

# Financial Regulations

The London School of Economics and Political Science ('the School') holds the dual status of:

- a company limited by guarantee under the Companies Act 2006 and established by its Articles of Association; and
- an exempt charity under Paragraph 2 of Schedule 3 of the Charities Act 2011.

These Financial Regulations ('these Regulations') help to ensure the School is compliant with relevant charity, company and other external legislation, and conducts efficient, robust and secure financial practices. In this latter context, they act as a guide and source of information on financial management for staff, students and governors of the School. Please also see the School's [Ethics Code](#) which requires members of the LSE community to act in accordance with the principles of Responsibility and Accountability, and Integrity.

## 1 Overview

### 1.1 Authority

The Chief Financial Officer must undertake an annual review of the Financial Regulations. The outcome of the review must be reported to the Finance and Estates Committee and to the Audit Committee. Proposed changes to the Financial Regulations must be approved by Audit Committee/Finance and Estates Committee, or be recommended by the relevant Committee to Council for approval in accordance with their delegated authority. In the first instance the Chief Financial Officer shall decide what constitutes change requiring governance approval but any one of the Chairs of the Finance and Estates Committee, Audit Committee or Council may require changes to the Financial Regulations to be subject to approval by Council.

Council has delegated overall authority for the implementation of these Regulations to the Chief Financial Officer.

The School's Chief Financial Officer is responsible for the day-to-day administration of these Regulations and for the formulation and maintenance of Financial Procedures to meet the requirements set out in the Regulations. These procedures must not change, extend or restrict the requirements of any of the following regulations.

## 1.2 Scope and Application

These Regulations apply to all financial affairs of the School, and unless stated otherwise in this document or agreed by Council, the financial affairs of the School's subsidiary companies, joint ventures or partnerships. All members of the School – i.e. staff (contracted, salaried or otherwise), honorary visitors, Erasmus visitors, students and governors – must comply with these Regulations. Disciplinary action may result from any breach of or omission to comply with them.

## 1.3 Regulatory Framework

These Regulations must be read in conjunction with other relevant codes of practice, policies, procedures and guidance in the School that are referenced separately in relevant places in these Regulations and/or presented in Financial Procedures. In the event of a conflict between these Regulations and any other code of practice, policy, procedure or guidance of the School, the terms set out in these Regulations will prevail. Conflicts and contradictions should be reported to the Chief Financial Officer.

## 1.4 Students' Union

A Memorandum of Understanding exists between the Students' Union and the School that formalises the relationship in respect of operational and management matters. The Financial Regulations of the Students' Union are subject to approval by the School Finance and Estates Committee.

The Students' Union is responsible to the School Council for the proper management, application and control of the monies allocated to it as required by the Education Act 1994. The annual accounts of the Students' Union are submitted to the Finance and Estates Committee.

# 2 Reporting Arrangement

## 2.1 Fraud and Irregularity

Members of the School who suspect or become aware of actual or possible instances of bribery or fraud must without delay report the matter to the Chief Financial Officer under the School's [Policy against Bribery and Fraud](#). Suspected or actual instances of bribery or fraud that involves the Chief Financial Officer must be reported to the School Secretary.

## 2.2 Disclosure of Information (Whistle-blowing)

The School encourages the reporting of any concerns of wrongdoing and commits to ensuring that individuals are not adversely affected as a result of reporting such wrongdoing. Members of the School who suspect or become aware of financial or other related malpractice that may not fall under the [Policy Against Bribery and Fraud](#), should report the malpractice to the School Secretary under the [Whistleblowing Policy](#).

## 2.3 Conflict of Interests

Members of the School must report any conflict of interest between the interests of the School on the one hand, and personal, professional, and business interests on the other so that they may be appropriately managed in accordance with the School's [Conflict of Interest Policy](#). The policy seeks to promote the management of the perception of conflicts of interest as well as actual conflicts and requires that all actual and perceived conflicts of interests be reported to the relevant head of an academic or service division, who will report the matter to the School's [Ethics Manager](#) for inclusion in the School's Conflict of Interests Register.

## 2.4 Gifts and Hospitality

The acceptance of gifts and hospitality is permissible provided it is offered for a purpose associated with School business, is in accordance the [Ethics Code](#) and appropriate and proportionate to the circumstances. Members of the School must avoid situations in which they may, or may be perceived to, be influenced by an offer or receipt of hospitality. The School's [Procedure for Gifts and Hospitality](#) explains how offers of gifts and hospitality must be treated and recorded

## 2.5 Ethics

Members of the School must report any ethical concerns that they may have, in relation to the application of these Regulations, to the School's [Ethics Manager](#).

## 2.6 Retention of Records

Staff are responsible for following the minimum retention periods for financial records set down in the School's [Retention Schedule](#).

# 3 Accounting

## 3.1 Financial Accounts

The Chief Financial Officer is responsible for the preparation financial statements for each year to 31 July in accordance with the most recent Statement of Recommended Practice: Accounting for Further and Higher Education and applicable Financial Reporting Standards, as issued from time to time by the Financial Reporting Council.

These will be presented to the Audit Committee for review together with any supporting information. Audit Committee is responsible for recommending the financial statements to the School Council for approval by no later than 30 November.

## **3.2 Management Accounts**

The Chief Financial Officer is responsible for the production of management accounts and other such financial information sufficient to inform the senior management team and Council of performance and progress against the agreed Financial Plan.

In addition, the Chief Financial Officer is responsible for making available to all Budget Controllers regular statements of income and expenditure of the budgets for which they are responsible.

## **3.3 Other Returns**

The Chief Financial Officer is responsible for the production of all other financial returns that may be required from time to time, including:

- Tax returns
- Financial returns to the Office for Students and HESA
- Financial statements to the US Department of Education

The School Secretary is responsible for the filing of all statutory returns.

## **3.4 Accounting Records, Procedures & Systems**

The Chief Financial Officer is responsible for maintaining accounting systems, and managing such procedures and controls, to ensure that the financial records of the School are complete, accurate and sufficient for the timely preparation of all necessary accounts and returns.

The accounting systems will be used only for the proper recording of transactions of the School or related entities that have been approved by the Chief Financial Officer.

Addition to and replacement of the School's business software and systems must be discussed with the Chief Financial Officer and the Chief Information Officer. Any changes to existing systems or a new system that have implications for the collection or maintenance of financial data require the approval of the Chief Financial Officer prior to implementation.

## **3.5 Journals, Internal Trading and Reallocation & Reapportionment of Costs**

All journals submitted to the Finance Division and Research & Innovation should contain sufficient details to ensure that persons independent of initiators can understand the purpose of the adjustments prior to approval. All schemes to recharge costs internally must be approved by the Chief Financial Officer prior to the budget year in which it is proposed to have the schemes.

## 4 Financial Planning and Budgeting

### 4.1 Budget process

The budget for the School and its associated undertakings is set in accordance with the Financial Procedures on the Annual Budget Process (ABP).

### 4.2 Responsibilities of Budget Controller

All budgets are assigned a Budget Controller. A full list of Budget Controllers is maintained by the Chief Financial Officer and published on an annual basis. Budget Controllers are responsible to the Finance and Estates Committee and Council for operating within budgets and managing budgets in accordance with Financial Procedures.

Budget Controllers must control and manage the budgets allocated to them by reviewing the management reports produced by the Finance Division. It is the responsibility of Budget Controller to regularly check such reports and ensure that expenditure has been properly incurred and is within their budgetary authority and income will meet budget.

The Director of Research and Innovation is the Budget Controller of all research grants and contracts.

### 4.3 Virement

There are limitation and constraints applied to viring existing budgets. Viring part or all of a budget will be done in accordance with the [Virement Policy](#).

### 4.4 Unbudgeted Expenditure

Unbudgeted expenditure must be approved in accordance with the [Unbudgeted Expenditure Procedure](#).

## 5 Authorisation of Transactions

Authorisation of transactions including authority to place orders and request payments must follow the [Financial Transactions Authorisation Thresholds](#). No financial transaction will be processed by the School without proper authorisation in accordance with [Delegation of Legal Authority](#). It is the responsibility of all staff to ensure that commitments entered into are legal, reasonable and provide value for money.

## 6 Procurement

The procurement of goods, services or works by the School is subject to both European and UK legislation and failure to comply can result in serious delay, financial penalties, or both. All procurement must be carried out in accordance with the School's [Procurement Procedures](#).

## 7 Income, Commercial Activities and Debtors

Pricing must be determined in accordance with [Pricing and Costing Procedure](#). Where possible, the income must be raised via School's invoices. Credit will be extended to customers and debts collected in accordance with [Invoicing, Receipts and Debt Policy](#).

### 7.1 Tuition Fees

All tuition fees are approved by Council following a recommendation from Academic Planning & Resources Committee. Individual Departments cannot set tuition fee levels. When proposing tuition fees, Academic Planning & Resources must have prior confirmation from the Chief Financial Officer that the fees are in line with the School's Financial Plan and the [Pricing and Costing Procedure](#).

### 7.2 Gifts, Donations and Legacies

Staff must inform LSE Philanthropy and Global Engagement (PAGE) about any discussions with potential donors or commercial supporters before proposals to donors are made, in accordance with the School's [External Funding Acceptance Policy](#) and its [External Funding Acceptance Procedures](#).

The costing and budget for any gift must be developed in accordance with the [Pricing and Costing Procedure](#).

The tax implications of any gift or donation must be agreed by the School's Tax Manager to ensure that it is received in the most tax efficient way.

Legacies will be administered in accordance with delegated authority as agreed by the Chief Financial Officer and set out in the [External Funding Acceptance Policy](#).

### 7.3 Research Grants and Contracts

Research contracts must be approved by the Director of Research and Innovation in accordance with the [Scheme of Delegated Legal Authority](#) after following [External Funding Acceptance Procedures](#)

A budget must be prepared for all research grants and contracts on a full economic cost basis in accordance with the [Pricing and Costing Procedure](#), approved by the senior management team, irrespective of the basis of funding agreed with the sponsor. All research grants and contracts will be administered by LSE Research and Innovation.

The tax implications of any research grants and contracts must be reviewed by the School's Tax Manager to ensure that it is received in the most tax efficient way.

### 7.4 Grants – Government, Funding Council and Other

From time to time, the School has the opportunity to secure additional funding for "specified" purposes.

Any proposals should be consistent with the School's [Pricing and Costing Procedure](#), and, as far as possible, with the School's current Financial Plan. Such opportunities should be reported to the Chief Financial Officer.

Additional expenditure budgets associated with these grants should be approved by the Chief Financial Officer.

## **7.5 Consultancy and Other Activities**

All significant activities outside of mainstream research and student teaching such as consultancy, laboratory services, custom teaching programmes, conferences, exhibitions, sponsorship and etc..., must be approved in advance by the Chief Financial Officer and must follow the [External Funding Acceptance Procedures](#), and the [Pricing and Costing Procedure](#).

A budget must be agreed with the appropriate Financial Planning & Analysis Manager in the Finance Division and will normally be expected that full economic costs will be recovered in accordance with the School's [Pricing and Costing Procedure](#).

The tax status of each activity, with regard to both VAT and Direct Tax, must be agreed with the School's Tax Manager in advance.

## **7.6 Significant new Research Activities, Business Ventures and other Major initiatives**

Any proposals or bids for new activities that meet or exceed the thresholds for the [Major Academic Initiatives Policy](#) must be developed in accordance with that policy.

# **8 Expenditure and Creditors**

## **8.1 Engagement of Staff**

Staff will only be appointed within approved budgets following the [Staff Appointment Funding Checks Procedure](#).

Appointments over one year, other than those related to Research Grants and Contracts and Residences & Catering must be approved by the Chief Financial Officer.

## **8.2 Legal, Tribunal and Severance Costs**

The financial and budgetary implications of any severance or termination payment and associated compromise agreements must be approved by the Chief Financial Officer before any binding commitment can be made to the employee(s) involved. Such commitment can only be made in accordance with the

[Severance Payment Procedure](#).

### **8.3 Additional Payments**

All School employees shall be paid in line with the terms set out in their contract of employment (including any subsequent amendments made to their contract). Additional payments made outside of the terms of the contract should be processed in line with [Additional Payments Policy](#).

### **8.4 Engagement of Consultants and Self-employed Individuals**

From time to time the School may engage individuals to undertake specific pieces of work on a self-employed basis. Such engagements must be approved in accordance with the School's [Procurement Procedures](#).

### **8.5 Temporary or Agency Staff**

Temporary or agency staff may be engaged to undertake short term temporary assignments but should not be used as an alternative to filling a full time post. All engagements of such staff must be made in accordance with [Recruiting Temporary Staff Policy](#) and [Procurement Procedure](#).

### **8.6 Staff Expenses**

Expenses incurred by staff in the pursuance of School business supported by clear and valid receipts and documents will be promptly reimbursed. Claims should be made in accordance with the [Travel, Subsistence and Expenses Policy](#).

### **8.7 Loans to Staff**

All loan schemes must be approved by Council.

Staff will be liable for taxable benefits if the loan exceeds the maximum amount that is allowed as a tax-free loan.

### **8.8 School Corporate and Purchasing Cards**

Cards are issued in accordance with the [Purchasing Card Policy and Procedure](#). The cards must be used in accordance with the [Travel, Subsistence and Personal Expenses Policy](#). Expenditure incurred other than in compliance with those Procedures will be the personal liability of the cardholder and recovered through the payroll.

### **8.9 Research Expenditure**

All applications for research grants must be approved by the Head of Department and authorised by the Director of Research and Innovation and are administered by LSE Research and Innovation.

The Principal Investigator(s) must ensure that only expenditure agreed by the sponsor is charged against the grant or contract and that budgets are not exceeded. The Director of Research and Innovation is the Budget Controller on all research grants and contracts.

## **8.10 Leases**

Departments and Divisions must not sign any lease agreement, long term service agreement or rental agreement. These agreements can only be entered into after a proper financial appraisal and approval by the Chief Financial Officer and must follow the [Procurement Procedure](#).

No Department or Division can sublet School's space to a third party without prior approval from the Chief Financial Officer.

## **8.11 Bad Debts and Other Write-offs**

No debts or other assets may be written off without the authorisation of the Chief Financial Officer in accordance with the [Invoicing, Receipts and Debt Policy](#). The Finance and Estates Committee must approve high value individual debt write off and receive an annual report on lower value debt write off. The values for approval and reporting are specified in the [Financial Transactions Authorisation Thresholds](#).

## **8.12 General Purpose Funds (Outside Funds)**

General Purpose Funds may be established from time to time at the request of Heads of Academic Departments, Centres and Institutes, subject to approval by the Chief Financial Officer. General Purpose Fund accounts are not permitted to become overdrawn. Both the funds held in these accounts and the use to which they are put must comply with the [General Purpose Funds Procedure](#).

## **8.13 Capital Expenditure**

No commitment to buying, leasing, development construction or sale of land, buildings or equipment can be made without the prior approval of Finance and Estates Committee and Council. Capital contracts must be subject to competitive tendering procedures and comply with the School's [Major Capital Project Procedure](#).

Any increase in the cost of a capital item beyond the original sum approved by Finance and Estates Committee and Council must be reported promptly to the Chief Financial Officer and to the relevant committees for consideration under the Chief Financial Officer's discretion.

Post-completion appraisals must be provided to Finance and Estates Committee as soon as practicable after completion for all major capital projects.

## 8.14 Donations

Donations should not be made to charities, for services rendered, or any other purpose without prior approval of the Chief Financial Officer as such donations may not be in accordance with the Objects of the School and may result in compliance and taxation issues.

# 9 Tangible and Intangible Assets and Stocks

## 9.1 Tangible Assets

School property must not be removed from School premises without the clear approval of the relevant Head of Department or Division. Any disposals should be in accordance with the [Management Of School Physical Assets Procedure](#).

## 9.2 Freehold and Leasehold Property

No acquisition, disposal or rent of any freehold or leasehold interest in land or buildings may be entered into without written approval from Council.

## 9.3 Equipment, Other Assets & Stock

Equipment and stock should be purchased in accordance with the [Procurement Procedure](#) and managed in accordance with the [Management Of School Physical Assets Procedure](#).

## 9.4 Intangible Assets & Intellectual Property

Software projects and other intangible assets are overseen by the School's technology Portfolio Board.

Intellectual property created by a School employee, academic visitor or student will be treated in accordance with the School's [Intellectual Property Procedure](#).

# 10 Cash, Borrowing and Investments

## 10.1 Banking and Petty Cash

All bank accounts must be opened in the name of the School and should be operated in accordance with the [Banking Procedure](#).

All cash and cheques received on behalf of the School must be passed to the cashiers as soon as practicable after receipt in accordance with the [Cash Handling Procedure](#).

Processing of credit card receipts must be carried out in accordance with the [Invoicing, Receipts and Debt Policy](#) set out in the School policy in compliance with the Payment Card Industry Data Security Standard (PCIDSS)

Opening of new merchant accounts in the name of the School may only be done with permission of the Chief Financial Officer and in accordance with the [Payment Acceptance Procedure](#).

The creation of a petty cash float requires the approval of the Chief Financial Officer and must be operated in accordance with the [Cash Handling Procedure](#).

## 10.2 Borrowing

Departments or Divisions cannot commit borrowings. Any borrowing must be approved by Council following the [Borrowing Procedure](#) and assessment against Office for Students requirements and existing loan covenants. Where appropriate, the prior approval of the Office for Students must be sought for all new borrowing in excess of the prescribed threshold.

## 10.3 Working Capital Deposits

The School's working capital balances are managed in accordance with the [Treasury Management Policy](#) to ensure that cash which is surplus to immediate requirements is invested in accordance with approved arrangements, taking account of risk, return and cash flow requirements.

## 10.4 Investments – General

The responsibility for managing investments is delegated by the Council to the Finance and Estates Committee who have created an Investments Sub-Committee for this purpose. The Investments Sub-Committee is responsible to the Finance and Estates Committee for the investment of the School's endowment and General Funds. The investment activities will follow parameters set out in the [Investment Mandate](#) and the [Environmental, Social & Governance Policy](#).

## 10.5 Guarantor

In accordance with the [Scheme of Delegated Legal Authority](#), Departments or Divisions must not provide any form of guarantee for staff or students to a third party without prior approval of Finance and Estates Committee and Council. Any guarantee provided by the School must follow the [Borrowing Procedure](#) set out by the Chief Financial Officer.

# 11 Outside/Private Work

No member of staff may engage in any outside or private work where this would conflict or interfere with the proper conduct of their duties with the School, damage the reputation of the School or create any actual or perceived conflict of interest.

All outside work must be approved by the person's Head of Department or Directorate and must conform to the School's [Ethics Code](#) and [Outside/Private Work Procedure](#).

## 12 Taxation

The Chief Financial Officer is the Senior Accounting Officer for the purposes of Schedule 46 of the Finance Act 2009.

All staff engaged in financial transactions should consider any tax implications arising from those transactions and seek advice from the Chief Financial Officer or Tax Manager. All issues of tax and tax advice should be coordinated by the Chief Financial Officer.

## 13 Insurance

The School Secretary is responsible for the School's risk management strategy including all insurance matters. Insurance is purchased every year in accordance with the [Insurance Procedure](#).

Any changes to the line of coverage or limit should be approved by Council.

The School does not accept responsibility for the loss of personal possessions and it is the duty of all employees and students to ensure that they have adequate personal insurance cover.

## 14 Subsidiary and Associated Undertakings

Creation of subsidiary companies must be approved by Council in accordance with the [Subsidiary Procedure](#). The purpose of each subsidiary company is set out in a memorandum of Understanding between each entity and the School. Each year this memorandum is reviewed by the School Secretary and approved by Council.

The Chief Financial Officer has authority to act on behalf of the School in all decisions concerning the School's financial interests in subsidiary or associated undertakings as shareholder or investor.

The establishment or investment in any subsidiary or associated undertaking must be approved by the Council on the recommendation of the Finance and Estates Committee.

Members of the School are appointed by the School to serve as directors of a subsidiary or associated company; they must not derive any personal benefit from that appointment.

Staff and Officers of any company controlled by the School shall be subject to these Financial Regulations. These regulations will take precedence over those of the subsidiary or associated undertakings and any conflict should be reported immediately to the Chief Financial Officer.

## 15 Overseas Operations

Approval of the Council is required for any overseas activity in accordance with the [Overseas Activities Policy](#). Approval will only be granted after full consideration of a business case, and the risks and benefits of the proposed activity.

From time to time School staff may be required to undertake duties outside the UK. Members of staff who expect to be outside the UK for an extended period (more than three months) are required to follow the [Overseas Working Policy](#).

## 16 Audit

### 16.1 Audit Right of Access

Auditors, both internal and external, are authorised to visit all School premises and to gain access to any assets, minutes, books, documents, records or any information kept by or on behalf of the School. Staff of the School are required to provide the auditors with any information and explanations in a timely manner, within their remit of responsibility, as are considered necessary.

### 16.2 Audit Committee

Council appoints external auditors who are primarily required to report on the financial statements of the School. To do this they will carry out such examinations of the accounts and supporting records and control systems as is necessary to reach an opinion on the integrity and accuracy of the annual accounts.

Council appoints an Internal Auditor to provide for internal audit, in accordance with Office for Students (OfS) Terms and Conditions of Funding for Higher Education Institutions and any other directions, drawn up and published by the OfS in consultation with institutions.

## Review schedule

Review interval	Next review due by	Next review start
Annual	31/07/2023	01/06/2023

## Version history

Version	Date	Approved by	Notes
1	June 2020	Council	
2	June 2021	Council	
3	May 2022	FEC and Audit Committee	
4	July 2023	FEC and Audit Committee	

## Links

Reference	Link

## Contacts

Position	Name	Email	Notes
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## Communications and Training

Will this document be publicised through Internal Communications?	<b>Yes</b>
Will training needs arise from this policy	<b>No</b>
If Yes, please give details	