

Annual Report 2006 – 07



The British Academy

THE UK'S NATIONAL ACADEMY FOR THE HUMANITIES AND SOCIAL SCIENCES

The British Academy

Annual Report 2006 – 07

The British Academy

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Foreword



The Council, as Trustees of the British Academy, submit their annual report and accounts for the year ended 31 March 2007. In preparing their report, the Council has complied with the Charities Act 1993, the Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), applicable accounting standards, and the Academy's Royal Charter.

This Annual Report gives a picture of a full year in the life of the British Academy. It is clear from the number and range of activities reported that the Academy has been energetic and effective in its efforts to promote, sustain and represent advanced research in the humanities and social sciences.

One of the less visible but quite fundamental aspects of this activity has been continuing work to consolidate the Academy's place among the research organisations now supported by the Office of Science and Innovation, within the Department of Trade and Industry.

During 2006–07 the Academy made independent and informed contributions to a number of policy debates that are significant for the humanities and social sciences. It contributed to the review of the future of the Research Assessment Exercise, arguing successfully (with others) that a system of 'metrics' alone would not be adequate for judging research quality in the humanities and social sciences, where peer review must retain an important role. This year also saw the publication and launch of the Academy's report on *Copyright and Research in the Humanities and Social Sciences*; subsequent meetings encourage us to hope that the Report's recommendations, and the accompanying *Guidelines*, will help secure better access to copyright material under the 'fair dealing' exemptions. During the year, the Academy made strong representations to Lord Dearing's inquiry into language teaching in schools, emphasising the damage being done to research capacity by the alarming decline of enrolments in foreign language study at GCSE in England.

The Academy went beyond the recommendations of Lord Dearing's Report in urging that foreign language study be seen as a foundational discipline, as important for the humanities and social sciences as mathematics is for the natural sciences, and should once again be made part of the core curriculum at GCSE. Among many other Academy publications, two that contribute to important and topical public debates are *Transparency: The Key to Better Governance?* and *Britain's Pensions Crisis*.

In 2006–07 the Academy celebrated the recognition of several Fellows in the Queen's Birthday and New Year Honours lists: Professors Hazel Genn, Janet Nelson and Mary Douglas were created Dames, and Professor Barry Cunliffe a Knight. Fellows were awarded a range of distinguished prizes, and I note in particular the Balzan Prize awarded to Professor Quentin Skinner, the Templeton Prize awarded to Professor Charles Taylor, and in April 2007 an Orwell prize awarded to Professor Peter Hennessy.

Work continued throughout the year to refine and strengthen the processes underpinning election to the Fellowship, and I am indebted to Professor Chris Dyer and his group for their work on our procedures. Communication with Fellows has also been strengthened, and I am pleased to be told that my regular letter reporting Council business to Fellows has proved useful.

The Academy depends to a huge extent on contributions from its elected Officers, from other members of Council and committees, and from Fellows more generally. It also depends on the energy and guidance of our Chief Executive and Secretary, Robin Jackson, who made a strong impact in less than a year in post, as well as on other members of staff. I thank them all.

Onora O'Neill
President

Introduction



This edition of the Annual Report has a new look, but its content is unchanged, namely a formal record of the year ending 31 March 2007, including the Accounts, and also an overview of the major achievements of the year.

This report shows the wide-ranging character of the activities of the Academy in a year with many highlights. It was good to see sustained high demand for the Academy's research funding programmes, at record levels in many cases. The Academy funded scholars in 125 different institutions across the UK, helping to maintain a healthy research base and demonstrating the Academy's capacity to identify and support research excellence wherever it is based. Independent evaluation demonstrated that the Academy's funding schemes were highly valued by the research community. This was the first year in which the Academy's research funding grants were delivered on a 'full economic costing' basis, and this presented a number of challenges.

The Academy also took a number of important steps to develop its international leadership, including extending its 'area panels' to support research engagement and extending the range and disciplinary coverage of overseas institutes and learned societies it supports.

Much work also went into preparation for the Government's Comprehensive Spending Review, with a view to the Academy's grant-in-aid, now channelled through the Office of Science and Innovation from the 'science budget'. The Government has committed itself to supporting science and research but we will not know the allocation for the Academy until later in 2007. The Academy has made a strong case to Government, highlighting its distinctive

approach to supporting research in the humanities and social sciences, targeting support on the best researchers, at all levels but especially early career, building and maintaining a sound knowledge base and contributing to competitiveness, quality of life and cultural understanding. The Academy also proposes to develop its historic leadership in building international research links and collaboration, and broadening its communications activity and policy work to address salient issues and demonstrate the value of sound scholarship

A review of the Academy's management structure is under way, undertaken in order to ensure that the Academy has the staffing resource and organisation to meet the challenges ahead. Many of the Academy's objectives involve communicating the successes and impact of research in the humanities and social sciences: a review of the Academy's communications will deliver advice on how best to enhance external relations.

This is my first year as Chief Executive and Secretary of the Academy. I am indebted to the support of the President and Officers, to the skill and forbearance of my colleagues in the office and to the unstinting support of my predecessor.

The recent election of the President, Baroness O'Neill, as an Honorary Fellow of the Royal Society was an appropriate recognition, principally of course of her own distinction as a philosopher and student of ethical issues in science, but also of the broader significance of the disciplines of humanities and social sciences represented in the Academy.

Robin Jackson
Chief Executive and Secretary

Statutory Information

Registered Office:	The British Academy 10, Carlton House Terrace London SW1Y 5AH
Registered Charity Number:	233176
Registered Auditors:	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Bank:	The Royal Bank of Scotland plc Western Branch 60 Conduit Street London W1R 9FD
Solicitors:	Macfarlanes 10 Norwich Street London EC4A 1BD
Property Advisors:	Churston Heard 7 Hanover Square London W1S 1HQ
Investment Fund Manager:	Barclays Global Investors Limited Murray House 1 Royal Mint Court London EC3N 4HH

Structure, Governance and Management

Officers and Council Members

<i>President</i>	Baroness O'Neill *	
<i>Vice-Presidents</i> (Bye-law 14)	Professor S. J. Broadie * Professor A. J. Kuper *	
<i>Vice-Presidents</i> (ex officio)	Professor R. J. P. Kain * Professor D. I. D. Gallie * Professor D. J. McKitterick * Professor R. J. Bennett * Revd Professor J. S. Morrill *	<i>Treasurer</i> <i>Foreign Secretary</i> <i>Publications Secretary</i> <i>Chairman of Research Committee</i> <i>Chairman of Communications</i> <i>and Activities Committee</i> <i>Chairman of the Board for Academy</i> <i>Sponsored Institutes and Societies</i>
	Professor M. G. Fulford*	
<i>Ordinary Members</i>	Professor H. G. Beale Professor C. J. E. Bliss Professor S. J. Broadie Professor G. G. Corbett Professor J. M. Dunn Professor C. C. Dyer Professor M. Elliott Professor D. I. D. Gallie Professor C. R. Harlow Professor M. R. C. Hewstone Professor C. D. Holes Dame Olwen Hufton Professor A. Kuper Professor S. Mitchell Professor M. W. Thomas Professor F. M. Young	
<i>Chief Executive and Secretary</i>	Dr R. Jackson *	

* Member of the Management Advisory Committee

Audit Committee (established February 2005):

<i>Chairman</i>	Professor Sir Roderick Floud
<i>Ordinary Members</i>	Mr J. Fielden Mr R. Garrick Sir Peter North Professor M. W. Thomas

Key Management

<i>Chief Executive</i>	Dr R. Jackson
<i>Director of Administration</i>	Ms M. T. McCafferty

Reference and Administrative Information. The Academy is a registered charity, registered with the Charity Commission for England and Wales under number 233176. The Officers and Council Members, the Audit Committee and Senior Executives are listed on page 4. The principal place of business (the registered office) and professional advisors of the charity are listed on page 3.

The British Academy, an independent corporation, was established by Royal Charter in 1902, from which it derives its legal status. Its Objects were redefined in a Supplemental Charter granted in its Centenary year as: 'the promotion of the study of the humanities and the social sciences'. The British Academy is thus the UK's national academy for the humanities and the social sciences, the counterpart of the Royal Society, the UK's national academy of science. Its objectives, powers and framework of governance are set out in the Charter and its supporting Bye-Laws, as approved by the Privy Council.

The Academy is a private, independent, self-governing body, composed of some 850 Ordinary Fellows elected in recognition of their distinction as scholars and researchers in some branch of the humanities or social sciences. Up to 35 scholars are elected to the Ordinary Fellowship each year. In all, including Corresponding (i.e. overseas) and Honorary Fellows, there are approximately 1,150 Fellows of the British Academy.

Under the terms of the founding Charter, 'The Government of the Academy shall be vested in the Council and in the Fellows assembled in General Meeting'. The Council is the executive governing body responsible for the finance, property, investments and general business of the Academy, and for setting the general strategic direction of the institution. It is chaired by the President and composed of six other Honorary Officers, elected annually at the General Meeting of Fellows, and fifteen Ordinary Members, of whom five are elected each year at the same meeting to serve for a three-year term. None of the Officers or Members of Council receives any payment apart from the reimbursement of expenses for the work that they do for the Academy. Council is responsible, through the Chief Executive and Secretary, for the administration and management of the affairs of the Academy and is required to present audited financial statements for each financial year.

New members of Council initially receive a range of documents issued by such bodies as the Charity Commission and the Cabinet Office (Office of Public Service) regarding their responsibilities as Charity Trustees and guidance on good practice for board members of public bodies. Subsequently they also attend a meeting with the Academy's Officers to receive presentations concerning the accountability of Trustees, their responsibilities as custodians of public funds, the annual cycle of Council meetings and the regular business to be transacted, and the means of raising issues for the attention of the management and Council. It has been agreed that these induction procedures will be reviewed annually by the Council.

The Council meets at least five times in each academic year. It is assisted by the Management Advisory Committee which provides a forum for discussion of all matters to do with the strategy, direction, organisation and financial management of the Academy. It also has more formal, specific, responsibilities relating to management of the Academy's affairs: to advise the Treasurer and the Chief Executive and Secretary on the conduct and management of the Academy's administrative and financial business, and to report on them to Council.

The Treasurer is the Honorary Officer principally responsible for the Academy's financial affairs. The principal Executive Officer of the Academy is the Chief Executive and Secretary, who is responsible, in conjunction with the Treasurer, for conducting and managing the Academy's business in accordance with the policies and procedures from time to time prescribed by the Council. Under the terms of the Financial Memorandum between the Academy and the Department of Trade and Industry, the Chief Executive and Secretary is the designated Accounting Officer for the Government grant-in-aid, and in that capacity can be summoned to appear before the Public Accounts Committee at the House of Commons.

The Academy has for many years received a grant-in-aid from public funds. From 1 April 2005, responsibility for the Academy's public support was transferred from the Department for Education and Skills (DfES) to the Department of Trade and Industry (DTI). The grant-in-aid now comes from the Science Budget, as allocated by the Office of Science and Innovation (OSI).

The British Academy endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the Guidance on Codes of Practice for Board Members of Public Bodies, issued by the Cabinet Office (Office of Public Service).

The Academy's principal activities are grouped in four Programmes for which there are specialist committees:

- Fellowship Programmes, which the disciplinary Sections of the Academy and two Groups, one for the humanities, and the other for the social sciences, supervise and shape;
- Research Programmes, co-ordinated by the Research Committee with separate components for research grants, research projects and research posts;
- International Programmes, which are shared between

the International Policy Committee (IPC) and the Board for Academy-Sponsored Institutes and Societies (BASIS); and

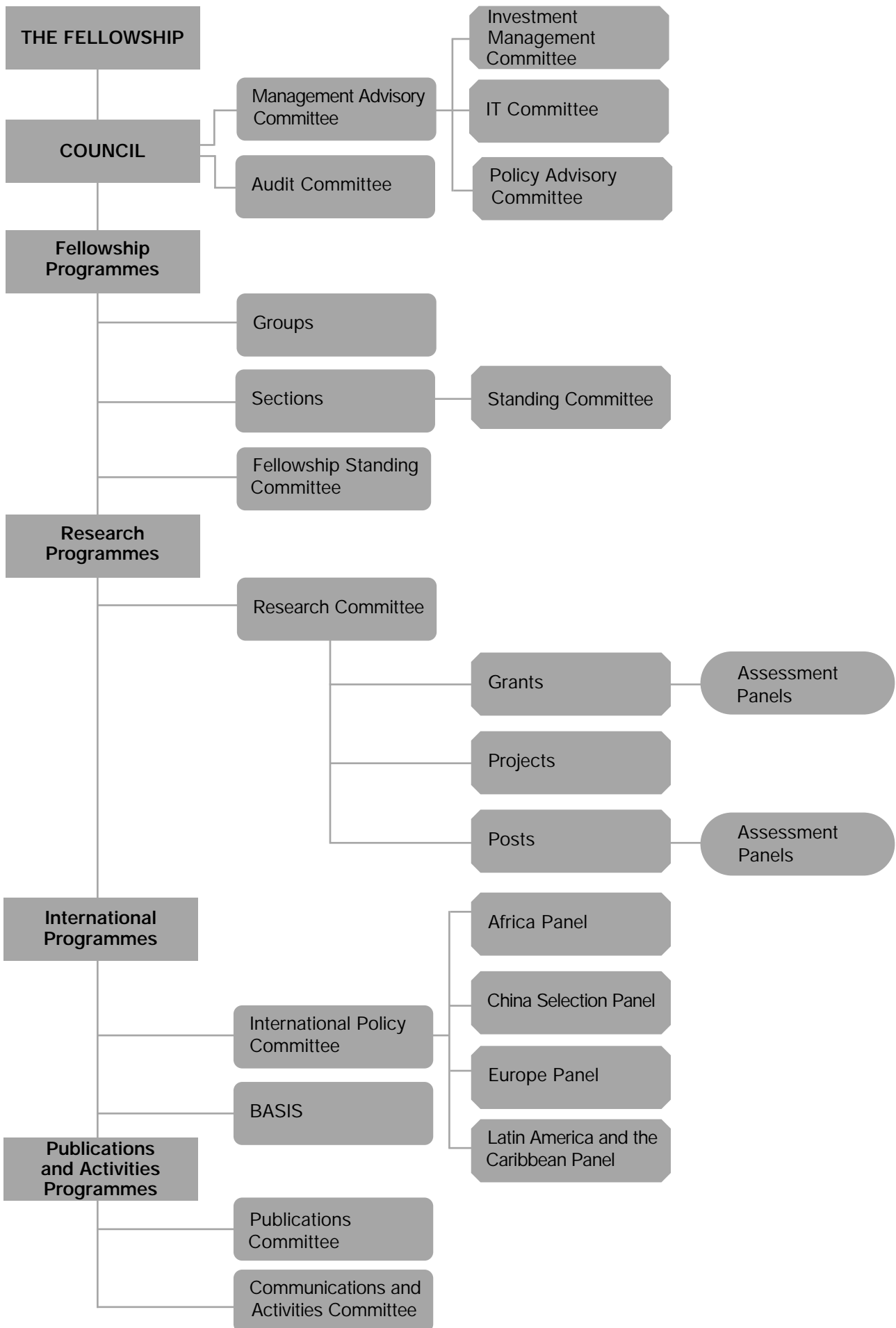
- Publications and Activities Programmes, which are overseen by the Publications Committee and the Communications and Activities Committee.

An Audit Committee was established in February 2005, made up of three Fellows and two external members, with agreed terms of reference.

Risk Management

The Council has identified and reviewed the major risks to which the British Academy is exposed and is satisfied that systems are in place to mitigate them. A risk register is monitored by Senior Management and the Audit Committee, and reviewed and formally adopted by the Council annually. The review of risk management is included in the terms of reference of the Audit Committee.

The structure of the Academy is summarised in the following Organogram:



Objectives and Activities

The Mission of the British Academy is to serve as the UK's national academy for the humanities and social sciences, promoting, sustaining and representing advanced research.

The Academy combines several functions in fulfilling its Mission:

- a) as an Academy composed of senior scholars throughout the UK it plays a leadership role in representing the humanities and social sciences nationally and internationally.
- b) as a learned society, it seeks to sustain the health and promote the development of the various academic disciplines that make up the humanities and social sciences; and, taking advantage of the wide range of interests of its Fellows, to encourage inter- and multi-disciplinary approaches to scholarship.
- c) as a grant-giving body, it facilitates the research of individuals and groups of scholars, sustains the work of a number of research institutes and societies at home and abroad, and supports research initiatives of its own.

It promotes these Objectives in the following ways:

To provide leadership in representing the interests of research and learning nationally and internationally

- * championing the cause of the humanities and social sciences in higher education in the UK
- * affirming the values of scholarship and learning, of critical and disinterested enquiry, and of excellence and diversity in research to advance knowledge and understanding
- * liaising with the academic community to ensure that the Academy is responsive to the needs of its scholarly constituency
- * offering independent advice to Government and other bodies, public and private
- * representing the UK in international organisations and forums
- * bringing influence to bear on national and EU research policy and its implementation
- * undertaking and publishing research-related studies
- * providing, independently and in partnership with others, a forum for public discussion

Strategic Objectives

The Academy's Objectives are:

1. To provide leadership in representing the interests of research and learning nationally and internationally
2. To give recognition to academic excellence and achievement
3. To support research of the highest quality
4. To help outstanding researchers to reach their full potential and thereby develop research capacity in the UK
5. To communicate and disseminate new knowledge and ideas
6. To promote international research links and collaborations, and broaden understanding across cultures
7. To oversee the work of Academy-sponsored institutions at home and abroad and their role in broadening the UK's research base
8. To contribute to public debate, foster knowledge transfer, and enhance appreciation of the contributions of the humanities and social sciences to the nation's intellectual, cultural, social and economic health and prosperity

To give recognition to academic excellence and achievement

- * electing researchers of distinction in the humanities and social sciences to Ordinary, Senior and Corresponding Fellowship of the Academy
- * awarding Medals and Prizes in recognition of outstanding research achievement
- * promoting excellence in all the Academy's activities

To support research of the highest quality

- * advancing knowledge and understanding in the various disciplines within the humanities and social sciences
- * making a distinctive contribution to developing the UK's research base in partnership with other grant agencies
- * promoting interdisciplinary research networks, links and collaborations
- * maintaining the highest standards of assessment and selection procedures
- * monitoring and evaluating the outputs of research programmes

To help outstanding researchers to reach their full potential and thereby develop research capacity in the UK

- * offering a range of responsive-mode research programmes to support the needs of individual scholars and groups of scholars in institutions of higher education
- * developing research capacity in the UK higher education sector by supporting the most promising researchers by means of fellowships and grants
- * enhancing the research profiles of mid-career and senior scholars through programmes offering research appointments
- * sustaining UK research activity by providing support through research grant schemes for scholars within and outside higher education institutions at all stages of their careers

To communicate and disseminate new knowledge and ideas

- * organising lectures, seminars and conferences for the presentation, exchange and discussion of new research and scholarship
- * encouraging inter- and multi-disciplinary approaches to the presentation of knowledge
- * maintaining a varied publications programme in a variety of media, including:
 - (a) the flagship Proceedings of the British Academy containing the texts of lectures and conference papers
 - (b) scholarly monographs by Academy Postdoctoral Fellows
 - (c) primary-source research tools prepared by Academy Research Projects
- * exploring new ways in which to promote the results of Academy-sponsored research

To promote international research links and collaborations, and broaden understanding across cultures

- * ensuring that there is a suitable international dimension to the Academy's activities
- * representing UK scholarship abroad through participation in appropriate research forums and enterprises
- * creating a suitable framework with international partners, especially other academies, to promote scholarly communication, interchange, collaboration and joint activities
- * enhancing opportunities for researchers in the UK to work with overseas colleagues
- * having regard to the opportunity or need for special initiatives

- (a) to stimulate UK research capacity and develop expertise in selected priority areas
- (b) to help build research capability in selected regions and countries

To oversee the work of Academy-sponsored institutions at home and abroad and their role in broadening the UK's research base

- * providing grant-in-aid to the eleven currently-supported British research institutes and societies working overseas
- * providing grant-in-aid to the Council for British Archaeology for its work in the UK to promote knowledge, appreciation and care of the historic environment
- * maintaining, and where possible extending, the traditional strengths and standing of British scholarship and field research overseas
- * providing the means to enable British scholars across a wide range of disciplines in the humanities and social sciences to undertake original research and fieldwork in areas of major scholarly interest overseas
- * providing a base, where appropriate and/or necessary, offering a range of academic and logistical support services in those areas, including buildings and residential accommodation, computing services, library, archive and other facilities for British scholars and students
- * providing the means for the dissemination of the results of the research and fieldwork
- * encouraging related research by other UK institutions, in particular through the establishment of formal or informal collaborative links between them and the Institutes and the Societies
- * promoting and facilitating collaboration between British scholars and institutions and scholars and institutions in the 'host' countries

To contribute to public debate, foster knowledge transfer, and enhance appreciation of the contributions of the humanities and social sciences to the nation's intellectual, cultural, social and economic health and prosperity

- * increasing appreciation of the sense of perspective and cultural understanding brought about by study of the humanities and social sciences as a vital component of a democratic and pluralistic society
- * raising awareness of the role of the humanities and the social sciences in sustaining and developing the UK's knowledge-based society and economy
- * contributing insights from a humanities and social science perspective to the national programme on science and society
- * organising a varied programme of events for non-specialist audiences, including debates and

discussion meetings on current topics of debate

- * publishing
 - (a) occasional papers on topical issues
 - (b) an annual review for a general readership giving an account of the Academy's activities and research supported by the Academy
- * developing the Academy's website for the benefit of the wider community
 - (a) as a means of communicating information about Academy activities and other research and research-related matters
 - (b) as a gateway to promote access to research resources and information generated by others

Grant Making Policy

The Academy's grant making policy and procedures are set out in its *Procedures for Administration of Research Funding Programme*, which includes its Code of Practice. The Academy issues guidelines on the information to be supplied by applicants, details of the criteria against which applications are assessed, and the process and timescale for the assessment of applications. Applications are judged on their academic merit through a stringent process of peer review by appropriate experts. Recommendations are passed to the relevant awarding committee for the final decision on awards. All applications receive careful scrutiny by assessors, who are normally drawn from subject-specific experts within the Academy's Fellowship. Appeals may not be made against the academic judgement of the Academy's assessors, panels, or committees. An appeal may be made on the sole ground of improper procedure. Assessors are required to declare actual or potential conflicts of interest. Fellows of the Academy who wish to apply for a grant during the period in which they are serving in any capacity as an assessor must abstain from any involvement in the competition to which they are applying.

The *Procedures for Administration of Research Funding Programme* are reviewed annually; and the administration of grants was reviewed as part of the Academy's internal audit programme in 2006–07.

Programme Objectives, Achievements and Performance

The Academy aims to achieve its Strategic Objectives by organising its principal activities into four programmes:

- * Research Programmes (contributing to Objectives 1, 2, 3, 4 and 6)
- * International and Institutional Programmes (contributing to Objectives 1, 6 and 7)
- * Publications and Activities Programmes (contributing to Objectives 1, 5 and 8)
- * Fellowship Programmes (contributing to Objectives 1 and 2)

Research Programmes

'The research programmes account for the largest single area of the Academy's expenditure. It is particularly rewarding to see so many researchers receiving support from research grants, conference travel grants, project grants and fellowships. The fellowships continue to be a major contribution to the early career support to the UK's research base and are a major source of new blood and innovation. It is particularly welcome that the major evaluation study of the research programmes undertaken during the year found that they are highly regarded and their administration is viewed as efficient and supportive. The Academy will not be standing still in the future, however, but building on the positive suggestions for development contained in the evaluation study.'

Professor Bob Bennett
Chair of the Research Committee

The Research Committee, reporting to Council, is responsible for framing the Academy's research policy and for allocating funds annually between the various programmes to reflect the agreed priorities. It is the monitor and custodian of consistency and transparency in the Academy's grant-giving procedures. It is responsible for drawing up the Code of Practice for the Consideration of Research Proposals, issued to assessors, and for ensuring that appropriate information and guidance are issued to applicants and made publicly accessible. It has codified the Academy's procedures for the administration of its research funding programme, and ensures they conform to the highest standards and best practice within the community.

The Research Committee is responsible for ensuring that the various research programmes are reviewed annually. Periodically, it oversees a wider consultation with the research community at large to ensure that the Academy's schemes are meeting their needs in terms of service delivery, and that the programmes are judged to add value within the spectrum of public funding available nationally. A rolling programme of evaluation of the Academy's activities across a wider range of criteria is under development. During 2006-07 the Academy commissioned Evidence Ltd to conduct a survey of its community. The final report was delivered in January 2007. The findings demonstrate that the Academy's

main funding programmes are highly regarded within all the sectors of the community that are aware of them, with Small Research Grants and Postdoctoral Fellowships scoring particularly highly. Other comments and suggestions from the community have been taken into consideration in reprioritising the Academy's research programme, which will be further developed and implemented during the forthcoming Comprehensive Spending Review period (2008-11).

The Academy supports a wide and diverse range of subjects and projects across the humanities and the social sciences, thereby deepening knowledge and understanding of different societies and cultures throughout the world, contributing to an inclusive global research culture, providing the scholarly underpinning for policy-related developments, and developing capacity and expertise in the UK research base. Through all its grant programmes, the Academy seeks to ensure that equal opportunities exist for all sections of the community, and that special needs are taken into account. The Academy monitors the rates of application and awards against a range of criteria, and annual statistics are available on the website at www.britac.ac.uk/funding/awards/statistics.html. There are lists of awards on the website at www.britac.ac.uk/funding/awards/.

Research Grants

There are three award schemes as set out below, subject to a committee which allocates funds between the three, approves and monitors grants, and determines appropriate procedures for grant-giving, the peer review system, and evaluation of outcomes of awards.

1. Small Research Grants

The scheme for Small Research Grants (up to £7,500) complements the schemes for institutionally-based project funding provided by the Arts and Humanities Research Council (AHRC) in the humanities and the Economic and Social Research Council (ESRC) in the social sciences. It supports small-scale research, and awards are used to sustain individual research projects or to facilitate the work of small networks of scholars. The scheme is commonly used to sponsor feasibility or pilot studies, and the relatively small amounts on offer enable the Academy to take risks in supporting innovative research where the outcomes are unpredictable. The scheme was considered the number one priority in the recent consultation with the

community, regarded as providing unique access to fast-track, responsive-mode funding that is so valuable to scholars in the humanities and the social sciences.

The Academy supports many high quality applications under this scheme, and in 2006-07 some 997 applications were considered and 716 awards were made. One of the attributes of the Small Research Grants is the development of research capacity in the UK, particularly through fostering the advancement of scholars in the early stages of their career: this year applicants aged under 30 obtained a success rate of 79%, which compares favourably with the overall average of 71%.

The Small Research Grants scheme is a priority within the Academy's research funding portfolio, promoting innovation, creativity and diversity by offering relatively small investments across a wide range of people and institutions, and funding excellence wherever it is located: in 2006-07, the Academy funded scholars based in 125 different HEIs; 12% of grants were awarded to staff in post-92 universities and Colleges of Higher Education, 19% to staff at Oxford, Cambridge and London, 63% to other HEIs, and 6% to independent knowledge-makers. Amid the great variety of research supported were 'Stereotypes and their kernel of truth', 'The processes and stakeholder politics of health policy and change', 'Corpus of Mesopotamian witchcraft literature', 'Rational choice theory and moral decision making', 'Smallpox and the literary imagination', 'The production of trust: making Islamic finance in the UK and US', and 'Fathers' transitions from prison to family'.

Application numbers have risen by 60% in the last 4 years, and success rates for Small Research Grants will drop somewhat in 2007-08. However, the Academy will aim to assign sufficient funds to this programme in 2007-08 to preserve the success rates of top-rated proposals.

2. Larger Research Grants

This scheme provides intermediate levels of funding, between the existing small grants and the very much larger project grants now provided by the AHRC and ESRC. It is intended to support self-contained programmes of research, to underpin modestly-costed but significant research activity and thereby make a contribution to the UK research base.

From 2006-07, the Larger Research Grants scheme has been funded on the Full Economic Costing (FEC) model, and the budget was set to maintain comparable success rates with previous years. In the first round, there was a drop in the number of proposals submitted, and from a field of 63 applications, 37 were funded. The success rate of 58% was in line with the previous year. In the second round, the uptake was considerably higher. This tallies with the views of the community expressed in the consultation exercise which strongly supported the scheme. Behaviour under FEC has changed somewhat, and the flexibility of the scheme to

support time buy-outs as well as project expenses is clearly valued by the community. The Academy therefore aims to make a significant investment in this budget line in 2007-08 to enable success rates to remain similar to those obtaining in 2006-07, while maintaining support for those projects which have ongoing commitments. The format of the scheme is under review to clarify its primary objectives, and will be re-launched for awards to be taken up in 2008-09.

3. Conference grants

There are three components: *Overseas Conference Grants* provide travel expenses to enable selected scholars to present an academic paper at an approved conference outside the UK. *British Conference Grants* provide assistance with the expenses of bringing major international scholars to conferences held in the UK to disseminate research and explore new questions. *Worldwide Congress Grants* offer support for major international congresses where it is the British turn to host the event. Its key attribute is to maintain the prestige of British scholarship in international circles.

The budget for 2006-07 was set at a level to make around 700 individual Overseas Conference Grants (OCGs); and to support around 200 British Conferences (BCGs). Nearly 1,200 OCG applications were considered this year, and 685 scholars were given individual travel grants. The strength of the competition meant that success rates dropped, but volume was maintained at more or less the predicted level. The British Conference Grants scheme remained highly competitive, and some 195 conferences (out of a field of 391 applications) were assisted under this programme. Finally, the Academy confirmed support for five new Worldwide Congresses, as well as maintaining support for another three Congresses that will be held in the UK in 2007 and 2008. Three Congresses supported by the Academy took place in 2006-07.

The budget allocation for 2007-08 will follow the principle of maintaining the volume of awards made in each of the three conference schemes.

4. Funds Administered and the Academy's Private Funds

In addition to the projects supported with the government grant-in-aid, the Academy funded 34 research proposals from its private endowments and donations.

5. Monitoring and evaluation

During the year, 1,176 grant reports have been assessed, and found satisfactory. (Another 230 reports are currently under consideration, and 71 have been received and are being processed.) In line with the policy introduced in 2004, the Academy's sanctions procedure has been implemented on six occasions, as a result of which one satisfactory report has been received, while five individuals have been debarred from re-applying to the Academy. During 2006-07, the

Academy has been notified of the publication of 202 books and 298 articles, and 3 CD-ROMs, arising from research and conference grants. Many more are in preparation, and dissemination has occurred through conference and seminar presentations, radio and media broadcasts, and other public events.

Research Projects

1. Academy Research Projects

The Academy maintains a programme of 'Academy Research Projects', supplying academic recognition and modest financial support. Most of the projects request small-scale funding, up to £5,000 p.a., generally covering travel and other costs associated with servicing the central core activities of the projects (including project committee meetings). In many cases the Academy's limited financial contribution leads to the release of funds from other private and public bodies, both in the UK and internationally.

The Academy's Projects Committee undertook detailed reviews in 2006-07 of the Centenary Research Project, the programme of Subscriptions to International Projects, and of six Academy Research Projects (ARPs). Annual progress reports were received and assessed on the remaining ARPs. 35 projects were funded in total during the year, most of which were found to be making satisfactory progress. Around a dozen of the ARPs are published by the Academy, and reference to some of their publications can be found under the Publications programme report. Other work published during the year included *A Dictionary of Lake District Place-Names* by D. Whaley, the latest in a series of more popular volumes produced by the English Place-Name Survey, volume 34 of the *Collected Letters of Thomas and Jane Welsh Carlyle*, covering the second half of 1858, and volume 70 of the *Oxyrhynchus Papyri*. The Academy plans to broaden the range of projects supported under the ARP programme by adding a small number of new projects in 2007-08.

Many of the Academy Research Projects disseminate the results of their research through published book editions of material, and also, increasingly, through digital resources such as websites and online databases. The Projects Committee has begun to consider the issues surrounding the long-term sustainability of such resources, which might be termed 'Living Databases'. An interdisciplinary workshop was held at the Academy in November 2006 at which a number of speakers drew attention to the potential role of the British Academy in setting the agenda for the development of such issues. Further work, including a small number of funded pilot studies, is planned in this area in 2007-08.

2. International Research Projects

Support was maintained for two major international projects, fundamental to their discipline, in the form of a British contribution to a central international pool of funds. The *Thesaurus Linguae Latinae* is based in Munich and the *Lexicon Iconographicum Mythologiae Classicae* in Basel. Both have long been supported by the Academy. A formal review of these projects took place in 2006, and the Academy agreed that the Directors of the projects are to be congratulated on the progress maintained in publication schedules, and to continue the Academy's academic recognition for their current projects. Discussions are continuing with a view to formalising the position of a number of other international projects whose work is of fundamental importance to British culture and heritage.

3. Centenary Research Project

The Projects Committee conducted a formal review of the Centenary Research Project, *From Lucy to Language: The Archaeology of the Social Brain*, as it was approaching the mid-point in its 7-year research programme. The Committee expressed its continuing commitment to the work of the project, and congratulated the project on its progress to date. Some recommendations were made with regard to the development of plans for a coherent synthesis to ensure the maximum impact of the results of the various strands of research being undertaken by the project. A successful conclusion to the programme is anticipated.

4. Private Funds

The Academy received a generous renewed donation of £708,092 (nearly \$1.4 million) from the Packard Humanities Institute towards the continuing work of the *Dictionary of Medieval Latin from British Sources*.

Research Posts

1. Postdoctoral Fellowships

This scheme is designed to provide career development opportunities to outstanding scholars who have recently obtained their PhD, through offering time to work on and write up research and gain experience of teaching in the university environment.

The 2006 round of competition, the first to be held under the Full Economic Costing (FEC) model of funding, proved more popular than ever, with a record 593 applications submitted. Many high-calibre candidates were considered, and the selectors faced great difficulty in selecting just 32 to be successful, giving a success rate of 5%. The number of awards offered was affected by projections about the impact of FEC, with prudence dictating a conservative

approach to the ongoing commitments created by these three-year awards.

During the year 137 Postdoctoral Fellows were supported in total, including the ongoing Albert Reckitt Postdoctoral Fellowship in Archaeology, currently held by Dr Lindy Crewe at the University of Manchester. The British Academy-Royal Society joint appointment in the History of Science held by Dr Richard Noakes at the University of Cambridge was concluded in January 2007.

A total of 29 awards were concluded during the course of the year, and the first destination of those completing was mainly another academic appointment. Alumni of the 2003 cohort, who completed their awards in 2006, have been appointed to permanent lectureships at Sheffield, Southampton, St Andrews, Oxford, Cambridge and Harvard, while another obtained a position as a Roberts Research Fellow in History at the University of Birmingham, with the prospect of a permanent position to follow after a further period dedicated to research. The Academy maintains contact with the developing careers of former award-holders, and currently 84% are known to be actively pursuing academic careers, 70% of them in permanent academic posts. An Alumni Working Group was set up during 2006 with a view to strengthening the Academy's ties with those who have previously held these prestigious awards.

Much of the research output of the Postdoctoral Fellows is transmitted through the publication of monographs and edited collections, journal articles and essays in collected works. During the past year the Academy has been notified of the publication of 24 monographs and edited collections, including *Educational Failure and Working Class White Children in Britain* by Gillian Evans (Palgrave, 2006), and Joost Fontein's *The Silence of Great Zimbabwe: Contested Landscapes and the Power of Heritage* (UCL Press, 2006), 133 journal articles and book chapters; and 5 other shorter publications, including encyclopedia entries. Many more are in active preparation for future publication. As well as individual monographs, Academy PDFs are frequently involved in collaborative enterprises. During the past year, for example, Dr Kalliopi Nikita has been working with BA Research Reader, Professor Julian Henderson on 'Glass analyses from Mycenaean Thebes and Elateia', a project at the interface of science and archaeology. Regular participation in conferences and workshops is also a feature of the PDFs' dissemination of the results of their research, while the Academy itself held the annual Postdoctoral Fellowship Symposium in April 2006. Media appearances by Postdoctoral Fellows have included Rebecca Empson's appearance on BBC Timewatch and Peter Forshaw in *Nostradamus: The Truth*. Francesca Cornaglia's work on the effect of taxes on smoking intensity has attracted considerable attention as plans for the smoking ban in England and Wales take effect.

The Postdoctoral Fellowship scheme is one of the Academy's flagship enterprises, and has been marked as a priority for increased funding in future. It is planned that the number of awards available in 2007 will be increased to 45.

2. Research Leave Fellowships

These awards, formerly called Research Readerships, were intended to enable established mid-career scholars to have time bought out of their normal teaching and administrative duties in order to concentrate their research effort on an approved programme of sustained study. Following the impact of the first round of awards offered under the Full Economic Costing regime, in which only 7 awards were able to be awarded, rather than the 15 anticipated, the Academy decided to suspend this scheme, and consult about the best options for continued delivery of mid-career research support.

Accordingly, 34 awards were supported in total during the past year, including the 7 appointments begun in the autumn of 2007 under the FEC regime. 13 awards were concluded. Publications arising from the work of these research fellows in the past year included 17 monographs and edited collections and 81 journal articles/book chapters, plus 5 other shorter or non-standard pieces. Among the books to appear was John Sidel's work on *Riots, Pogroms, Jihad: Religious Violence in Indonesia*, published in 2007 by Cornell University Press. One unusual outcome was the promise of publication of a historical novel, *The Coral Thief*, by Rebecca Stott. This builds on research undertaken on the history of evolutionary ideas in circulation in Paris in the early nineteenth century.

The award of the Fellowship frequently leads to career development. Dr Kevin Greene has been promoted to a personal Readership at the University of Newcastle, while Professor Allan Williams was appointed to a Chair in European Integration and Globalization at London Metropolitan University in 2006 at the end of his award.

3. Research Professorships

The three Academy Research Professorships were concluded in the autumn of 2006. Among the publications arising from these awards are *King Hussein of Jordan: A Life in War and Peace* by Avi Shlaim (Penguin Books, scheduled for publication in 2007), and many articles by Robin Dennell relating to the early Palaeolithic settlement of Asia, and by Robin Dunbar, including a special issue of the *Journal of Cultural and Evolutionary Psychology* on Literary Darwinism. Professor Shlaim was elected as a Fellow of the British Academy in 2006. The Academy confirmed its decision not to renew the Professorships, but instead to concentrate its support for mid-career research leave through the delivery of alternative schemes.

4. Private Funds

The Academy continues to make annual awards of 7 Senior Research Fellowships with funding generously donated by the Leverhulme Trust. A Symposium jointly organised with the Royal Society and the Royal Academy of Engineering to discuss the topic *What is Successful Research?* was held in October 2006 to celebrate the Leverhulme Trust's ongoing support for this scheme.

The income from the Thank-Offering to Britain Fund continued to sustain a Thank-Offering to Britain Fellowship on the same terms as the Leverhulme-sponsored Senior Research Fellowships. Professor Richard Collier of the University of Newcastle became the latest BA Thank-Offering to Britain Fellow when he began work on *The Fathers' Rights Movement and Law Reform* at the University of Newcastle Law School in January 2007.

Professor Geoffrey Khan, FBA, continued to hold the Marc Fitch Research Readership. During the year, Professor Khan's book *Arabic Documents from Early Islamic Khurasan* was published by Oxford University Press.

Publications arising from these awards during the past year included 4 monographs or edited collections arising from the Senior Research Fellowships scheme and 2 from Thank-Offering to Britain Fellowships past and present. Among these were Steven Greer's book *The European Convention on Human Rights: Achievements, Problems and Prospects*, published by CUP in 2006.

Research-related reviews

Through its research-related reviews, the Academy represents the interests of the humanities and social sciences on issues of importance and particular relevance to these disciplines. Drawing upon the expertise within the Fellowship, the Research Committee, which has oversight of this area of Academy activity, identifies the issues for investigation and appoints specifically convened groups of experts to oversee the reviews.

- *Copyright and Research in the Humanities and Social Sciences*. This review was established in response to concerns that the progress of research in the humanities and social sciences was being hindered by excessively tenacious defence of rights in existing intellectual property. The review's findings confirmed the worries that had led to its establishment, and showed that the problems were particularly extreme in history of art, music and film studies. As research in the humanities and social sciences makes a vital contribution to the UK's innovation agenda, these problems also have implications for the UK's economic, social and cultural well-being. The review's findings led to ten

recommendations for further action, which appear to have been influential, as many of them were subsequently reiterated by the Government's Gowers Review of Intellectual Property. The group overseeing the Academy's review is looking at ways in which it might exert further influence on national and international debates in this area.

The group overseeing the review also found evidence of widespread uncertainties and confusions about the scope of the copyright exemptions. It has therefore produced a new set of guidelines which give researchers advice about the application of copyright in the context of their work. These guidelines are a valuable resource for the humanities and social science research community, and the Academy will develop and update them in the light of changes in legislation.

- *A Review of Peer Review*. This review was set up originally in response to concerns that the conduct of peer review for the purpose of assessing work for publication was showing signs of strain. The fact-finding activities of the group, which is overseeing the review, have been extensive. The group's approach to the problem has been flexible and responsive: it extended its terms of reference to include research grants, in the light of its findings which showed that there were also widespread concerns about the way in which peer review was used to assess proposals for research grants. The review will now seek to identify models of good practice that will be applicable to the peer review systems used for grants as well as for publication. This has meant that the timing of the production and launch of the final report has had to be deferred to September 2007, in order to allow the Group sufficient time to explore this new avenue of inquiry.

In 2007-08, the Research Committee intends to do the following:

- 'A review of peer review' – publish and launch the final report of the review, with follow-up action;
- 'Maximising the contributions of humanities and social science research' – set up a review to make the case for the significance of the contributions made by humanities and social science research;
- 'Copyright and research in the humanities and social sciences' – follow-up and implementation;
- 'E-resources for research in the humanities and social sciences' – follow-up and implementation;
- undertake a feasibility study to identify the topic for another major review.

International and Institutional Programmes

International Relations

'There were major developments in the Academy's international policy activities over the year, focused on extending the scope of the Academy's relations with other regions of the world. The Academy's 'Area Panels' for Africa and for Latin America and the Caribbean launched new partnership and link programmes, and a range of awards helped good young scholars from these areas to visit the UK. Together with the ESRC, a new Visiting Fellowship scheme was created for young researchers from the Middle East and South Asia. The strong response to these initiatives will help the Academy play a major role in promoting UK international research collaboration.'

Professor Duncan Gallie
Foreign Secretary

The Academy's international relations strategy is overseen by the International Policy Committee, which emphasises the promotion of international research through a framework of agreements with partner academies and other research bodies; the representation of UK scholarship in international organisations and forums; the encouragement of international collaborative research capacity in priority areas through a series of area panels; the facilitation of person-to-person links and networks; and the development of Academy policy in relation to the international arena.

1. Agreements

During 2006–07 the Academy maintained forty agreements and memoranda of understanding (MoU) with organisations in thirty countries, and initiated discussions on new programmes with bodies in Africa and Latin America. Academy agreements emphasise support for collaborative research, the establishment of contacts, the improvement of networking between scholars in different countries and the development of research proposals for which substantive support will subsequently be sought elsewhere. The agreements complement the Academy's research grants schemes (a very substantial proportion of research grants involve research abroad, or collaboration with foreign colleagues), provide helpful introductory channels when scholars first begin to work in a country, and bring in matching funding.

The Europe Panel reviewed the nature and structure of the Academy's twenty-two agreements and memoranda of

understanding with European partners, and, in a workshop held in November 2006 with representatives of eleven central and east European partner organisations from countries which are now part of the European Union, ways of changing and developing the agreements were discussed. The processes of change will be refined during 2007–08 with a view to implementation at the start of 2008–09. The major changes focus on alterations to organisational support, to effect savings in staff time, offer greater flexibility for incoming scholars and an stronger focus on the development of links with UK partners.

In 2006–07, the Academy had expected to make between 55 and 60 new awards, and actually made 57 awards, for either individual or collaborative research, under the terms of its Agreements and MoU, on subjects as diverse as *Attitudes towards human trafficking in Russian politics and society* and *The influence of Japanese NGOs on Japan-China relations*. In addition, it continued to support a range of ongoing joint projects, on topics such as *Political culture and cultural politics in South East Europe* and *Sustainable development of rural areas in Poland and Great Britain*.

The Academy's ongoing membership of CO-REACH, an ERA-NET (European Research Network) Co-ordination Action concerned to promote the co-ordination of research between Europe and China, has also had an impact on the development of new bilateral arrangements. The insights gained from a wider knowledge and better understanding of other European partners will contribute to the development and strengthening of the Academy's own bilateral programmes. Much of the first two years' work in CO-REACH has focused on mapping and analysing the nature of European organisations' agreements with China, with a view to developing one or more joint European programmes of research co-operation with China. During the second year of the programme the Academy surveyed the UK community seeking views on the major research themes in the humanities and social sciences of concern to both Europe and China, as part of the process of developing possible themes for research support at a later stage in the programme. In 2007–08, the Academy will organise, as part of the CO-REACH programme, a scientific meeting to develop a plan of action for launching one or more new joint European programmes of research co-operation with China.

2. International organisations

The Academy is a member of four international bodies, where it seeks to contribute to policy development and planning, as well as representing the interests of British scholarship in the humanities and social sciences. The bodies are the *Union Académique Internationale*, a federation of some forty academies world-wide, which encourages collaboration on long-term scholarly research projects in the fields of the humanities, and, to a lesser extent, the social sciences; the *European Science Foundation*, comprising nearly eighty

member organisations from some thirty European countries, and concerned with the development of European science through the planning and implementation of pan-European initiatives; ALLEA (*All European Academies*), more than fifty academies in forty European countries, which seeks to encourage the exchange of information and experience between members and offer science policy advice; and the *International Human Rights Network of Academies and Scholarly Societies*, more than sixty-five academies and scholarly societies among its membership, which seeks to promote and defend the rights of scholars and scientists who have suffered severe repression.

3. Area Panels

The Academy's Area Panels for Africa, and for Latin America and the Caribbean, in their second year of operation, both established successful grant schemes to promote collaboration between UK scholars and these areas. The two programmes attracted a wider range of strong applications than had been expected (62 relating to Africa, and 31 relating to Latin America and the Caribbean) and four awards for each area were made (rather than the two awards per area originally planned). Both Panels continued to explore the possibilities for establishing bilateral relations with partner organisations. The Africa Panel is now working with the Association of Commonwealth Universities to survey African organisations, with a view to developing proposals for research support structures in collaboration with a range of other UK and foreign funding organisations. In addition, a new web site, the British Academy's 'Africa Desk', is under development, and will be launched during 2007–08 to provide information on African scholars visiting the UK to conduct research in the humanities and social sciences. The Latin America Panel is developing proposals for an agreement with Brazil, and is planning a workshop to promote research links; it is also exploring the possibilities of relations with Cuba and Mexico, and is planning a conference to explore and publicise research support possibilities.

The success of both Panels has encouraged the Academy to establish two new Panels, for the Middle East, and for South Asia. These Panels will begin work during 2007–08, with the aim of advising on the development of relations, the creation of new links, programmes and structures to promote UK research on the area and encourage collaboration, and integrate the Academy's other activities, including the overseas institutes and sponsored societies.

4. Visiting Fellowships

The new Visiting Fellowships scheme, focusing on early-career academics, was introduced in 2006–07, with the first 36 visits taking place during the year. The second competition was advertised in autumn 2006, when, in collaboration with the ESRC, new opportunities were offered

for academics from the Middle East and South Asia. In March 2007 a total of 56 awards were made for visits to take place in 2007–08.

5. International Policy

During 2006–07 the Academy organised workshops with the aim of representing the views of the UK scholarly community concerned with the humanities and social sciences, and seeking to influence the nature and structure of those parts of Framework Programme 7 concerned with the social sciences and humanities. During 2007–08, the Academy will continue to represent the views of the wider community on FP7. In the wider international sphere, it will seek, through its membership of CO-REACH, to influence the development of research activity between Europe and China; and it will engage with partners in Europe and Africa in a series of research conferences. Through its Area Panels, it seeks to take a wider view of the integration of Academy policy with the government's international agenda as developed by the Global Science and Innovation Forum.

Academy-Sponsored Institutes and Societies

'It is a pleasure to welcome to BASIS four new learned societies. They significantly extend our geographical coverage in areas such as Africa, the Middle East and South Asia, where the Academy already supports certain learned societies and overseas-based institutions, as well as, for the first time, to the Caribbean and Latin America.'

Professor Michael Fulford
Chair of BASIS

The Academy, through the Board for Academy-Sponsored Institutes and Societies (BASIS), continued to support eleven institutions that promote and conduct research overseas, and a twelfth, the Council for British Archaeology, at home:

The British Institute at Ankara (BIAA)
The British School at Athens (BSA)
The British Institute in Eastern Africa (BIEA)
The British Institute of Persian Studies (BIPS)
The British School at Rome (BSR)
The Council for British Research in the Levant (CBRL)

The British School of Archaeology in Iraq (BSAI)
The Egypt Exploration Society (EES)
The Society for Libyan Studies (SLS)
The Society for South Asian Studies (SSAS)
The Research Committee of the Association of South East Asian Studies in the UK (ASEASUK)
The Council for British Archaeology (CBA)

The overseas institutions, of which the first six maintain premises abroad, constitute a valuable scholarly presence alongside British diplomatic and cultural representation in the regions where they operate. They provide opportunities for British scholars to undertake original research and fieldwork in areas of major scholarly interest overseas; the means of publishing and disseminating the results of that work; and, in some cases, an academic base offering a range of scholarly and logistical support services, including accommodation, library, and archive facilities. The institutions also maintain an active programme of lectures, conferences and other activities, both in the UK and overseas. The CBA works to promote the appreciation and care of the historic environment for the benefit of present and future generations. Full information about all these bodies is to be found on their respective websites.

BASIS is responsible for soliciting and analysing funding bids from all sponsored bodies in three separate components: (a) core/establishment, (b) research, and (c) communications and outreach expenditure. The Academy's Council assigns a block grant to BASIS for components (a) and (c), and the Research Committee for (b); and BASIS then makes individual allocations to the institutions.

For the second year, additional awards were made specifically to promote multi-disciplinary collaborative research amongst the BASIS community. The BIAA has led a project entitled 'The frontiers of the Ottoman world: fortifications, trade, pilgrimage and slavery', the centrepiece of which was an international conference on 15-16 February 2007. The BIEA has co-ordinated the second project entitled 'Archaeological and historical dimensions of slavery in Africa'. There were two components: a fieldwork project in Mali and an international symposium on 24-25 March 2007, linked with wider activities to commemorate the 200th anniversary of the Abolition of the Slave Trade Bill. Both projects reflect an increasing focus on strategically directed research spanning disciplines, countries, and time periods, and that emphasis is also being carried forward in the individual research plans for each institute and society.

Following the Academy's Strategic Review and Forward Look in 2004, a new Learned Societies Programme was run in 2006 with funding becoming available from April 2007 for a five-year period. The societies currently supported by BASIS (i.e. those on its list that do not maintain premises overseas) were eligible to apply for continuing support, but the competition was also open to other societies conducting excellent research across the humanities and social sciences in parts of the world poorly covered by existing arrangements. Following a Call for Expressions of Interest in 2005-06, various area-based organisations in the UK were invited to apply and a wide range of responses was received. The allocation process was a challenging one, with some 40% more funds bid for than available, and each application was considered

carefully and rigorously against the Programme's strategic objectives.

Successful societies being funded by the Academy for the first time as a result include The African Studies Association of the UK, The British Society for Middle Eastern Studies, The Joint Initiative for the Study of Latin America and the Caribbean, and the British Association for South Asian Studies (in a combined application with the currently-supported Society for South Asian Studies). The Association for South-East Asian Studies UK will continue to receive Academy funding, as will the Society for Libyan Studies.

In the case of two currently funded societies (the British School at Iraq, and the Egypt Exploration Society), their applications did not meet the Programme criteria to the same extent, although their track records of quality work in their particular areas of expertise in the past were acknowledged. A decision was taken to continue their funding at a reduced level for the two years 2007-08 and 2008-09, and to cease Programme support beyond then. They are being allocated grants to enable them to bring to completion/publication existing research activities, and to assist a professional winding up of other activities for which they cannot find other sources of funding. Both will be encouraged to consider applications to other Academy programmes and to the Research Councils for funding on a project-by-project basis. Both will also be eligible to reapply to the Learned Societies Programme when future competitions are announced.

The annual meeting of the BASIS consultative Forum, composed of the members of BASIS and representatives of all the sponsored institutions, was held in November 2006 in order to develop and share common insights and promote best practice. Among the subjects discussed were the funding context within which the Academy was operating, opportunities for working more closely together and promoting the work of the institutions, proposals to strengthen the way their performance can be most effectively assessed, and (with the Chief Executive of the Arts and Humanities Research Council) ways in which they could improve their access to AHRC funding.

BASIS sustained its established rolling programme of reviews of the institutions, in order to evaluate within a five-year cycle the success of each in serving the needs of the UK's research community in a range of humanities and social science disciplines. In 2006-07 the work of the British Institute in Eastern Africa was reviewed, a process that involved the preliminary gathering of structured documentation, a visit by members of BASIS to the institute, and the production of a very positive report. The final stage will involve discussions on the report's recommendations with the senior officers of the Institute in London.

Priorities for 2007-08 include the integration of the

newly-supported societies into the BASIS community, an increased emphasis on promotion of institutions' research outputs and the facilities and resources they offer to UK researchers, and the further development of research facilities and broadening of research agendas to support the Academy's strategic objectives.

Publications and Activities Programmes

Publications

'Whether on the future of pensions or the history of stained glass, the British Academy is constantly seeking to publish the latest research in the most timely and appropriate ways possible.'

Professor David McKitterick
Publications Secretary

The Academy's publications programme, which forms a significant part of its scholarly activities, seeks to disseminate new knowledge and ideas, to contribute to public debate, and to enhance appreciation of the humanities and social sciences. Seventeen new titles were produced in 2006–07 (including two in the series of *British Academy Postdoctoral Fellowship Monographs*); a further 39 titles are in production.

The Academy's publications continue to prompt dialogue on topical issues. A volume on the role of *Transparency* in better governance was launched at a discussion meeting in September (and has already been reprinted). In the fast-track series of Occasional Papers, *Britain's Pensions Crisis: History and Policy* was launched in October at a debate held at Portcullis House on 'Does the Pensions White Paper repeat the mistakes of the past?', with the Minister for Pensions Reform as a participant. The contribution that scholarship such as this can make to good government is discussed by Lord Wilson, a former Cabinet Secretary, in an article in the latest issue of the annual *British Academy Review*. The volume on *Regime Change in the Ancient Near East and Egypt* (March 2007) contains a lesson on the abolition of the modern Iraqi civil service, 'the carriers of statecraft' with traditions reaching back to ancient Mesopotamia.

Two volumes of historical source material display broad geographical reach: there is the conclusion to Robin Law's edition of the correspondence of the Royal African Company at the end of the 17th century, already acclaimed as a major contribution to the history of West Africa, and a volume of commercial documents on the 19th-century origins of British rule in Hong Kong. Closer to home, one of the illustrated

catalogues published in the year highlights the spectacular stained glass in St Peter Mancroft church, Norwich; the volume was launched in the church itself in June 2006.

The Publications Committee reviewed two of the series it publishes. The *Proceedings of the British Academy* remains the flagship of the Academy's publications programme, publishing scholarly conference proceedings, lectures, and biographies: five volumes were published in the year, and the papers are also available via the web. The *Dictionary of Medieval Latin from British Sources* is one of the most successful of the Academy's publications and, with the continued financial support of the Packard Humanities Institute (see page 13), it is well on course to completion: a further segment of the enormous letter 'P' appeared at the end of 2006. A plan for the future electronic publication of the *Dictionary* is under consideration, as part of a general longer-term publication policy.

Although the publishing programme is financed from the Academy's public account, in recent years the Publications Fund has recouped its direct production costs from income and has therefore made no call on the annual grant-in-aid.

It is expected that up to forty publications will be produced in 2007–08.

Communications and Activities

'The Academy's activities programme has had a busy year, with increased numbers at lectures, and a greatly expanded number of evening events aimed at both academic and wider audiences. We have addressed a number of controversial issues, and our specialist workshops, which bring together scholars and non-academic specialists on subjects of common concern, continue to grow in appeal and have become another important and well regarded area of activity.'

Professor John Morrill
Chairman of the Communications and Activities Committee

The Academy convenes a wide variety of events, in three main categories:

- *Academic events*, lectures and symposia, while open to the general public, are primarily designed for audiences of academics and researchers.
- *Public events* are intended for a wider audience, and bring together leading academics and members of the public in discussion and debate.
- *Specialist workshops* stimulate debate and exchange between practitioners in academia, business, government, law and the public sector.

1. Academic events

This year's academic events included 14 lectures. Two proved to be particularly popular with academic and non-academic audiences:

- 'Coercion and Consent in Nazi Germany', delivered by Professor Richard Evans, FBA, and repeated at the University of Manchester;
- 'Anthropology is not Ethnography', the Radcliffe-Brown Lecture in Social Anthropology delivered by Professor Timothy Ingold, FBA.

Six symposia were also delivered. Two proved to be particularly successful:

- *Romanticism and Science*, convened by Dr Sharon Ruston (University of Wales, Bangor), in association with the British Association for Romantic Studies;
- *Politics and Society in Contemporary India: Change and Diversity*, convened by Professor Anthony Heath, FBA.

2. Public events

Public events are now an established feature of the programme. A successful public conference, 'The Neo-Darwinian Origins of Religion', took place in April 2006. Evening discussions continue to attract informed and participative audiences. This year, there were eight, including:

- *Health, Happiness and Social Status*, a discussion, in partnership with the Academy of Medical Sciences, that brought together perspectives from an economist (Professor Richard Layard, FBA), and an epidemiologist (Professor Michael Marmot, UCL);
- *Who's Creating Knowledge? The challenge of non-university researchers*, a panel discussion convened by Professor Ruth Finnegan, FBA. The session considered the contribution to knowledge by researchers working outside universities – from family and local historians, biographers and archaeologists, to amateur astronomers, software designers, field naturalists and much else – and the context of interactive web communication and (perhaps) the crumbling of the traditional university monopoly over the creation and validation of knowledge. The discussion was repeated at Queen's University Belfast in March 2007 and formed part of the ESRC's Festival of Social Science.

3. Specialist workshops

Eight specialist workshops took place during the year, including:

- *Defining and Responding to Terrorism*, a day-long workshop convened by Baroness O'Neill, PBA and Lord Parekh, FBA, which brought together leading scholars and policy makers.

- *Hyperides*, Part II: a team of international specialists was assembled to scrutinise the surviving leaves from a medieval palimpsest of two speeches by Hyperides, a 4th century BC Athenian orator. One speech represents a private action on behalf of three orphans against a guardian's treatment of them, and is of sociological and legal interest. The other relates to the bitter political argument reflected in the famous speeches of Aeschines (Against Ctesiphon) and Demosthenes (On the Crown), to which it adds new perspectives. The workshop was followed by a public presentation evening.
- *Cabinets and the Bomb*: Professor Peter Hennessy, FBA led an evening workshop which explored how successive governments of both parties had taken decisions regarding nuclear weapons. The workshop was attended by academics, civil servants and former government ministers.

Web-based activities

The Academy places great emphasis on the maintenance and development of its website (www.britac.ac.uk). The website not only provides information about the Academy and its activities via, for example, the guide to awards, programme of events, and publications catalogue, but also links to a wide range of scholarly bodies and resources nationally and internationally.

Two sections of the website which may be of particular interest are: PORTAL (www.britac.ac.uk/portal), the Academy's directory of online resources for researchers in the humanities and social sciences, which now contains more than 825 links to high-quality, professional-level websites designed to assist advanced research, and the Directory of UK Subject Associations and Learned Societies in the Humanities and Social Sciences (www.britac.ac.uk/links/ukshass.asp) which provides details of over 300 organisations which support and promote scholarship. Both directories are regularly updated, and we would very much welcome suggestions for additions and improvements to these resources.

Fellowship Programmes

The Ordinary Fellowship of the British Academy is organised in eighteen Sections by academic discipline and subject. The Sections met as normal twice during the year, in January and March, to transact electoral business and to consider various policy issues and aspects of the Academy's activities.

Each Section appoints a Standing Committee, typically composed of six members, to prepare business and act for the Section where appropriate. In addition to the Sections, there

are two Groups, for the Humanities and the Social Sciences, composed of Section representatives, which meet twice a year. The Groups perform electoral and other functions, making recommendations to Council regarding elections to the Fellowship and advising on matters to do with the particular interests of humanities and social science scholarship.

The Fellowship Standing Committee considers the claims to election of scholars whose work does not fit easily into the Academy's Section structure. It normally meets once a year, and after consultation and careful scrutiny makes recommendations for election direct to Council.

At the Annual General Meeting of Fellows held on 6 July 2006, 34 candidates were elected to Ordinary, 3 to Senior, 10 to Corresponding and 2 to Honorary Fellowship of the Academy, as listed below.

Council agreed recommendations from a working group appointed for the purpose during the year to modify electoral procedures in order to facilitate the gathering and communication of information on candidates in a consistent form so as to assist the making of comparative judgments within and across disciplinary groups. A new nomination form was adopted, together with a standard summary curriculum vitae. Further development of processes is under consideration.

Elections at the AGM, July 2006

1. *Ordinary Fellowship*

Professor Robert Adams (University of Oxford) Philosophy
Professor Stephen Ball (The Institute of Education, University of London) Sociology of Education
Professor Dorothy Bishop (University of Oxford) Developmental Neuropsychology
Professor Ken Booth (University of Wales) International Relations
Professor John Butt (University of Glasgow) History of Music
Professor Richard Carwardine (University of Oxford) American History
Professor Avshalom Caspi (King's College London, University of London) Social, Genetic and Developmental Psychiatry
Professor John Child (University of Birmingham) Commerce
Professor Hugh Collins (London School of Economics) Law
Professor Helen Cooper (University of Cambridge) English Literature
Professor James Dunn (University of Durham) Theology & Religion
Professor David Feldman (University of Cambridge) Law
Professor Andrew George (School of Oriental and African Studies) Assyriology
Dr Sudhir Hazareesingh (University of Oxford) Politics

Professor Ray Hudson (University of Durham) Geography
Professor Michael Lipton (University of Sussex) Economics
Professor Edna Longley (Queen's University Belfast) English Literature
Professor Stephen Machin (University College London) Economics
Professor Hector MacQueen (University of Edinburgh) Law
Professor Martin Millett (University of Cambridge) Archaeology
Professor Michael Moriarty (Queen Mary, University of London) French
Professor Robin Osborne (University of Cambridge) Ancient History
Professor Jacqueline Rose (Queen Mary, University of London) English Literature
Professor Jill Rubery (University of Manchester) Economic Sociology
Miss Rosalind Savill (The Wallace Collection) History of Art
Professor Hamish Scott (University of St Andrews) International History
Professor Stephen Shennan (University College London) Archaeology
Professor Neil Shephard (University of Oxford) Economics
Professor Avi Shlaim (University of Oxford) International Relations
Professor Paul Sillitoe (University of Durham) Anthropology
Professor Patricia Thane (Institute of Historical Research, University of London) Contemporary British History
Professor Edward Timms (University of Sussex) German Studies
Professor Nigel Vincent (University of Manchester) Linguistics
Professor Charles Withers (University of Edinburgh) Historical Geography

2. *Senior Fellowship*

Professor Rosemary Cramp (University of Durham) Archaeology
Professor Barbara Hardy (Birkbeck, University of London) English Literature
Professor Rudolf Klein (University of Bath) Social Policy

3. *Corresponding Fellows*

Professor Roger Bagnall (USA) Classics
Professor Guy Canivet (France) Law
Professor Manuel Castells (USA) Sociology
Professor Martina Deuchler (Switzerland) Korean Studies
Professor Avinash Dixit (USA) Economics
Professor Shmuel Eisenstadt (Israel) Sociology
Professor Michael Fried (USA) History of Art
Professor Aleksandr Kibrik (Russia) Theoretical and Applied Linguistics
Professor Emanuel Tov (Israel) Biblical Studies
Professor Phillippe Van Parijs (Belgium) Economic and Social Ethics

4. Honorary Fellowship

Dr David W Packard
Dr Lisbet Rausing

Policy Advice

In fulfilment of its objective 'to provide leadership in representing the interests of research and learning nationally and internationally' the Academy's Policy Advisory Committee (PAC), a sub-committee of Council, takes the lead in responding on behalf of the Academy to requests for comments on, or contributions to, proposals or consultations from other organisations, public or private. The PAC draws upon the expertise within the Fellowship to provide informed and independent advice, statements and reports, which seek to influence national and international debate and policy making.

In 2006–07, the PAC oversaw a total of seven submissions to consultations. The following are two examples of areas where British Academy submissions influenced key policy-makers.

- *The Government's proposed reform of higher education research assessment and funding.* At the start of the Government's consultation, it looked likely that a metrics-based research assessment and funding system would replace the Research Assessment Exercise (RAE) after 2008. The Academy was concerned that this would damage the research base in the humanities and social sciences, and would impair research quality and diversity. The concerns the Academy raised about the

inappropriateness of using metrics on their own to assess research quality were commonly held within the humanities and social science research community. The Government appears to have listened to these concerns, and now shares the Academy's view that a streamlined assessment system of peer reviewing research outputs, informed by, but not driven by, selected metrics, would be the most appropriate way to proceed in the humanities and social sciences.

- *Lord Dearing's review of language policy for the Department of Education and Skills.* A decline in GCSE numbers in languages means fewer students at A level and degree level, damaging the supply of both school teachers and HE researchers, resulting in a growing number of closures of university language departments. The effects are widespread: damaging not only language-based degrees, but also leading to research that is increasingly insular in outlook. The Academy made two submissions to a Government review (chaired by Lord Dearing), which had been set up in response to the growing number of pupils who do not take a GCSE qualification in a modern language. Lord Dearing was charged with recommending ways in which this decline should be addressed. Many of the Academy's recommendations were accepted by the Government's Dearing's review.

In 2007–08, the PAC will continue its efforts to enhance the Academy's role as an independent voice for the humanities and social sciences, and will develop a programme of activities to follow up and promote the recommendations made in the Academy submissions.

Financial Review

The Statement of Financial Activities shows a net surplus (all funds) of £314,000 for the year. There is in addition a net gain on investments of £248,000, bringing the net movement in funds, a surplus for the year, to £561,000, most of which relates to the Designated Funds, £452,000. Of the Total Funds balance at 31 March 2007, £11.059m, £148,000 (£148,434) relates to public funds. Of this amount, £149,000 (£148,984) has been spent and is tied up in capitalised / fixed assets. There is a small deficit balance of £550.

Investment Policy

The Academy's primary aim is to achieve growth of capital and an annual income set by Council. It achieves this by applying a proportion of its funds in equity and/or equity related investments balanced by an element of lower risk, stable income generating investments such as fixed-interest gilts. Performance is assessed over the longer term. A period of five years is considered appropriate. Council is advised on investment matters by an Investment Management Committee chaired by the Treasurer and with at least one member external to the Academy with professional fund management experience. The bulk of the funds, £7.711m, (of the total invested, £8.134m at 31 March 2007) have been invested in three tracker funds managed by Barclays Global Investors Limited (BGI): in the ChariTrak UK Equity Income Fund (40%), the BGI Index Selection Funds (overseas equities funds, 40%) and the GiltTrak Distribution Fund (20%). The BGI portfolio is invested to generate interest and dividend income of at least £150,000 per annum; actual BGI income for the year ending 31 March 2007 was £205,000. The actual performance of the BGI funds in total, a return of 6.2% for the year ending 31 March 2007, is considered satisfactory when compared to the benchmark of 6.6%. In addition to the BGI investments, the Marc Fitch Fund is invested separately and generated income of £6,000; the fund is managed by Lombard Odier. Funds are also invested in bank and money market accounts to provide some liquidity; this generates additional investment income.

Restricted Funds

The majority of the Academy's income comes from the OSI grant-in-aid which was £16.885m in 2006-07 as compared with £14.050m from the DfES in 2005-06, an increase of 20.2%. During the year grants of £187,000 were returned, compared with £166,000 in 2005-06. Incoming 'funds administered' on behalf of other organisations amounted to £650,000, compared to £349,000 in 2005-06. The increase was primarily due to grants from the Leverhulme Trust (Senior Research Fellowships) and the Packard Humanities Institute (Medieval Latin Dictionary). There was in addition a small grant from the ESRC, £45,000 in 2006-07 compared with £49,000 in 2005-06, that helps to fund the Academy's China programmes.

The cost of generating funds was £271,000 in 2006-07, roughly the same as in 2005-06, £273,000.

Resources expended on Grants, Awards and Activities amounted to £17.336m in 2006-07 compared with £15.137m in 2005-06, an increase of £2.2m or 14.5%, primarily an increase in research grants and awards related to research posts. There were three principal strands of expenditure:

- Research Programmes — research and conference grants, research projects and research posts, and policy studies, which amounted to £11.356m, or 65.5% of this expenditure and an increase of 27.0% over 2005-06;
- International and Institutional Programmes — the Academy's own overseas exchanges and activities, and support for Academy-sponsored Schools, Institutes and Societies and the Council for British Archaeology, which totalled £4.385m or 25% of this expenditure and a decrease of 5.3% compared with 2005-06 (in 2006-07, BASIS research grants of £685,000 are included in the Research programme expenditure; had they been classified as BASIS expenditure, as was the case in 2005-06, the expenditure would have increased by £186,000 or 5%); and
- Communications and related activities — lectures, symposia and other events contributing to greater public understanding of the humanities and social sciences, which totalled £622,000 or 3.6% of this expenditure and an increase of 4.8% compared with 2005-06.

Other grants and prizes from the Academy's private funds and funds administered on behalf of other organisations amounted to £871,000, 5.0% of this expenditure, compared with £873,000 in 2005-06, 5.8% of the 2005-06 expenditure. The depreciation of leasehold improvements amounted to £100,000 each year, and in 2006-07 that was 0.58% of this expenditure.

Governance costs are those related to external and internal audit, Council and AGM meetings, and related staff costs. Total governance costs in 2006-07 were £262,000 compared with £256,000 in 2005-06 an increase of 2.3% due to an increase in staff costs and the new internal audit programme.

Support costs for charitable activities, including governance, amounted to £580,000 in 2006-07, 3.3% of total resources expended on Charitable Activities of £17.598m compared with £573,000 in 2005-06, which was 3.7% of resources expended of £15.392m. Support costs in total increased only slightly, from £705,000 in 2005-06 to £709,000 in 2006-07, 0.57%. Total Academy support costs are allocated to all programme activities based on head count.

Staff costs amounted to £1.404m in 2006-07, 7.56% of total resources expended of £18.565m, compared with £1.300m in 2005-06, 7.94% of total resources expended of £16.380m. The actual increase of £104,000 or 8%, was primarily the result of contractual pay awards including maternity pay for three staff.

General Funds

Income of £489,000 was generated from room hire and office rent and fees, including the reimbursement of related expenses, compared to £472,000 in 2005–06. Total expenses in 2006–07 were £473,000 compared with £462,000 in 2005–06. There was a surplus of £16,000 in 2006–07 compared with £10,000 in 2005–06. A small amount of tax may be owing. The Academy also earned interest of £51,000 on its bank balances bringing the General Funds balance to £131,000 at 31 March 2007.

Designated Funds

The Academy Development Fund (ADF) had incoming resources of £195,000 primarily from investment income of £84,000, subscriptions of £74,000, a transfer of £80,000 from returned grants, and resources expended of £56,000 primarily for administrative costs related to Fellowship activities, library support and the Pictures, Portraits and Decorations programme. Net realised and unrealised gains on investments decreased from £408,000 in 2005–06 to £75,000 in 2006–07.

Depreciation of £100,000 was applied against the Carlton House Property fund in the year and will continue to be until the leasehold property improvements are fully depreciated and the Carlton House Property fund reduced to nil.

The Academy's Publications Fund had income of £170,000 and direct production costs of £167,000 in 2006–07 compared with £194,000 and £191,000 respectively in 2005–06. The fund balance was £204,000 at 31 March 2007, and is reviewed annually.

The Academy's lease with the Crown Estate requires that the external redecoration of the building be carried out every four years, with the next redecoration due in 2008. An amount is 'reserved' each year in the Designated Fund, with £110,000 set aside in 2006–07. The Fund for Building Repairs and Maintenance was increased by £100,000 in 2006–07 to bring it to £140,000. The Fund is a contingency, to cover extraordinary capital repairs; the annual budget for premises is then reduced in order to free up funds for programme activities. A Fund has also been set up to accumulate sufficient funds to finance a major overhaul of the Academy's website within the next five years; £15,000 has been set aside in 2006–07.

In total, investment income for the Designated Funds (ADF) was £84,000 in 2006–07 compared with £77,000 in 2005–06.

Endowment Funds

Only the Webster Fund is 'endowed' with net realised/unrealised gains/losses of £10,000 in 2006–07 compared to £56,000 in 2005–06.

Reserves Policy

The Unrestricted Funds (General and Designated Funds) have a combined balance at 31 March 2007 of £3.632m. The largest Designated Fund, balance of £3.031m, relates to the Academy Development Fund (ADF), established in 1991, which is made up primarily of donations (a significant proportion of which are from the Academy's Fellows), Fellows' subscriptions, and investment income less some operating costs related to the Academy's Fellowship. The Academy is free to devote the income of the ADF to whatever object it deems fit. Council decided at the outset and continues to allow the Fund to grow in order to enable the Academy to take new initiatives at its unfettered discretion. Proposals for the use of the Fund are reviewed annually by Council. In 2006–07 Council agreed to build up the ADF in order to reduce reliance on public funds.

Additional reserves have been set aside (1) for the Publications Fund, to cover the direct costs associated with the work in progress for one year, £204,000, so as to make no claim on public/restricted funds for direct production costs, (2) to cover a proportion of the total cost of the 2008 external redecoration project, £110,000, (3) to cover any extraordinary capital repairs related to the building, £140,000, and (4) £15,000 for the website.

Council agreed that the General Funds balance of £131,000 at 31 March 2007 will also be invested to build up the Academy's private funds, to help reduce reliance on public funds.

Volunteers

The Academy is critically dependent on the voluntary services of its Fellows who, whether as Officers, Chairmen or members of the Sections, Committees and Sub-committees, or as referees and assessors perform a range of tasks for which they are wholly unremunerated outside of the recovery of their direct expenses. The Academy also consults external academic experts and relies extensively on the services and goodwill of numerous referees and assessors outside its Fellowship and external members of the Investment Management and Audit Committees. All this constitutes an unquantifiable voluntary contribution without which the Academy would be unable to fulfil its objectives.

Auditors

A resolution for the reappointment of PKF (UK) LLP will be proposed at the annual meeting for the ensuing year.

Professor R J P Kain
Honorary Treasurer

2007

Statement of Council's Responsibilities

Council is responsible, through the Chief Executive and Secretary, for the administration and management of the affairs of the Academy and is required to present audited financial statements for each financial year.

Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Academy and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' (revised 2005) ('SORP') and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Office of Science and Innovation and the Council of the Academy, Council is required, through the Chief Executive and Secretary as Accounting Officer, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Academy and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has ensured that:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis.

Council has taken steps to:

- ensure that funds from the Office of Science and Innovation are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Office of Science and Innovation and any other conditions which the Office of Science and Innovation may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the Academy and prevent and detect fraud;
- secure the economical, efficient and effective management of the Academy's resources and expenditure.

Independent Auditors' Report to the Fellows of the British Academy

We have audited the financial statements of the British Academy for the year ended 31 March 2007 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the trustees (Council of the Academy), as a body, in accordance with Regulation 7 of the Charities Accounts and Report Regulations 2005. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council members and auditors

The Council's responsibilities for preparing the council's report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of council's responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Council's report is not consistent with the financial statements, if the Academy has not kept proper accounting records or if we have not received all the information and explanations we require for our audit. We read the Council's report and consider the implications for our report if we become aware of any apparent misstatements within it.

The relationship between the British Academy and the Office of Science and Innovation and the terms upon which the Office of Science and Innovation provides funds to the Academy are governed by a Financial Memorandum. Our

responsibility includes a requirement to report our opinion on whether the funds provided by the Office of Science and Innovation have been applied in accordance with this Financial Memorandum.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Academy's affairs as at 31 March 2007 and of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

In our opinion, in all material aspects the income from the Office of Science and Innovation has been applied to the purposes intended by Parliament as set out in the Financial Memorandum and the financial transactions conform to the authorities which govern them.

PKF (UK) LLP
Registered Auditors

London, UK
2007

Statement of Financial Activities

YEAR ENDED 31 MARCH 2007

	Notes	General Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	2007 Funds £	2006 Funds £
Incoming Resources							
Incoming resources from generated funds							
Voluntary income - donations		-	10,130	16,691	-	26,821	59,438
Activities for generating funds	2	489,156	170,264	-	-	659,420	665,964
Investment income	3	51,236	83,641	191,533	-	326,410	326,683
Incoming resources from charitable activities							
Grants receivable	4	-	-	17,765,331	-	17,765,331	14,612,651
Other incoming resources	5	-	100,914	-	-	100,914	100,679
Total incoming resources		540,392	364,949	17,973,555	-	18,878,896	15,765,415
Resources Expended							
Less cost of generating funds							
Investment management fees	6	-	1,148	3,445	-	4,593	13,378
Other		473,168	222,299	267,381	-	962,848	974,554
Total cost of generating funds		473,168	223,447	270,826	-	967,441	987,932
Total incoming resources available for charitable application		67,224	141,502	17,702,729	-	17,911,455	14,777,483
Charitable activities							
Grants and awards	6	-	-	17,335,605	-	17,335,605	15,136,656
Governance costs	7	-	-	262,295	-	262,295	255,837
Total charitable activities		-	-	17,597,900	-	17,597,900	15,392,493
Total resources expended	6	473,168	223,447	17,868,726	-	18,565,341	16,380,425
Net incoming/(outgoing) resources before transfers							
Net transfers between funds		-	235,000	(235,000)	-	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		67,224	141,502	104,829	-	313,555	(615,010)
Other recognised gains and losses		-	75,084	162,193	10,375	247,652	1,343,226
Net movement in funds		67,224	451,586	32,022	10,375	561,207	728,216
Fund balances brought forward at 1 April 2006	15	63,907	3,049,002	7,063,476	321,865	10,498,250	9,770,034
TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2007		131,131	3,500,588	7,095,498	332,240	11,059,457	10,498,250

All of the above results are derived from continuing activities. There are no other recognised gains or losses other than stated above.

Balance Sheet

31 MARCH 2007

	<u>Notes</u>	<u>2007</u> <u>Total</u> £	<u>2006</u> <u>Total</u> £
FIXED ASSETS			
Tangible assets	10	1,190,133	1,220,606
Investments	11	8,134,394	7,894,265
		<u>9,324,527</u>	<u>9,114,871</u>
CURRENT ASSETS			
Debtors	12	325,837	240,121
Cash at bank and in hand		2,246,146	1,401,778
		<u>2,571,983</u>	<u>1,641,899</u>
CREDITORS			
Amounts falling due within one year	13	(295,405)	(258,520)
NET CURRENT ASSETS			
		<u>2,276,578</u>	<u>1,383,379</u>
CREDITORS			
Amounts falling due after more than one year	14	(541,648)	-
NET ASSETS			
		<u>11,059,457</u>	<u>10,498,250</u>
Represented by:			
General funds			
Other general funds	15	131,131	63,907
Designated funds			
Academy Development Fund	15	3,031,361	2,737,732
Publications		204,227	201,270
Repairs and maintenance		140,000	40,000
External redecoration		110,000	60,000
Website development		15,000	10,000
		<u>3,500,588</u>	<u>3,049,002</u>
Restricted funds			
Grant in Aid	15	148,434	158,959
Carlton House Terrace property		1,041,149	1,141,612
Funds administered		128,414	167,321
Restricted investment funds		5,370,390	5,208,197
Restricted income funds		407,111	387,387
		<u>7,095,498</u>	<u>7,063,476</u>
Endowment funds			
	15	332,240	321,865
		<u>11,059,457</u>	<u>10,498,250</u>

The Financial Statements on pages 27 to 44 were approved and authorised for issue on 26 June 2007 and signed by:

Honorary Treasurer

Chief Executive and Secretary

Cash Flow Statement

YEAR ENDED 31 MARCH 2007

	<u>2007</u> £	<u>2006</u> £
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating surplus/(deficit) for the year	313,555	(615,010)
Investment income	(326,410)	(326,683)
Depreciation charges	156,939	156,203
Increase in debtors	(85,716)	(91,233)
Increase/(decrease) in creditors	578,533	(269,131)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	636,901	(1,145,854)
	<hr/> <hr/>	<hr/> <hr/>
Cash flow statement		
Net cash inflow from operating activities	636,901	(1,145,854)
Returns on investments	326,410	326,683
Capital expenditure and financial investment	(80,266)	12,266
	<hr/>	<hr/>
Increase/(decrease) in cash and liquid resources	883,035	(806,905)
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash inflow to movement in net funds		
Change in cash and liquid resources	883,035	(806,905)
Cash and liquid resources at 1 April 2006	1,476,191	2,283,096
	<hr/>	<hr/>
Cash and liquid resources at 31 March 2007	2,359,226	1,476,191
	<hr/> <hr/>	<hr/> <hr/>

CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2007
(Continued)

	2007 £	2006 £	
Notes to Cash Flow Statement			
Note (i) Gross cash flows			
Returns on investments			
Investment income	<u>326,410</u>	<u>326,683</u>	
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(126,466)	(49,599)	
Payments to acquire investments	(691,185)	(1,039,217)	
Receipts from sales of investments	<u>737,385</u>	<u>1,101,082</u>	
	<u>(80,266)</u>	<u>12,266</u>	
Note (ii) Analysis of change in net funds			
	At 1 April <u>2006</u> £	Cash flows £	At 31 March <u>2007</u> £
Cash in hand, at bank	1,401,778	844,368	2,246,146
Cash held with investment managers	<u>74,413</u>	<u>38,667</u>	<u>113,080</u>
	<u>1,476,191</u>	<u>883,035</u>	<u>2,359,226</u>

Notes to the Accounts

YEAR ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES

a. Basis of Preparation of the Accounts

The annual report, incorporating the financial statements for the year ended 31 March 2007, has been prepared in accordance with the Academy's Royal Charter, and in compliance with the Charities Act 1993, the Statement of Recommended Practice 'Accounting and Reporting by Charities' ('SORP 2005'), and with applicable accounting standards.

b. Historical Cost Convention

The financial statements have been prepared under the historical cost convention, as modified for the inclusion of investment assets.

c. Incoming Resources

The specific bases for accounting for income are described below. In general terms, income is accounted for on a receivable basis, gross of related expenditure. Income is only recognised where there is evidence of entitlement, where it is virtually certain that income will be received, and there is reasonable certainty of the amount.

- Voluntary income includes donations. Where not received for capital expenditure, these are accounted for in the year in which they are received.
- Activities for generating funds include income receivable from the rent and hire of rooms.
- Investment income is included in the Statement of Financial Activities in the year in which it is receivable.
- Grants receivable are recognised when entitlement to the grant is confirmed, and also include returned grants which are accounted for on receipt. For detail on grants for capital expenditure see "Tangible Fixed Assets" below.
- Other incoming resources consist of subscriptions, including income tax recoverable.

d. Resources Expended

Expenditure is recognised on an accruals basis, gross of any related income. Where costs cannot be directly attributed to particular categories they have been allocated to activities on a headcount basis.

- Costs of generating funds include expenditure directly incurred in generating income from the publications programme, room hire, office rental and investments.
- Grants are charged to the statement of financial activities when a constructive obligation exists notwithstanding that they may be paid in future periods.
- Governance costs include those associated with the management of the Academy's assets and with constitutional and statutory requirements.

NOTES TO THE ACCOUNTS YEAR ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES (Continued)

e. Operating Leases

Rental costs under operating leases are charged to the Statement of Financial Activities, as the charges are incurred, over the lease periods.

f. Tangible Fixed Assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Furniture and equipment	-	over 5 years
Leasehold improvements	-	over the life of the lease

Items which are fully depreciated are treated as disposals.

Where a fixed asset is acquired with the aid of specific grants and donations it is capitalised and depreciated over its estimated useful life.

g. Investments

Listed investments are included in the financial statements at market value at the balance sheet date.

Gains/losses on disposal of investments and revaluation of investments are recognised in the year of gain or loss and are allocated to the funds to which the investments relate in accordance with their percentage share of the investments.

h. Stocks of Publications

Costs of publications are written off in the Statement of Financial Activities when incurred. Stocks of books gifted to the Academy for its library are not valued within the accounts.

At 31 March 2007 the estimated value of stocks of publications not included in the balance sheet was £62,926 (2006: £74,019), being the lower of cost and net realisable value.

i. Pensions

The Academy participates in the Superannuation Arrangements of the University of London "(SAUL)", which is a funded defined benefit scheme. The scheme is contracted-out of the Second State Pension. The scheme is valued formally every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of the scheme's position are carried out between formal valuations.

j. Liquid Resources

Liquid Resources are represented by fixed term bid deposits, Tracker deposits and National Savings Bonds.

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES (Continued)

k. Funds

General Funds are those which are available for use at the Council's discretion in the furtherance of the Academy's objects.

Designated Funds are unrestricted funds set aside for unrestricted purposes and which would otherwise form part of General Funds. Details of the nature and purpose of each designated fund are set out in note 15.

Restricted Funds are funds that are subject to restrictions imposed by donors and are applied in accordance with these restrictions. Details of the nature and purpose of each restricted fund are set out in note 15.

Endowment funds represent those assets which must be held permanently by the Academy. Income arising from Endowment funds is allocated to the corresponding named individual restricted funds in accordance with their percentage share of the investments and applied for the purposes for which they were originally given.

2. ACTIVITIES FOR GENERATING FUNDS

	<u>2007</u> £	<u>2006</u> £
Rents and hire of rooms	485,959	471,867
Recharge of external redecoration	3,197	-
	<hr/>	<hr/>
	489,156	471,867
Publications	170,264	194,097
	<hr/>	<hr/>
	659,420	665,964
	<hr/> <hr/>	<hr/> <hr/>

3. INVESTMENT INCOME

	<u>2007</u> £	<u>2006</u> £
Investment income	210,392	257,259
Bank interest	116,018	69,424
	<hr/>	<hr/>
	326,410	326,683
	<hr/> <hr/>	<hr/> <hr/>

	<u>2007</u> £
UK	
Bonds	72,112
Equities	95,620
Bank and deposit interest	119,533
	<hr/>
	287,265
Overseas	
Commodities	1,332
Bonds	454
Equities	37,359
	<hr/>
	326,410
	<hr/> <hr/>

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

4. GRANTS RECEIVABLE	<u>2007</u> £	<u>2006</u> £
Office of Science and Innovation	16,885,000	14,050,000
Grants returned awarded in prior years	187,404	165,855
Other grants received	44,550	49,213
	<hr/>	<hr/>
Grants received for funds administered by the Academy	17,116,954	14,265,068
	648,377	347,583
	<hr/>	<hr/>
	17,765,331	14,612,651
	<hr/> <hr/>	<hr/> <hr/>
 5. OTHER INCOMING RESOURCES	 <u>2007</u> £	 <u>2006</u> £
Subscriptions	74,131	73,980
ADF - sundry income and recharges	26,783	26,699
	<hr/>	<hr/>
	100,914	100,679
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

6. TOTAL RESOURCES EXPENDED

	Grants/ Awards/ activities £	Staff costs £	Depreciation £	Other direct costs £	Support costs £	Total 2007 £	Total 2006 £
Cost of generating funds							
Investment managers fees	-	-	-	4,593	-	4,593	13,378
Other:							
Rent and hire of room costs	-	68,843	3,095	362,400	38,830	473,168	462,325
Publications	-	169,990	7,189	167,307	90,202	434,688	454,143
Academy Development Fund	-	-	-	54,992	-	54,992	58,086
Total cost of generating funds	-	238,833	10,284	589,292	129,032	967,441	987,932
Charitable activities							
Grants, awards and activities							
Research programmes							
Grants	5,796,260	270,735	11,894	-	149,227	6,228,116	4,496,552
Projects	293,518	31,193	1,242	-	15,589	341,542	381,870
Posts	4,532,635	72,822	2,903	-	36,421	4,644,781	3,933,991
Policy studies	28,226	76,293	2,767	-	34,720	142,006	126,903
International/Institutional							
BASIS	3,118,212	46,165	1,666	-	20,903	3,186,946	3,686,120
IPC	840,122	226,857	9,680	-	121,451	1,198,110	944,027
Communications and activities	185,852	279,476	11,589	-	145,401	622,318	593,914
Grants and prizes							
Restricted funds	182,806	-	-	-	-	182,806	238,873
Funds administered	688,517	-	-	-	-	688,517	633,943
Property depreciation	-	-	100,463	-	-	100,463	100,463
Total grants, awards and activities	15,666,148	1,003,541	142,204	-	523,711	17,335,605	15,136,656
Governance costs	-	161,787	4,450	40,222	55,836	262,295	255,837
Total charitable activities	15,666,148	1,165,328	146,654	40,222	579,547	17,597,900	15,392,493
Total resources expended	15,666,148	1,404,161	156,939	629,514	708,579	18,565,341	16,380,425

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

6. TOTAL RESOURCES EXPENDED (Continued)

Grants paid to Institutions

During the year the top 50 grants by value payable to Institutions were as follows:

Institution	£
University of Oxford	1,578,451
University of Cambridge	1,081,793
The British School at Rome	991,000
The British School at Athens	688,000
University of Edinburgh	482,617
The Council for British Research in the Levant	451,000
The British Institute of Archaeology at Ankara	411,000
London School of Economics	394,376
University of Manchester	387,146
University College London	368,859
University of Glasgow	351,480
Council for British Archaeology	339,000
British Institute in Eastern Africa	308,000
University of Leeds	297,774
University of Liverpool	285,722
University of East Anglia	250,725
University of Warwick	216,100
University of St Andrews	195,906
Queen's University Belfast	191,833
University of York	188,904
SOAS	182,674
University of Nottingham	178,182
University of Sheffield	175,574
University of Birmingham	174,736
University of Essex	170,823
University of London	170,432
Queen Mary, University of London	143,963
University of Reading	141,572
University of Aberdeen	141,054
University of Exeter	137,448
Newcastle University	133,614
University of Sussex	130,210
King's College London	126,550
Birkbeck College	121,241
University of Durham	114,791
Goldsmiths College	113,628
The Open University	111,724
University of Leicester	110,162
University of Southampton	109,068
University of Ulster	101,728
The Egypt Exploration Society	101,470
Royal Holloway, University of London	90,114
The Society for Libyan Studies	90,000
University of Bristol	89,340
British Institute for Persian Studies	88,000
University of Wales, Bangor	87,648
University of Kent	87,144
Society for South Asian Studies	78,000
ASEASUK Research Committee for South East Asian Studies	74,000
University of Wales, Swansea	73,369

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

7. GOVERNANCE COSTS	<u>2007</u> £	<u>2006</u> £
External audit	16,568	17,507
Internal audit	8,954	-
Accounting assistance	4,700	7,637
Council and AGM travel	10,000	9,334
Staff costs	161,787	147,087
Support costs	55,836	55,609
Depreciation	4,450	4,398
Conversion to Charity SORP	-	14,265
	<hr/>	<hr/>
	262,295	255,837
	<hr/> <hr/>	<hr/> <hr/>

8. STAFF COSTS	<u>2007</u> £	<u>2006</u> £
Staff costs:		
Salaries	1,181,480	1,108,452
Social security costs	102,515	95,906
Pension costs - SAUL	120,166	96,069
	<hr/>	<hr/>
	1,404,161	1,300,427
	<hr/> <hr/>	<hr/> <hr/>

The average number of full time equivalent permanent employees (all administrative staff) during the year was 33 (2006: 32).

Remuneration of higher paid staff greater than £60,000 is:

	<u>2007</u>	<u>2006</u>
£80,000 - £90,000	1	1
	<hr/> <hr/>	<hr/> <hr/>

No members of the Council received any remuneration from the Academy for the year ended 31 March 2007 (2006: £Nil)
Council members are reimbursed in respect of travel and other expenses necessarily incurred by them in the furtherance of the Academy's activities. During the year ended 31 March 2007 such reimbursement to 22 Council members (2006: 21) amounted to £9,307 (2006: £8,834).

9. NET INCOMING/(OUTGOING) RESOURCES IS AFTER CHARGING:	<u>2007</u> £	<u>2006</u> £
Auditors' - remuneration	16,568	17,507
- other services	8,954	21,902
- under accrual in prior year	-	7,072
Investment management fees	4,593	13,378
Operating leases		
- land and buildings	470,000	470,000
- other	145,408	215,913
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

10. TANGIBLE FIXED ASSETS

	Leasehold improvements	and equipment	Furniture and Total	
	£	£	£	£
Cost				
At 1 April 2006	2,009,267		278,703	2,287,970
Additions	-		126,466	126,466
Disposals	-		(122,791)	(122,791)
	<hr/>		<hr/>	<hr/>
At 31 March 2007	2,009,267		282,378	2,291,645
	<hr/>		<hr/>	<hr/>
Depreciation				
At 1 April 2006	867,655		199,709	1,067,364
Charge for the year	100,463		56,476	156,939
Eliminated on disposals	-		(122,791)	(122,791)
	<hr/>		<hr/>	<hr/>
At 31 March 2007	968,118		133,394	1,101,512
	<hr/>		<hr/>	<hr/>
Net book value				
At 31 March 2007	1,041,149		148,984	1,190,133
	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>
At 31 March 2006	1,141,612		78,994	1,220,606
	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

The fixed assets are used to promote the direct charitable activities of the Academy.

The Academy entered into a 50 year lease with the Crown Estate Commissioners in 1998, with rent reviews at 5 yearly intervals. There is a break clause after 20 years, in 2018. The first rent review occurred in January 2003.

11. INVESTMENTS

	2007		2006	
	£	£	£	£
At 1 April 2006	7,819,862		6,538,491	
Additions	691,185		1,039,217	
Disposal proceeds	(737,385)		(1,101,082)	
Net gain in market value	247,652		1,343,226	
	<hr/>		<hr/>	
Bank balances	8,021,314		7,819,852	
	<hr/>		<hr/>	
At 31 March 2007	8,134,394		7,894,265	
	<hr/> <hr/>		<hr/> <hr/>	
Fixed Interest and Equities at cost	6,496,761		6,281,399	
	<hr/> <hr/>		<hr/> <hr/>	
	UK	Overseas	Total 2007	Total 2006
	£	£	£	£
Comprising:				
Commodities	-	20,329	20,329	33,524
Bonds	1,566,725	13,111	1,579,836	1,643,186
Equities	3,178,816	3,232,122	6,410,938	6,151,652
Other	10,211	-	10,211	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,755,752	3,265,562	8,021,314	7,819,852
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No single investment represented greater than 5% of the Academy's portfolio.

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

12. DEBTORS	<u>2007</u>	<u>2006</u>
	£	£
Debtors	253,173	221,787
Prepayments and accrued income	72,664	18,334
	<hr/>	<hr/>
	325,837	240,121
	<hr/> <hr/>	<hr/> <hr/>
13. CREDITORS: Amounts falling due within one year	2007	2006
	£	£
Other creditors	2,408	15,944
Grants and awards (see below)	105,656	207,823
Accruals	51,929	34,753
Deferred income	135,412	-
	<hr/>	<hr/>
	295,405	258,520
	<hr/> <hr/>	<hr/> <hr/>
Grants and Awards included within creditors		
Grants and awards allocated, not yet paid comprise:-		
Research grants	97,350	199,659
Overseas grants	8,306	8,164
	<hr/>	<hr/>
	105,656	207,823
	<hr/> <hr/>	<hr/> <hr/>
14. CREDITORS: Amounts falling due in more than one year		
Deferred income		
	<u>2007</u>	
	£	
At 1 April 2006	-	
Movement in the year	677,060	
	<hr/>	
At 31 March 2007	677,060	
	<hr/> <hr/>	
Amount falling due within one year (note 13)	135,412	
Amount falling due after one year	541,648	
	<hr/>	
	677,060	
	<hr/> <hr/>	

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

15. NET MOVEMENT IN FUNDS

	Balance 1 April 2006 £	Incoming resources £	Resources expended £	Transfers £	Net realised/ unrealised gains/losses £	Balance 31 March 2007 £
Unrestricted funds						
General funds	63,907	540,392	(473,168)	-	-	131,131
	63,907	540,392	(473,168)	-	-	131,131
Designated funds						
Academy Development Fund	2,737,732	194,685	(56,140)	80,000	75,084	3,031,361
Publications	201,270	170,264	(167,307)	-	-	204,227
Repairs and maintenance	40,000	-	-	100,000	-	140,000
Website development	10,000	-	-	5,000	-	15,000
External redecoration	60,000	-	-	50,000	-	110,000
Total designated funds	3,049,002	364,949	(223,447)	235,000	75,084	3,500,588
Total unrestricted funds	3,112,909	905,341	(696,615)	235,000	75,084	3,631,719
Restricted funds						
ESRC Grant	-	44,550	(44,550)	-	-	-
Grant in aid	158,959	17,072,404	(16,847,929)	(235,000)	-	148,434
Carlton House Terrace property	1,141,612	-	(100,463)	-	-	1,041,149
	1,300,571	17,116,954	(16,992,942)	(235,000)	-	1,189,583
Funds administered						
Lexicon of Greek Personal Names	119,553	17,804	(32,976)	-	-	104,381
Leverhulme Senior Research Fellowships	-	442,081	(442,081)	-	-	-
Medieval Latin Dictionary-Packard	44,811	133,136	(177,947)	-	-	-
Other funds administered	2,957	56,589	(35,513)	-	-	24,033
	167,321	649,611	(688,517)	-	-	128,414
Restricted investment funds						
Elizabeth Barker Fund	337,347	-	-	-	10,874	348,221
Browning Fund	134,726	-	-	-	4,343	139,069
Caton Thompson Fund	135,398	-	-	-	4,364	139,762
Neil Ker	307,819	-	-	-	9,922	317,741
Leopold Schweich	173,812	-	-	-	5,603	179,415
Stenton	374,267	-	-	-	12,064	386,331
Albert Reckitt	1,558,432	-	-	-	50,235	1,608,667
Stein Arnold	172,880	-	-	-	5,573	178,453
Thank Offering to Britain	830,486	-	-	-	26,770	857,256
S T Lee	124,246	-	-	-	4,005	128,251
Marc Fitch	392,117	-	-	-	6,950	399,067
Other restricted	666,667	-	-	-	21,490	688,157
	5,208,197	-	-	-	162,193	5,370,390
Restricted income funds						
Elizabeth Barker Fund	12,587	12,113	(7,019)	-	-	17,681
Browning Fund	4,382	4,838	(8)	-	-	9,212
Caton Thompson Fund	2,935	4,862	(8)	-	-	7,789
Neil Ker	40,993	11,053	(14,030)	-	-	38,016
Leopold Schweich	36,356	6,998	(782)	-	-	42,572
Webster	81,589	11,557	(1,148)	-	-	91,998
Stenton	33,591	14,424	(8,146)	-	-	39,869
Albert Reckitt	17,254	65,961	(75,190)	-	-	8,025
Stein Arnold	7,375	6,208	(4,010)	-	-	9,573
Thank Offering to Britain	46,904	29,821	(18,218)	-	-	58,507
S T Lee	6,567	-	-	-	-	6,567
Marc Fitch	36,694	5,788	(35,301)	-	-	7,181
Other restricted income	60,160	33,368	(23,407)	-	-	70,121
	387,387	206,991	(187,267)	-	-	407,111
Total restricted funds	7,063,476	17,973,555	(17,868,726)	235,000	162,193	7,095,498
Endowment fund						
Webster	321,865	-	-	-	10,375	332,240
TOTAL FUNDS	10,498,250	18,878,896	(18,565,341)	-	247,652	11,059,457

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

15. NET MOVEMENT IN FUNDS (Continued)

Designated Funds

Designated funds have been set aside for the following purposes:

Academy Development Fund	Any donations received, unless otherwise specified, are added to this Fund established in 1991, of which a significant proportion was donated by Fellows themselves. This is the only fund whose income the Academy is free to devote to whatever object it deems fit. All the other private funds must be directed to specific ends. Council decided at the outset, and continues to allow the Fund to accumulate. Its intention in creating it was to enable the Academy to take new initiatives at its unfettered discretion. Proposals for the use of the fund are reviewed annually.
Publications	This fund covers the estimated direct costs of work in progress for one year, to take into account the uncertainties of the income stream, and make no call on public funds for direct costs.
Repairs and Maintenance Fund	To cover unforeseen capital repairs relating to the building which will be reviewed annually.
External Redecoration Fund	To set aside sufficient public funds to enable the Academy to comply with its obligation, under the lease with the Crown Estate, to redecorate the exterior of its building every four years.
Web Development Fund	To cover the cost of redesigning the website to be reviewed annually.

Restricted Funds

In addition to its Grant-in-Aid, the Academy also has at its disposable private funds arising from gifts and legacies, from contributions made by the Academy's Fellows, and from grants made by research foundations. These funds are applied for the following restricted purposes. Amounts included in restricted investment funds are the amounts set aside and invested from these contributions to generate income:

Lexicon of Greek Personal Names	Funds a project to provide researchers in all fields of classical studies with a comprehensive and authoritative compilation of ancient Greek personal names.
Leverhulme Senior Research Fellowships	Funds seven awards which allows established scholars to undertake or complete programmes of sustained research for a duration of one year.
Medieval Latin Dictionary - Packard	Funds a project to compile a dictionary recording the usage of Latin during the medieval period in the British Isles and charts the medieval developments of the language.
Other funds administered	These five funds support a few small awards for research, publication and education related to the promotion of the humanities and social sciences.
Elisabeth Barker Fund	To support studies in recent European history, particularly the history of central and eastern Europe.
Browning Fund	To fund original research, or its publication, in the field of British history in the early modern period with particular reference to the Seventeenth Century.
Caton Thompson Fund	For the furtherance of archaeological research, whether in the field or in publication, by scholars selected preferably but not necessarily from the Fellows of the Academy.
Neil Ker Fund	Promotion of the study of Western medieval manuscripts, in particular those of British interest.

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

15. NET MOVEMENT IN FUNDS (Continued)

Leopold Schweich Fund	Funds lectures, and their publication, on subjects relating to the archaeology, art, history, languages and literature of Ancient Civilization with reference to Biblical Study.
Stenton Fund	To benefit three undertakings: <i>Sylloge of Coins of the British Isles</i> , <i>the Selden Society</i> , and <i>the Pipe Roll Society</i> .
Albert Reckitt Fund	Funds annual awards for the exploration and excavation of ancient sites and the preservation and exhibition of objects discovered, and the publication of results.
Stein Arnold Fund	Funds research on the antiquities, historical geography, early history or arts in parts of Asia.
Thank Offering to Britain Fund	To fund the equivalent of a Senior Research Fellowship.
Marc Fitch Fund	Funds a fellowship allowing postdoctoral scholars to have three years to work on a major programme of research and gain teaching experience.
S T Lee Fund	To provide for a visiting lectureship on a topic related to the humanities or social sciences.
Other restricted funds	Twenty-three funds: to fund awards for, and lectures on, scholarly research in the humanities and social sciences.

Endowment Fund

The endowment fund shown represents assets which must be permanently held by the Academy. The purposes for which the income generating from this fund is to be applied are shown in the table below.

Webster Fund	For entertaining and representation overseas, and the better administration of the Academy.
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16. ANALYSIS OF NET ASSETS BY FUNDS

	<u>Fixed assets</u> £	<u>Investments</u> £	<u>Net current assets</u> £	<u>Long term liabilities</u> £	<u>Total assets</u> £
General	-	-	131,131	-	131,131
Designated	-	2,063,977	1,436,611	-	3,500,588
Restricted	1,190,133	5,738,177	708,836	(541,648)	7,095,498
Endowment	-	332,240	-	-	332,240
	<u>1,190,133</u>	<u>8,134,394</u>	<u>2,276,578</u>	<u>(541,648)</u>	<u>11,059,457</u>

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

17. PENSION SCHEME

The Academy participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The Academy has now adopted FRS17 for accounting for pension costs. It is not possible to identify the Academy's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie cash amounts) in accordance with paragraphs 8 - 12 of FRS17.

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2005 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method	Projected unit	
	Past Service	Future Service
Investment return on liabilities		
- before retirement	5.5% p.a.	6.5% p.a
- after retirement	4.5% p.a.	4.5% p.a.
Salary growth (excluding an allowance for promotional increases)	4.15% p.a.	4.15% p.a.
Pension increases	2.65% p.a.	2.65% p.a.

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual Employers. As a whole, the market value of the scheme's assets was £982 million representing 93% of the liability for benefits after allowing for expected future increases in salaries.

Following the two informal funding reviews at 31 March 2004 and 31 March 2003, the Trustee of SAUL has undertaken a significant consultation exercise with Employers and representatives of Members regarding the level of contributions payable to SAUL.

Following this consultation, the Employers have agreed to contribute 13% of Salaries from August 2006 (currently 10.5% of Salaries), an increase of 2.5% of Salaries. Member contributions are also to increase, by 1.0% of Salaries to 6.0% of Salaries with effect from the same date.

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the Trustee of SAUL), will pay 19.2% of Salaries per annum from August 2006 until the second actuarial valuation after entry (or some other period as agreed with the Trustee).

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed the Scheme to be broadly balanced at the last formal valuation date (31 March 2005).

The next formal actuarial valuation is due at 31 March 2008 when the above rates will be reviewed.

The pension cost relating to this scheme charged to the Statement of Financial Activities (page 27) for the year was £96,069 (2006: £89,924).

18. LEASE COMMITMENTS

The Academy has an annual commitment of £470,000 (2006: £470,000) under operating leases in respect of land and buildings, which expire in a period greater than five years.

The Academy has a commitment totalling £27,672 (2006: £37,735) in respect of a lease for a photocopier and £117,736 (2006: £178,178) in respect of publishing commitments.

Income and Expenditure Account

YEAR ENDED 31 MARCH 2007

	£	<u>2007</u>	£	£	<u>2006</u>	£
Income						
Core grant income						
Office of Science and Innovation	16,885,000			14,050,000		
Grants returned in year	187,404			165,855		
Other grants	44,550			49,213		
		<u>17,116,954</u>			<u>14,265,068</u>	
Grants received for funds administered by the Academy		648,377			347,583	
Donations		53,545			59,438	
Rent and hire of rooms		489,156			471,867	
Publications income		170,264			194,097	
Investment income including bank interest receivable		326,410			326,683	
Subscriptions		74,131			73,980	
Other income		59			26,699	
		<u>18,878,896</u>			<u>15,765,415</u>	
Expenditure						
Grants, awards and charitable activities		15,666,148			13,557,206	
Staff costs		1,404,161			1,300,427	
Depreciation		156,939			156,203	
Other operating expenses		1,338,093			1,366,589	
		<u>18,565,341</u>			<u>16,380,425</u>	
Net income before gains on investments		313,555			(615,010)	
Realised gains on investments		14,252			112,550	
Unrealised gains on investments		233,400			1,230,676	
		<u>561,207</u>			<u>728,216</u>	
Result for the year		<u>561,207</u>			<u>728,216</u>	

This page does not form part of the statutory financial statements.

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