

The Alcohol Education and Research Council

Report and Financial Statements

Year ended 31 March 2002

Charity No 284748

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Legal and administrative information

Members of the Alcohol Education and Research Council

Dr Noel Olsen	Chairman from 1 February 2002
The Baroness Flather	Chairman until 31 January 2002
Mr W. David Rae	Chairman of the Finance and General Purposes Committee
Mr John Bennett	Chairman of the Education Committee
Professor Robin Davidson	Chairman of the Research Committee
Professor Richard Velleman	Chairman of the Dissemination Committee
Professor Ilana B Crome	
Dr Jonathan Chick	
Ms Perminder Dhillon	
Dr John Kemm	
Mr Henry Fairweather	
Ms Gaye Pedlow	
Mr Peter Harraway	
Mrs Daljit Sidebottom	
Dr Betsy Thom	

Temporary Accounting Officer

Mr W. David Rae

Secretary to the Council

Mr Leonard Hay

Scientific Officer

Professor Ray Hodgson

Administrative Office

Room 520, Clive House, Petty France, London SW1H 9HD

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 2002

The Council presents its report along with the financial statements of the charity for the year ended 31 March 2002. 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. Prior to May 2001 the Home Secretary was the sponsoring authority. 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.

Within this overall purpose the Council aims to:

- *generate and disseminate research-based evidence to inform and influence policy and practice; this includes research on innovative educational initiatives;*
- *support appropriate innovative educational initiatives and*

- *through its studentship scheme to:*
 - *contribute towards the formation of the next generation of academic researchers; and*
 - *assist workers in the alcohol treatment field to provide a better service for their clients by enabling them to obtain appropriate qualifications.*

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 Education and Research Committees consider applications for grants and policy in their subject areas. They have delegated authority to refuse applications but decisions to award grants are subject to endorsement by the Council. The Dissemination Committee was established in 1998 to review and develop the Council's policy in the dissemination of the findings of research sponsored by the Council. The Committee completed its remit in February 2002.

Grant making policy

The Council provides four kinds of grants:

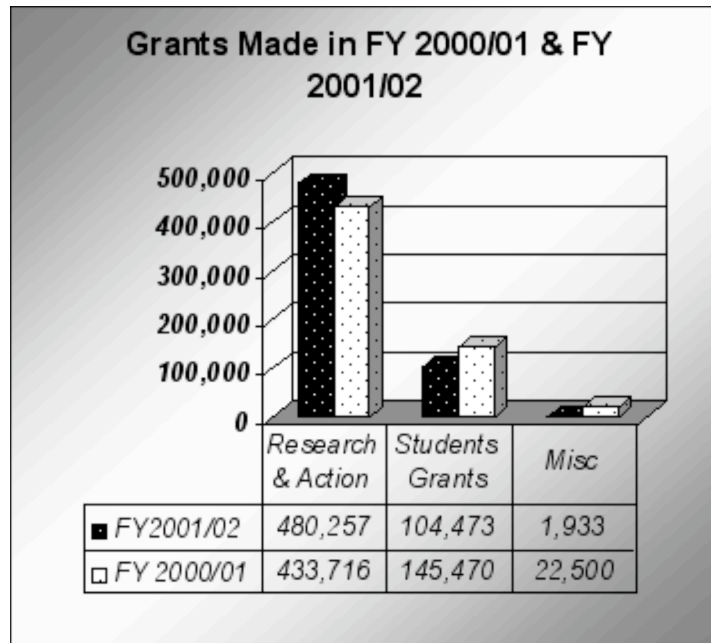
- Research grants are awarded to carry out research into the relevant purposes specified in the Council's statutory objectives. In recent years the Council has accorded priority to developing brief interventions for problem drinkers in primary health care and in hospitals.
- Action project grants are made for a wide range of activities, mostly concerned with new approaches towards alcohol education and services for problem drinkers. For example, during the year it funded work in developing educational materials for use in schools and a website which provides practical help for people who are concerned about their drinking levels.
- Miscellaneous grants are occasionally provided, mainly in connection with seminars and conferences, for example in providing bursaries for students and alcohol workers.
- Studentship grants are awarded through an annual competition. These are in two categories: (a) for students who wish to undertake research in the alcohol field leading normally to a PhD or MSc; and (b) for those who are working in the alcohol field and who wish to acquire appropriate professional qualifications by following a taught course. The purpose of the scheme is to encourage alcohol research and to improve the quality of service provided for those with drinking problems.

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.

Applications for research and action project grants are considered by the Research and Education Committees, normally after they have been peer-reviewed by relevant experts. Applicants are required to provide full details of their proposals in a standard format. As matters of policy the Council will not normally contribute to the running costs of organisations or fund bio-medical projects. In the financial year the Council approved 9 out of 39 applications for research grants, and 2 out of 8 applications for action project grants.

Studentships are awarded for one to three years. The scheme is advertised at the beginning of the year and applications are considered by the Education Committee in May or June. In the financial year the Council approved 4 out of 10 applications for research studentships, and 10 out of 36 applications for taught course grants.

The grants' expenditure in the FYs 2000/01 and 2001/02 is illustrated in the following figure.



Research, action project and studentship grants are funded for periods up to three years and are monitored on an annual basis. It is a condition of every grant made for a period of more than one year that the continuance of the grant is dependent upon the submission of a satisfactory annual progress report.

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

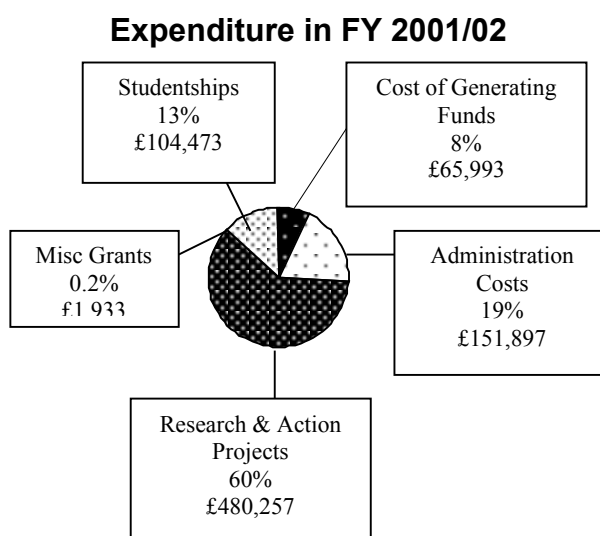
- a full report of the project, in the case of research grants this will be a full academic report;
- a draft *Alcohol Insight* which summarises the key findings and their implications; and
- a shorter *Accessible Report*, This is for use in disseminating the findings to policy makers and to people who are in a position to implement them, such as commissioners of an d 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 20th 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 2002 was £10,499,769. This represented a fall of £284,889 from the valuation at 31 March 2001 (£10,784,648). 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 £603,152 in the financial year and the total Council income was £603,726. The total expenditure was £804,553 and the breakdown of expenditure is illustrated in the figure below.



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. With the coming into force of the Trustee Act 2000 the Council reviewed its investment policy and during the year amended the agreement with Baillie Gifford. In particular, the Council took advantage of the abolition of the requirement under the Trustee Investments Act 1961 to maintain a proportion of investments in the narrower range of securities. Following on from this relaxation in the investment constraints on the Council's portfolio, and on the advice of the fund managers, the Council decided that it might prudently invest a small proportion of the Fund in sub investment grade corporate bonds, but not those below the CCC rating.

The amended agreement set as its investment objective for the Fund the achievement of an initial income of £595,000 per annum net of tax credits and the aim of maintaining the real value of the annual income. This is to be achieved against the benchmark outlined below.

ASSET CLASS	INDICES	WEIGHTING
<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 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 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 4.5% against a return on the benchmark of 1.5%.

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

The Council does not actively engage in fundraising but from time to time it has received donations or bequests. Under section 4 of the Alcoholics Anonymous (dispositions) Act 1986 and bequests made to the *Alcoholics Anonymous Fellowship* are deemed to have been made to the Council. Because of the increase in the demand for grants the Council is about to review its

fundraising policy and as a start it has begun to canvass donations through an advertisement in the Charity and Appeals Directory of the Law Society

In the course of the financial year the Council received £574 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 2002, 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 leaflet CC 19 dated May 1997. 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 undertook an examination of the major strategic, business and operational risks which 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;
- 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. The Council will formally reassess 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

William David Rae
Chairman of Finance and General
Purposes Committee and
Temporary Accounting Officer

26 June 2002

TOTAL INCOME

£603,726

Investment Income

£603.152

Donations From Individuals

£574

TOTAL EXPENDITURE

£804,553

Management and administration

£151,897 (19%)

Research & Action Projects

£480,257 (61%)

Studentships

£104,473 (13%)

Miscellaneous Grants

£2,488 (0.2%)

**SUMMARISED STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended 31 March 2002**

	2001/2002 £000	2000/2001 £000
Incoming resources	604	610
Resources expended		
Grant expenditure	587	602
Cost of generating funds	66	64
Management and administration	<u>152</u>	<u>164</u>
	805	830
Net outgoing resources	(201)	(220)
Gains (losses) on investments		
• Realised	(14)	(827)
• Unrealised	<u>(70)</u>	<u>670</u>
Net movement in funds	(285)	(377)
Fund balances brought forward at 1 April 2001/2000	11,463	11,682
Prior year adjustment	(678)	(520)
FUND BALANCES CARRIED FORWARD AT 31 MARCH 2002	<u>10,500</u>	<u>10,785</u>

Summarised Balance Sheet at 31 March 2002

	2001/2002		2000/2001	
	£000	£000	£000	£000
Fixed assets				
Tangible fixed assets		2		3
Investments at market value		10,986		11,371
Current assets	438		112	
Creditors due within one year	<u>(746)</u>		<u>(543)</u>	
Net current assets		<u>(308)</u>		<u>(431)</u>
Total assets less current liabilities		10,680		10,943
Creditors: amounts falling due after more than one year		(180)		(158)
Net assets		<u>10,500</u>		<u>10,785</u>
Funds				
Unrestricted Funds		<u>10,500</u>		<u>10,785</u>

Grant expenditure was previously accounted for on the basis of amounts paid during the year (net of any sums refunded). In the light of SORP 2000 the Council have reviewed this policy and decided to take the more prudent approach of recognising grants in full at the date on which they receive formal approval. All approved grants are therefore regarded as commitments. In order to reflect this change in accounting policy the comparative figures in these accounts have been restated.

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 26 June 2002 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 520 Clive House, Petty France, London SW1H 9HD or from: 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