

1. Introduction

LSE is a dynamic institution which seeks to promote a wide range of activities to support its strategic priorities of promoting teaching and learning, research, and public engagement in the social sciences. Sometimes, these activities will necessitate the creation of, or involvement with another, auxiliary, entity. The aim of this policy framework is to define the nature of these various 'associated entities', to establish how and why they arise, to highlight the nature of the risks which these entities attract, and to emphasise the mechanisms of central control which the School maintains over all of its satellite operations.

2. Definitions

a) An 'associated entity' may be established when activities which support the School's strategic priorities need to be managed and governed outside of its formal constitutional arrangements. There may also be legal, regulatory, commercial, financial, or other reasons why the School is not able to run such activities itself, or it would be more beneficial for the activities to be provided through a third party. The School may set up the entity to be run by a third party under a formal agreement, or it may respond positively to an approach initiated by a third party. Associated entities may also arise, particularly in academic areas, as a necessary part of the drive for public engagement, or as part of the kind of interactions and activities that are a regular part of inter-institutional research.

b) The body performing the activity undertaken is referred to as an '**Associated Entity**' because entering into such a relationship associates it with LSE's brand and reputation, and the attainment of its strategic priorities.

c) Contracts with third parties for the provision of goods and services do not normally constitute associated entities unless a separate body is set up by mutual agreement between the parties for the purpose of overseeing and managing the operation of the contract. Activities of research centres, and other LSE institutes and groups¹, are monitored by Research Division, and do not qualify as associated entities, because they are assumed to be related to the core activities of the School. The creation of tenancies *per se* does not constitute an associated entity, although the activities of the tenant on School premises may do so, and these tenancies are therefore recorded on the register of entities.

3. Activities of associated entities

¹ For further information, see the 'Report of the Post-Sutton Committee' CL/44, 19 June 2013.
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- a)** Any activity linked to these associated entities has the potential for risk to the School's finances or reputation. For these risks to be sustainable, the activities of the entity need to be controlled, both through the appropriate approved processes for establishing an associated entity, through on-going governance and monitoring, and through regular reporting arrangements between the School and the entity. There must also be a clearly established process for terminating the association with the School for good cause.
- b)** All associated entities are governed by the School's Financial Regulations. The Regulations stipulate that 'Council should be assured that all relevant matters have been considered and resolved' before any 'subsidiary companies, joint ventures and collaborations' is approved. The approval arrangements for authorising such entities are included in Appendix C of the Regulations. The School's Fraud and Bribery policy has also been implemented to 'safeguard the proper use of the School's finances and resources, including the finances and resources of its subsidiary companies.'
- c)** The School Secretary is the principal authorised signatory of Agreements governing the establishment and operation of new associated entities. A central register of the School's existing associated entities is kept on the Secretary's behalf in the Governance, Legal and Policy Division. The main purpose of the register is to summarise the activities of each entity and governance arrangement, and to identify the risks which the activities of the entities pose to the School's finances and reputation, and how those risks are managed.
- d)** The activities of all associated entities shall be governed by an agreement between the School and the third party. This may take the form of a simple Memorandum of Understanding, or, if the risks are considered to require it, a legally binding contract signed between the parties. Agreements will include exit clauses specifying the circumstances and processes by which the Associated Entity relationship may be terminated by either party.
- e)** Once an associated entity has been created, the School will establish processes to monitor the operation of the necessary control processes as part of its risk management arrangements. Risks for associated entities will be monitored by a member of LSE staff, usually a service leader or Head of Academic Department. Regular reporting of issues relating to the individual entity will be made to the Governance, Legal and Policy Division. Serious risks identified to the reputation and finances of the School will be escalated to the School's senior management group for action at the earliest opportunity.
- f)** Occasionally, an associated entity may be created outside of the established processes outlined above. The Governance, Legal and Policy Division will continue to exercise an active watching brief to identify such

entities, and in liaison with those responsible, seek to apply appropriate controls for their operation.

g) The implementation of this Policy will be the subject of an Annual Report to the Audit Committee and Council, in the wider context of risk management in the School.