Represented by:				
Capital value	49,296	80,057	129,353	117,484
Accumulated income	2,144	1,227	3,371	1,757
	51,440	81,284	132,724	119,241
Analysis by type of purpose:				
Named chairs and lectureships	5,486	26,369	31,855	27,747
Scholarships and bursaries	13,180	18,515	31,695	28,262
Research support	6,132	35,007	41,139	38,014
Library	153	1,393	1,546	1,366
Widening Participation	677	–	677	651
Support for academic activities	22,860	–	22,860	20,405
General	2,952	–	2,952	2,795
	51,440	81,284	132,724	119,241
Analysis by asset				
Non current asset investments	51,440	76,943	128,383	98,836
Cash and cash equivalents	–	2,912	2,912	20,405
Receivables	–	1,429	1,429	–
	51,440	81,284	132,724	119,241

20 RESTRICTED RESERVES	Donations £'000	2017 Total £'000	2016 Total £'000
Group and School			
Reserves with restrictions are as follows:			
At 1 August 2016 / 1 August 2015	1,593	1,593	2,055
New donations	2,249	2,249	177
Expenditure for the year	(1,170)	(1,170)	(639)
Total restricted comprehensive income for the year	1,079	1,079	(462)
At 31 July 2017 / 31 July 2016	2,672	2,672	1,593

	Group 2017 Total £'000	Group 2016 Total £'000
Analysis of other restricted funds /donations by type of purpose:		
Research support	171	121
Support for academic activities	2,501	1,472
	2,672	1,593

21 CASH AND CASH EQUIVALENTS	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Group			
Cash and cash equivalents	6,982	9,881	16,863
Bank deposits	53,809	9,479	63,288
	60,791	19,360	80,151

22 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.

	USS		SAUL	
Pension Scheme	**2017**	**2016**	**2017**	**2016**
Active members	1,525	1,493	835	822
Contribution rate made by School	18%	18%	16%	16%
Contribution made (in £'000)	16,550	14,854	3,563	2,882

(i) USS

General description of the scheme

Pension benefits accrued within USS currently build up on a Final Salary basis, a Career Average Revalued Earnings ("CARE") basis and for contributions on salary in excess of £55,000, on a defined contribution basis. Staff have the option to make additional contributions to the defined contribution element of the scheme, and the School will provide a match up to 1 per cent per annum.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89 per cent of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	**2016**
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.41%	2.2%

The main demographic assumption used relates to mortality. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	98% of S1NA ["light"] YoB tables – rated down one year

22 PENSION COMMITMENTS CONTINUED

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5 per cent per annum long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

(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).

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 either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis. Following a consultation with Members, the SAUL Final Salary Section closed from 31 March 2016 and all members now build up benefits on a CARE basis since 1 April 2016.

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.

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.

22 PENSION COMMITMENTS CONTINUED

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 2014. 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 in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3 per cent of salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers' contributions will, therefore, increase from 13 per cent of salaries to 16 per cent of salaries with effect from 1 April 2016.

Accounting Policy

The School is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,927 million representing 97 per cent of the liabilities for benefits accrued up to 31 March 2014.

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 in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (ie, cash amounts) in accordance with paragraphs 28.11 of FRS 102.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of three per cent of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability to be recognised by the School in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is £1,653k as at 31 March 2015. This liability is based on a projection of salaries over the period to 31 March 2018.

(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 18.

23 CAPITAL AND OTHER COMMITMENTS

	Group 2017 £'000	Group 2016 £'000	School 2017 £'000	School 2016 £'000
Provision has not been made for the following capital commitments at 31 July:				
Commitments contracted for:				
Capital development projects	74,163	–	74,163	–
Refurbishments	325	–	325	–
	74,488	–	74,488	–

Notes to the Financial Statements continued...

24 LEASE OBLIGATIONS	Land and buildings £'000	Other leases £'000	Group 2017 £'000	Group 2016 £'000
Total rentals payable under operating leases:				
Payable during the year	9,248	938	10,186	9,557
Future minimum lease payments due:				
Within one year	9,259	647	9,906	9,752
Between two and five years	29,682	667	30,349	36,953
Five years or more	25,812	–	25,812	29,388
Total lease payments due	64,753	1,314	66,067	76,093

25 CONTINGENT ASSETS AND LIABILITIES

The School signed a significant gift agreement in 2014-15. At 31 July 2017, there was an outstanding balance of £18 million. An asset is not recognised in the Financial Statements for this possible asset because the existence of it is dependent upon the fulfilment of payments. The School has entered into rental guarantees with Sanctuary Students and Urbanest UK Minories Limited. Between 2016-17 and 2040-41, the School has a financial commitment relating to 1,193 beds with a potential liability estimated at £13.5 million per year.

26 RELATED PARTY TRANSACTIONS

The School has maintained a Register of Interests of all Council members. Written assurances have been obtained from all Council members in respect of themselves and their close family that for the year ended 31 July 2017, they have not unduly influenced any transaction between the School and a related party. The School received and made payments, billed at commercial rates, from/to the following organisations with which Council members are associated:

Related party	Council member	Capacity	Nature of transactions	Amount £
Received from:				
OFSTED	Mr J Hughes	Board Member	Room hire and catering	2,493
The Modern Law Review Limited	Professor J Black	Director	Room hire	482
Bank of England	Ms E Stheeman	Senior Advisor	Tuition fees, presentation booking and research project fees	39,646
Church of England Pensions Board	Mr R Mountford	Board Member	Research project fees	22,562
Gibson Dunn & Crutcher LLP UK	Mr A Nikpay	Partner	Law Fair event	1,050
Russell Group	Dame N Shafik	Director	Bookkeeping services	12,000
				78,233

26 RELATED PARTY TRANSACTIONS CONTINUED...

Related party	Council member	Capacity	Nature of transactions	Amount £
Made to:				
Centre for Cities	Mr N Hugill	Director	Payment to a research collaborator	229,515
OFSTED	Mr J Hughes	Board Member	Licence fee	220
				229,735

These payments were not related to their service as a Council Member.

The School's Council members are the trustees for charitable law purposes. During 2016-17, one Council member was reimbursed £933 travel expenses in relation to their role as trustee (2015-16: Nil). No payments were made to any trustee for serving as 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 2016-17, 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 entered into a rental agreement related to specific areas of the Saw Swee Hock Student Centre with the Students' Union in 2016-17. The School has conducted a review of linked charities in 2016-17 and found no associated entities falling within the definition set out under Section 28 of Schedule 3 of the Charities Act 2016.

27 FINANCIAL INSTRUMENTS – GROUP	Notes	Available for sale £'000	Held to maturity £'000	Total £'000	Fair Value £'000
Financial assets measured at fair value (as of 31 July 2017)					
Equity Securities	12	145,552	–	145,552	145,552
Corporate debt securities	12	10,064	–	10,064	10,064
Cash and cash equivalents	12	16,508	–	16,508	16,508
		172,124		172,124	172,124
Financial assets not measured at fair value (as of 31 July 2017)					
Corporate debt securities	12	–	98,314	98,314	98,314
Share of freehold property	12	34	–	34	Not available
		34	98,314	98,348	98,314
Financial liabilities measured at fair value (as of 31 July 2017)					
Interest rate swaps associated with bank loans	17	29,390	–	–	29,390

28 EVENTS AFTER THE REPORTING PERIOD

The School has entered into an agreement to purchase a property in October 2017 for £51.3 million.

29 STATEMENT OF COMPREHENSIVE RESTRICTED AND UNRESTRICTED INCOME AND EXPENDITURE	Notes	Group 2016-17 Unrestricted & designated £'000	Group 2016-17 Restricted £'000	Group 2016-17 Total £'000	Group 2015-16 Unrestricted & designated £'000	Group 2015-16 Restricted £'000	Group 2015-16 Total £'000
INCOME							
Tuition fees and education contracts	1	199,346	–	**199,346**	177,155	–	**177,155**
Funding body grants	2	26,276	–	**26,276**	25,339	–	**25,339**
Research grants and contracts	3	32,113	–	**32,113**	31,503	–	**31,503**
Other income	4	80,475	–	**80,475**	71,853	–	**71,853**
Investment income	5	3,092	2,280	**5,372**	3,152	2,152	**5,304**
Total income before endowments and donations		341,302	2,280	**343,582**	309,002	2,152	**311,154**
Donations and endowments	6	2,388	7,101	**9,489**	2,531	26,951	**29,482**
Total income		343,690	9,381	**353,071**	311,533	29,103	**340,636**
EXPENDITURE							
Staff costs	7	171,146	3,139	**174,285**	169,532	1,355	**170,887**
Other operating expenses		116,865	4,766	**121,631**	111,712	4,652	**116,364**
Depreciation	10, 11	12,859	–	**12,859**	11,186	–	**11,186**
Interest and other finance costs	9	8.852	–	**8,852**	8,729	–	**8,729**
Total expenditure	8	309,722	7,905	**317,627**	301,159	6,007	**307,166**
Surplus before other gains/losses		33,968	1,476	**35,444**	10,374	23,096	**33,470**
Gain on investments	12	5,161	13,086	**18,247**	1,373	7,077	**8,450**
Change in fair value of hedging financial instruments	17	7,235	–	**7,235**	(10,768)	–	**(10,768)**
Surplus before tax		46,364	14,562	**60,926**	979	30,173	**31,152**
Taxation		–	–	–	–	–	–
Surplus for the year / Total comprehensive income for the year		46,364	14,562	**60,926**	979	30,173	**31,152**
Represented by:							
Endowment comprehensive income for the year	19	–	13,483	**13,483**	–	30,635	**30,635**
Restricted comprehensive income (deficit) for the year	20	–	1,079	**1,079**	–	(462)	**(462)**
Unrestricted comprehensive income for the year		46,364	–	**46,364**	979	–	**979**
		46,364	14,562	**60,926**	979	30,173	**31,152**

All items of income and expenditure relate to continuing activities.

30 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION	Group 2016-17 Total £'000	Group 2015-16 Total £'000	School 2016-17 Total £'000	School 2015-16 Total £'000
Surplus before other gains/(losses)	35,444	33,470	35,506	33,470
Adjust for:				
Interest payable	8,271	8,214	8,271	8,214
Pension finance charge	581	515	581	515
Depreciation	12,859	11,186	12,779	11,159
Pension provision adjustments	(5,675)	3,848	(5,675)	3,848
Earnings before interest, tax, depreciation and amortisation	51,480	57,233	51,462	57,206
Adjust for:				
Restricted and designated income items	(14,861)	(34,786)	(14,870)	(34,789)
Restricted and designated expenditure items	8,891	7,480	8,891	7,480
Unrestricted earnings before interest, tax, depreciation and amortisation	45,510	29,927	45,483	29,897

Directors of the School and Members of Council

During the year and up to the date of signing of the financial statements were:

Dame Shirley Pearce
Chair of the Court and Council, Nominations and Remuneration Committees (from 1 January 2017)

Mr Alan Elias
Acting Chair of the Court and Council and Remuneration Committee (until 31 December 2016)

Dr Susan Liautaud
Vice Chair of the Court
Chair of the Ethics Policy Committee

Mr Ali Nikpay
Lay governor
Vice Chair of Court and Council (from 1 August 2017)

Professor Craig Calhoun
Director of the School (until 31 August 2016)

Professor Julia Black
Interim Director of the School
(from 1 September 2016 to 31 August 2017)

Dame Nemat (Minouche) Shafik
Director of the School (from 1 September 2017)

Professor Jason Alexander
Academic member

Ms Virginia Beardshaw CBE
Lay governor (until 31 July 2017)
Acting Chair of Nominations Committee (until 31 December 2016)

Mr Alastair Da Costa
Lay governor (from 1 August 2017)

Ms Tina Fahm
Lay governor and Chair of the Audit Committee (until 31 July 2017)

Mr Chris Fairley
Student member (from 9 December 2016)

Mr John Hughes
Lay governor
Chair of the Audit Committee (from 1 August 2017)

Mr Nigel Hugill
Chair of the Estates Committee
Lay governor (from 1 August 2017)

Professor Simona Iammarino
Academic member

Professor Emily Jackson
Vice Chair of the Academic Board (from 1 September 2016)

Dr Ruth Kosmin
Lay governor (from 1 August 2017)

Mr Roger Mountford
Lay governor and Chair of the Finance Committee and Chair of Health and Safety Committee

Mr Mahatir Pasha
General Secretary of the Students' Union (from 3 July 2017)

Professor Terhi Rantanen
Academic member

Ms Harriet Spicer
Lay governor (until 31 July 2017)

Ms Elisabeth Stheeman
Lay governor
Vice Chair of the Finance Committee

Ms Busayo Twins
General Secretary of the Students' Union (until 2 July 2017)

Professor David Webb
Pro-Director (Planning and Resources) and Chief Financial Officer (until 31 August 2016)

Ms Hateema Zia
Student member (until 8 December 2016)

Members of Council during the period who were not Directors of the School

Professor Martin Loughlin
Vice Chair of the Academic Board (until 31 August 2016)

Mr Andrew Webb
School Secretary

Academic Departments, Research Centres, Institutes and Centres

As at 21 November 2017

Academic Departments

Accounting

Anthropology

Economics

Economic History

European Institute

Finance

Gender Studies

Geography and Environment

Government

Health Policy

International Development

International History

International Relations

Language Centre

Law

Management

Mathematics

Media and Communications

Methodology

Philosophy, Logic and Scientific Method

Psychological and Behavioural Science

Social Policy

Sociology

Statistics

Research Centres

Cities

Centre for Climate Change Economics and Policy (CCCEP)

Centre for Economic Performance (CEP)

Centre for Macroeconomics (CFM)

Centre for Philosophy of Natural and Social Science (CPNSS)

Financial Markets Group (FMG)

International Growth Centre (IGC)

Local Economic Growth (What Works)

LSE Health

Middle East

Personal Social Services Research Unit (PSSRU)

Social Exclusion (CASE)

Suntory and Toyota International Centres for Economic and Related Disciplines (STICERD)

Systemic Risk

The Grantham Research Institute on Climate Change and the Environment (GRI)

Time Series (CATS)

Institutes and Centres

Institute of Global Affairs (IGA)

- Diplomacy and Strategy (IDEAS)
- Firoz Lalji Centre for Africa (FLCA)
- Latin American and Caribbean Centre (LACC)
- South Asia Centre (SAC)
- South East Asia Centre (SEAC)
- US Centre (USC)
- Women Peace and Security (WPS)

International Inequalities Institute (III)

The Marshall Institute for Philanthropy and Social Entrepreneurship

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