

## **The Status of The London School of Economics and Political Science**

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

- a private company limited by guarantee under the Companies Act 1985; and
- an exempt charity under Paragraph (b) of Schedule 2 of the Charities Act 1993.

### **Private Company Limited by Guarantee**

The School is a private company limited by guarantee. Its registration number is 70527.

The School is exempt from the requirement to use "limited" as part of its name because it meets the criteria set out in Section 30 of the Companies Act 1985, most notably that the objects of the School are the promotion of science, education and charity, and that its profits are applied to the promotion of these objects.

The objects of the School are set out in Section 3 of its Memorandum and Articles of Association, which can be found at:

<http://www.lse.ac.uk/collections/planningAndCorporatePolicy/pdf/LSEMemorandumandArticlesofAssociation.pdf>.

LSE has no shareholders. Instead, as a company limited by guarantee, it has members. LSE also has directors like other companies. The directors are the people that sit on the School's Council (<http://www.lse.ac.uk/collections/council/>). The School's Council is, in effect, its board of directors. As such, the members of the Council must adhere to the various duties set out in the Companies Act 2006. The seven general duties require each director to:

- act within their powers
- promote the success of the company
- exercise independent judgment
- exercise reasonable care, skill and diligence
- avoid conflicts of interest
- not accept benefits from third parties
- declare interests in proposed transactions or arrangements

### **Charitable Status**

In addition to its status as a company limited by guarantee, LSE is also an "exempt charity" under Paragraph (b) of Schedule 2 of the Charities Act 1993. It qualifies under this part of the Act as a constituent of the University of London. Exempt charities cannot register with the Charity Commission and therefore LSE does not have a "registered charity number".

As an exempt charity, the School is not subject to the direct supervision of the Charity Commission (see below on the role of the Higher Education Funding Council for England). It must, however, must comply with its charitable objects for the public benefit, which it does primarily through the advancement of education and research. Its objects are set out in its Memorandum and Articles of Association, the link to which can be found in the section above on the Companies Act.

The School is also subject to the legal rules generally applicable to charities and universities, which includes:

The Charities Act 1992  
The Charities Act 1993  
The Charities Act 2006  
The Education Reform Act 1988

## The Teaching and Higher Education Act 1998

The members of the School's Council are the trustees of LSE. They must fulfil the following duties and responsibilities, which are no less exacting than those required of a trustee of a Registered Charity:

- act reasonably and prudently in all matters relating to the charity;
- always act in the best interests of the charity;
- apply the income and property of the charity only for the purposes set out in the governing document;
- protect the property of the charity;
- invest the funds of the charity only in accordance with their powers of investment;
- regularly review the effectiveness of the charity.

The regulation of exempt charities will change under the Charities Act 2006. The relevant sections are yet to come into force, and when they do, they are expected to have little impact on the School. They will, however, establish the Higher Education Funding Council for England as the Principal Regulator, and as such, require this body "...to do all [it] reasonably can...to promote compliance by the charity trustees with their legal obligations in exercising control and management of the administration of the charity." This page will be updated when these changes take place.

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