

**The Alcohol Education and Research Council**

Report and Financial Statements

Year ended 31 March 2003

Charity No 284748

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### **Legal and administrative information**

#### **Members of the Alcohol Education and Research Council**

Dr Noel Olsen	Chairman
Mr W. David Rae	Chairman of the Finance and General Purposes Committee
Mrs Daljit Sidebottom	Chairman of the Developing People and Organisations Committee
Professor Robin Davidson	Chairman of the Research Committee
Mr John Bennett	
Professor Ilana B Crome	
Dr Jonathan Chick	
Ms Perminder Dhillon	Resigned 31 March 2003
Mr Henry Fairweather	
Mr Peter Harraway	
Ms Rhoda Emlyn-Jones	Appointed 1 June 2002
Dr John Kemm	
Ms Gaye Pedlow	
Dr Betsy Thom	
Professor Richard Velleman	

#### **Director and Scientific Advisor and Accounting Officer**

Professor Ray Hodgson

#### **Administrative Office**

Room 408, Horseferry House, Dean Ryle Street, London SW1P 2AW

#### **Auditors**

Chantrey Vellacott DFK, Russell Square House, 10-12 Russell Square  
London WC1B 5LF

#### **Bankers**

CafCash Ltd, King's Hill, West Malling, Kent ME19 4TA  
The Bank of New York Europe Limited, One Canada Square, London E14 5AL

#### **Solicitors**

Arlingtons Sharmas, 6 Arlington Street, London SW1A 1RE

#### **Investment Managers**

Baillie Gifford & Co, 1 Rutland Court, Edinburgh EH3 8EY

**Report of the Alcohol Education and Research Council  
for the year ended 31 March 2003**

The Council presents its report along with the financial statements of the charity for the year ended 31 March 2003. The financial statements comply with the provisions of section 10 of the Licensing (Alcohol Education and Research) Act 1981 and other applicable law.

**Constitution and objects**

The Alcohol Education and Research Fund is constituted under the provisions of section 6 of the Licensing (Alcohol Education and Research) Act 1981 and is a registered charity No 284748.

Within the machinery of Government the Secretary of State for Culture is the sponsoring authority for the Council. The Council's day to day contact with the sponsoring authority is through the Division of Tourism of the Department of Culture, Media and Sport.

Section 7 of the 1981 Act provides that the Fund is to be vested in and administered by the Council and applied for such charitable purposes within the United Kingdom as the Council may from time to time determine from among the following:

- (a) The education of the public as to the causes and effects of, and means of preventing, excessive consumption of alcohol;
- (b) The care and rehabilitation of persons convicted of offences involving drunkenness;
- (c) The provision of treatment and other help for persons dependent on alcohol or given to excessive consumption of alcohol; and
- (d) Research into matters relevant to any of the purposes mentioned in paragraphs (a) to (c), and the publication of the results of such research.

The Act provides additionally that, in determining how the Fund is to be applied for the purposes of (b) and (c) the Council *shall* give priority to support for novel schemes for achieving those purposes.

The Council has defined its current objectives in the following *Statement of Purpose* developed in 1998:

*The Council seeks to increase awareness of alcohol issues, to facilitate a reduction in alcohol-related harm in society and to encourage best practice. Our aim is to make a positive difference to the ways in which society understands and uses alcohol.*

In 2002 the Council concluded that a more strategic approach was required. Developing the capacity of people and organisations to address alcohol issues was considered to be a core objective. Furthermore, creating an evidence base linked to policy was also a main objective but this must be linked to effective dissemination.

## **Research & Development Priorities**

In February 2003 the Council carried out a Delphic survey of Council Members views on the most important topics for AERC funding. Emerging from this exercise were two main priorities. These were interventions for families and community action initiatives.

### **Interventions for families:**

Approaches designed to strengthen families have the potential to prevent alcohol misuse. Families at risk have major problems such as severe and recurrent family conflict, and poor parent-child relationships. Children with ineffective coping skills as well as those with little connection to family members, or to school may be at an increased risk for alcohol abuse and/or dependence. Families at risk may also be those already experiencing an alcohol problem.

Children who grow up in environments where one or both parents misuse alcohol tend to develop physical and psychological problems themselves. Families as a whole are also often badly affected when a key member (spouse, parent, child) develops a serious alcohol problem. There is some evidence that intervening with families can result in substantial changes and further R&D work is needed.

### **Community Action:**

Community action programmes are becoming increasingly accepted as key health promotion initiatives to deal with alcohol related issues. Such programmes move away from placing the responsibility solely on individuals and their families and promote community ownership of problems and solutions. They aim to change policies and structures within communities that maintain high levels of alcohol related harm. They empower communities to promote their own well being and to reduce distress caused to them by intoxicated and rowdy behaviour and by irresponsible selling of alcohol, which encourages such behaviour. They might focus upon community mobilisation, responsible beverage service in licensed premises to reduce the risk of having intoxicated and underage customers in bars or restaurants, reduced availability of alcohol being sold to minors, as well as drink driving and media campaigns. Many communities are beginning to develop partnerships to reduce alcohol-related problems and the Council plans to support such initiatives.

These priorities will be pursued through both research and development projects.

#### *Research*

The main objective of the research strategy is the improvement of the evidence base. The Research Committee is open to a wide range of methodologies including qualitative and quantitative approaches, single studies and systematic reviews, group methods and single case methodologies.

#### *Development*

One aim is to improve the alcohol-related practice of both generic and specialist alcohol workers. Promoting organisational development and translating evidence into policy and practice are other main objectives. These objectives are being pursued by the People & Organisations Committee.

## Organisation

Members of the Council who have served during the year and since the year-end are listed on page 1. Members are appointed by the Secretary of State and serve for three years after which period they may be re-appointed for a further period of three years. The Council meets three times a year, but there are functional committees that meet in advance of Council meetings. The Finance and General Purposes Committee monitors the Council's expenditure and considers financial management issues. The People & Organisations Committee and the Research Committee consider applications for grants and policy in their areas. They have delegated authority to refuse applications but decisions to award grants are subject to endorsement by the Council.

## Grant making policy

The Council provides four types of grant:

- Research grants.
- People & Organisation Development grants.
- Small grants (up to £5,000)
- Studentship grants, to support fees and expenses linked to taught courses.

Whether PhD courses should be funded is currently under review.

The Council is well known within the alcohol field and, with the exception of the studentship scheme it does not need to advertise for applications. Full information about the grant application procedures is available on the Council's website [www.aerc.org.uk](http://www.aerc.org.uk).

As matters of policy the Council will not normally contribute to the running costs of organisations or fund bio-medical projects.

The Council requires each holder of a research or development grant to provide:

- A full report of the project, in the case of research grants this will be a full academic report;
- A draft *Alcohol Insight* which summarises the key findings and their implications; and
- A shorter *Accessible Report*, This is for use in disseminating the findings to policy makers and to people who are in a position to implement them, such as commissioners of and providers of services.

## Financial Review

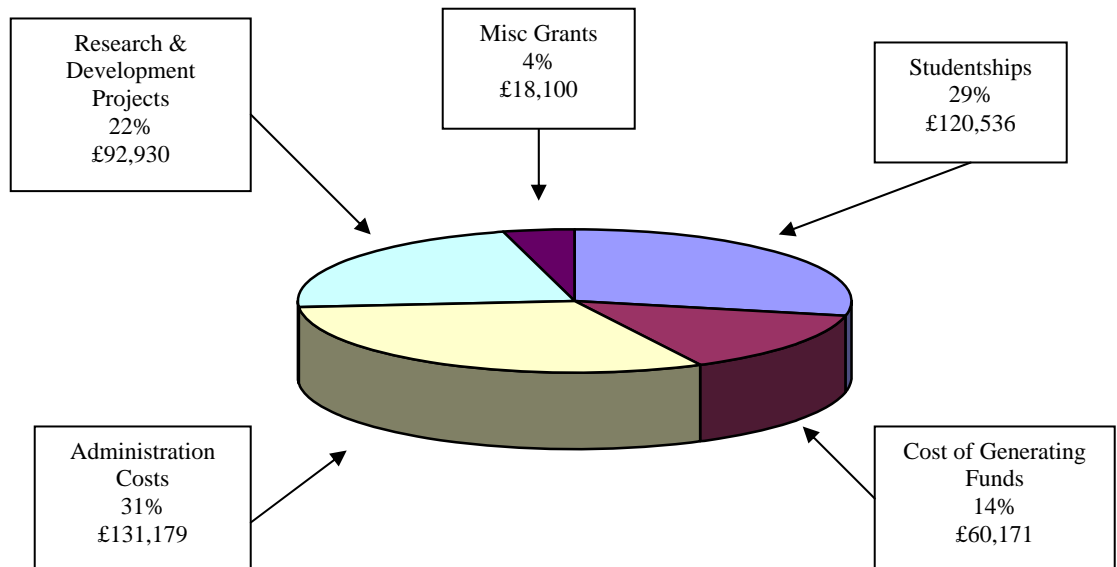
The Fund owes its origin to the Licensing (Alcohol Education and Research) Act 1981. This Act was introduced by the Government to wind up the *Licensing Compensation Scheme*, which had been established early in the 20<sup>th</sup> century as a mechanism for reducing the number of pubs in the hope that this would reduce drunkenness and drunken offences. The liquidation of the licensing compensation funds, which was finally completed in 1997, produced a total of £3,118,599.

The value of the Fund at 31 March 2003 was £8,654,752. This represented a fall of £1,845,017 from the valuation at 31 March 2002 (£10,499,769). The reduction in the value of the Fund, reflects the depressed nature of the stock market over the last year. However, given the conservative nature of the investment policy, and a good performance by our Investment Fund

Manager, such losses have been minimised whilst maintaining the core level of investment income.

Investments generated income of £648,117 in the financial year and the total Council income was £649,297. The total expenditure was £422,916. The Council held back on funding new projects in this financial year in order to develop Research & Development priorities. For this reason the administration costs are a larger proportion of total expenditure than is usually the case.

### Expenditure in FY 2002/3



### Review of Investment Policy and Performance

By section 7(5) of the Licensing (Alcohol Education and Research) Act 1981 as amended, the Council is empowered to invest any sums that are not immediately required for any other purpose in any investments in which trustees may invest under the general power of investment in section 3 of the Trustee Act 2000 (as restricted by sections 4 and 5 of that Act).

Baillie Gifford & Co manages the Fund on behalf of the Council. Following further consultation with the fund managers during the year, The Council decided that it would divest its limited direct holding in sub investment grade corporate bonds and re-invest in a similar pooled fund to reduce risk exposure whilst maintaining high yields. The pooled fund selected was the Baillie Gifford High Yield Bond Fund where although there are no formal bond rating restrictions applicable, the fund manager is required to notify the Council if the pooled fund's exposure to bonds rated lower than B- exceed 10%. At 31 March 2003 this investment represented 7.2% of the Fund's value.

On the 18 February 2003 a Supplementary Agreement was concluded between the Council and Baillie Gifford & Co re-affirming the investment objective for the Fund as the achievement of initial income of £595,000 per annum net of tax credits and the maintenance of the real value of annual income. This is to be achieved against the benchmark outlined below:

<b>ASSET CLASS</b>	<b>INDICES</b>	<b>WEIGHTING</b>
<i>UK Equities</i>	Micropal Equity Income Sector Average Return	67%
<i>Corporate Bonds</i> - Investment Grade	Merrill Lynch > 5 year Corporate Bonds	26%
- Sub-Investment Grade	Merrill Lynch Sterling High Yield	6%
<i>Cash</i>	LIBID 7 Day	1%

The only restriction that the Council places upon Baillie Gifford's investment discretion is that the Fund may not invest directly in any companies substantially involved in the manufacture of tobacco. Following the introduction of the Trustee Act 2000 the Council reviewed this policy. It noted that under section 4(1) of the Act it is obliged to have regard *inter alia* to the *suitability* of investments. As a charity involved in addictive health issues the Council believes that it would be extremely damaging to its reputation were it to be seen by the public at large to be investing in tobacco companies. The Council are of the opinion that this restriction falls within the acceptable criteria outlined in the Charity Commissioners Guidance Note CC14 – Investment of Charitable Funds.

The fund managers submit a monthly report to the Council on the valuation of the fund and on transactions in the portfolio. A full report is sent each quarter to each member of the Council, which in addition provides an overview of performance, a report on the economic outlook and other relevant issues. The fund managers regularly attend meetings of the Finance and General Purposes committee and from time to time attend meetings of the Council.

The Council is pleased to report that, despite the continuing uncertain stock market situation during the year the fund managers have delivered a level of income which has met their agreed objective. In terms of performance against the benchmark Baillie Gifford & Co produced a total return of - 13.3% against a return on the benchmark of -16.4%.

Each month the fund manager transfers to the Council's deposit account with CafCash Ltd the investment income and bank interest that has been received in the past month.

## **Fundraising**

From the strategic review undertaken by the Council during 2002 it concluded that the Council had the competencies and abilities to expand its role to meet the growing demand for alcohol research and education. However it was recognised that this expanded role would require a substantial increase in the Council's access to available funding. A number of potential new funding initiatives were identified and these have been pursued in recent months where progress has been slow but encouraging.

The Council has also, from time to time, received donations or bequests. Under section 4 of the Alcoholics Anonymous (dispositions) Act 1986 any bequests made to the *Alcoholics Anonymous Fellowship* are deemed to have been made to the Council.

In the course of the financial year the Council received £1,180 in donations.

## **Reserves policy**

It is the Council's policy to maintain approximately 1 – 2 per cent of the Fund in cash under the control of the fund manager.

While all of the funds held are in theory expendable, the Council regards the sums invested with Baillie Gifford & Co. as an endowment intended to generate income to finance the ongoing operation of the Council. It is considered that the bank balances at 31 March 2003, together with the expected income from the investment portfolio, are sufficient to fund in full the grant commitments entered into at that date.

The Council has considered the Charity Commission Guidance Note CC 19 dated April 2002. It is the Council's intention not to accumulate reserves, but to expend income year on year. However, due to the nature of the projects that it finances, it is possible for the Council to overspend or underspend in any one year depending upon the quality of grant applications received and the timing of grant claims. The Council reviews this policy on an annual basis.

## **Risk management**

During the year the Council reviewed the major strategic, business and operational risks that the charity faces. In doing so it took into account guidance from the Charity Commission and the Treasury.

The main risks identified were under the headings of:

- loss of IT data through computer failure, fire, and virus;
- injuries to staff, members and people attending Council events;
- reduction in the value of the Investment Fund as a result of Stock Market fluctuations;
- damage to the reputation of the Council by, for example failing to pay bills promptly or to respond promptly to correspondence.; and
- fraud.

Appropriate systems have been established to mitigate these risks including the adoption of an Anti-Fraud Policy during 2002. The Council formally reassesses these risks annually.

### **Council responsibilities in relation to the financial statements**

The Licensing (Alcohol Education and Research) Act 1981 and the Charities Act 1993 require the Council to prepare financial statements for each financial year that give a true and fair view of:

- the state of affairs of the Council at the end of the year, and
- the income and expenditure for that year.

In preparing financial statements that show a true and fair view, the Council is responsible for:

- selecting suitable accounting policies and then applying them consistently,
- making judgements and estimates that are reasonable and prudent; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Council will continue in being.

The Council is responsible for:

- keeping proper records to enable it to produce financial statements which comply with the requirements of the Licensing (Alcohol Education and Research) Act 1981;
- safeguarding the assets of the Alcohol Education and Research Council;
- complying with the Charities Act 1993 and relevant Statements of Recommended Practice; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf by:

**Noel D L Olsen**  
**Chairman of**  
**Council**

**Professor Ray Hodgson**  
**Director and Scientific Advisor**  
**and Accounting Officer**

**10 July 2003**

## **Independent Auditors' Report to the Members of The Alcohol Education and Research Council**

We have examined the summarised financial statements of the Alcohol Education and Research Council.

This report is made solely to the Members of the Council, as a body, in accordance with your instructions to us. Our audit work has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's 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 Charity and the Members of the Council as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditors**

The Members of the Council are responsible for preparing the summarised financial statements in accordance with applicable law and with the recommendations of the charities SORP.

Our responsibility is to report to you our opinion on the consistency of the summarised financial statements with the full financial statements and the Report of the Council. We also read the other information contained in the Report of the Council and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summarised financial statements.

### **Basis of opinion**

We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board of the Accountancy Foundation for use in the United Kingdom.

### **Opinion**

In our opinion the summarised financial statements are consistent with the full financial statements and the Report of the Alcohol Education and Research Council for the year ended 31 March 2003.

**CHANTREY VELLACOTT DFK**

**Chartered Accountants  
Registered Auditors**

**LONDON**

Date: 10 July 2003

**TOTAL INCOME**

£649,297

**Investment Income**

£648,117

**Donations From Individuals**

£1,180

**TOTAL EXPENDITURE**

£422,916

**Management and administration**

£131,179 (31%)

**Cost of Generating Funds**

£60,171 (14%)

**Research & Action Projects**

£92,930 (22%)

**Studentships**

£120,536 (29%)

**Miscellaneous Grants**

£18,100 (4%)

**SUMMARISED STATEMENT OF FINANCIAL ACTIVITIES  
For the Year Ended 31 March 2003**

	<u>2002/2003</u>	<u>2001/2002</u>
	<u>£000</u>	<u>£000</u>
<b>Incoming resources</b>	649	604
<b>Resources expended</b>		
Grant expenditure	232	587
Cost of generating funds	60	66
Management and administration	<u>131</u>	<u>152</u>
	<u>423</u>	<u>805</u>
<b>Net outgoing resources</b>	226	(201)
<b>Gains (losses) on investments</b>		
• Realised	(311)	(14)
• Unrealised	<u>(1,760)</u>	<u>(70)</u>
<b>Net movement in funds</b>	(1,845)	(285)
Fund balances brought forward	10,500	11,463
Prior year adjustment	-	<u>(678)</u>
<b>FUND BALANCES CARRIED FORWARD AT 31 MARCH 2003</b>	<u>8.655</u>	<u>10,500</u>

**Summarised Balance Sheet at 31 March 2003**

	<u>2002/2003</u>		<u>2001/2002</u>	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Fixed assets</b>				
Tangible fixed assets		2		2
Investments at market value		8,915		10,986
Current assets	543		438	
Creditors due within one year	<u>(709)</u>		<u>(746)</u>	
Net current assets		<u>(166)</u>		<u>(308)</u>
Total assets less current liabilities		8,751		10,680
Creditors: amounts falling due after more than one year		(96)		(180)
		_____		_____
<b>Net assets</b>		<u>8,655</u>		<u>10,500</u>
<b>Funds</b>				
Unrestricted Funds		<u>8,655</u>		<u>10,500</u>

These summarised accounts have been extracted from the Financial Statements and may not contain sufficient information to allow for a full understanding of the financial affairs of the AERC. For further information the full Annual Report and audited Financial Statements approved on 10 July 2003 and submitted to the Charity Commission and the Secretary of State for Culture, Media and Sport should be consulted. Copies of these can be obtained from: The Alcohol Education & Research Council, Room 408 Horseferry House, Dean Ryle Street, London SW1P 2AW or from: [www.aerc.org.uk](http://www.aerc.org.uk).

The auditors have confirmed that these summarised accounts are consistent with the Financial Statements, which have been audited by them and on which they have given an unqualified opinion.

Signed on behalf of the Council:

W David Rae  
Chairman of the  
Finance & General Purposes Committee