

The Alcohol Education and Research Council

Report and Financial Statements

Year ended 31 March 2004

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 | Honorary Treasurer |
| Dr John Kemm | Chairman of the Research Committee |
| Mrs Daljit Sidebottom | Chairman of the Developing People and Organisations Committee |
| Mr John Bennett | Resigned 31 March 2004 |
| Dr Jonathan Chick | |
| Ms Jean Cousins | Appointed 1 April 2004 |
| Ms Joyce Craig | Appointed 1 April 2004 |
| Professor Ilana B Crome | |
| Professor Robin Davidson | Resigned 31 March 2004 |
| Ms Rhoda Emlyn-Jones | |
| Mr Henry Fairweather | Resigned 31 March 2004 |
| Mr Ian Ford | Appointed 1 April 2004 |
| Professor David Foxcroft | Appointed 1 April 2004 |
| Mr Peter Harraway | |
| Professor Gerard Hastings | Appointed 1 April 2004 |
| Professor Richard Hobbs | Appointed 1 April 2004 |
| Ms Gaye Pedlow | |
| Dr Pui-Ling Li | Appointed 1 August 2003 |
| Dr Betsy Thom | Resigned 31 March 2004 |
| Professor Richard Velleman | Resigned 31 March 2004 |

Director, 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 Limited, One Canada Square, London E14 5AL

Solicitors

Arlingtons Sharmas, 6 Arlington Street, London SW1A 1RE

Investment Managers

Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN

**Report of the Alcohol Education and Research Council
for the year ended 31 March 2004**

The Council presents its report along with the financial statements of the charity for the year ended 31 March 2004. 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*:

The Council seeks to develop the capacity of people and organisations to address alcohol issues and also develop the evidence base linked to alcohol policy. Effective dissemination of this evidence to researchers, policy makers and practitioners is an important component of the strategy.

These objectives were redefined as part of the output from the ongoing strategic review of AERC's activities undertaken by Council members during the last twelve months.

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.

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.

Research & Development Priorities

Each year the Council reconsiders priority areas for funding. In the year 2003 - 2004 the main priorities were interventions directed at strengthening families and broad community action projects. In the year 2004-2005 community action will be maintained and projects linked to the Alcohol Harm Reduction Strategy for England will also be given priority.

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 school may be at an increased risk for alcohol abuse and/or dependence.

Families at risk may 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 interventions with families and children can be effective and also that generic health and social care workers can implement them.

This whole area was addressed at our Annual Conference in Birmingham. A summary of the conference can be found on our website (aerc.org.uk and go to News).

A number of Research & Development projects on family interventions have been funded in this financial year.

The future role of the Council

The medical, social, environmental and economic costs of the harm caused by alcohol abuse are considerable, but only small amounts are spent researching better policies, services and educational interventions. A recent report "*100% Proof: Research for Action on Alcohol*"

Sir Alexander Macara Chairman, Alcohol Research Forum: '*100% Proof: Research for Action on Alcohol*' ISBN 1 869814 50 9 Published by Alcohol Concern, London, 2002.

provides an overview of the gaps in the evidence base. Research funding is hugely disproportionate in relation to the social importance of alcohol, the income from alcohol taxation to government, the employment and profitability generated by the industry, and the workload on welfare, criminal justice and health services.

The Council believes that policy and services can be improved by intellectually critical support. Large employing agencies, such as the NHS, and the Probation Service, have lead responsibility for expanding the volume of services and for improving their effectiveness, efficiency and accessibility. But there is a compelling need to improve collaboration, to make services less stigmatising and to promote equal opportunities. Services need to be provided in a more joined up and timely way so that people are identified and helped earlier, before serious harm has occurred. Shortage of funding for research into alcohol over many years, and the resultant poor career prospects have meant that innovative researchers and educators have tended to move into other fields. The Council would like to explore ways in which it can facilitate linkages and enable timely methodological help, and intellectually critical support to be more readily available. The AERC has recently reviewed its strategy. It recognises that inevitably its income cannot meet the need, and goes nowhere near the potential demands from researchers and educators. It recognises it is only one of many organisations focusing upon alcohol abuse. It is keen to collaborate to find better policies and improve services. It does not seek to become a dominant partner in alliances, but recognises that at marginal administrative cost and without further legislation its aims could be substantially and beneficially expanded if it could target key areas and lever and access more funds. It would like to explore with partners how this could be achieved. It has considered funding more in the short-term by consuming capital, but believes its statutory basis, independence, and the breadth and standing of its members within their professions is unusual and valuable and provides an excellent model. The Council will seek to considerably expand its funding base without compromising its independence. For example, it believes it would be well placed to become a Lottery partner, and apply its infrastructure and expertise to acting on behalf of the Lottery in helping develop, prioritise, and support bids. It wants to collaborate with other funding bodies in order to improve the leverage of limited resources.

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.

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.

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

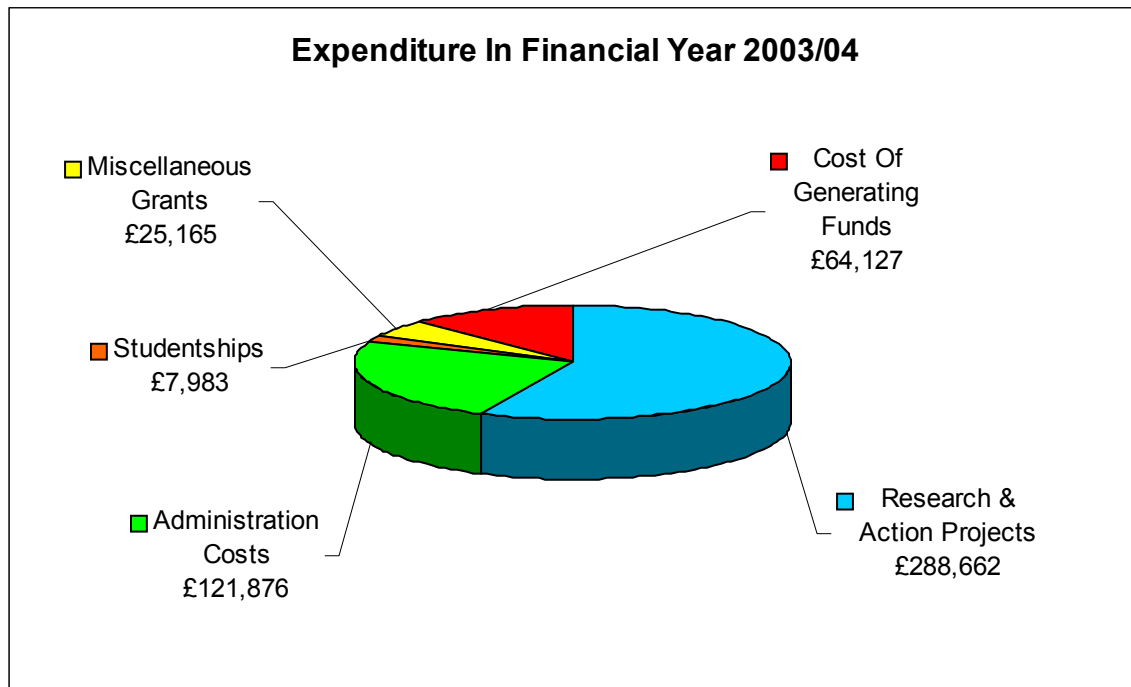
- A shorter *Accessible Report*, This is for use in disseminating the findings to policy makers and to people who are in a position to implement them, such as commissioners of and providers of services.

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 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 2004 was £10,510,895. This represented a rise of £1,856,143 from the valuation at 31 March 2003 (£8,654,752). The increase in the value of the Fund, reflects the partial recovery of the UK stock market over the last year following heavy losses in the two prior years. The Council continues to opt for a conservative investment policy, where the opportunities for capital growth achieved by our Investment Fund Manager are restricted by the need to generate a core level of investment income.

Investments generated income of £626,018 in the financial year and the total Council income was £630,828. This level of income was approximately 3% below the prior year, reflecting the ongoing impact of the withdrawal of tax credits on investment income. Total expenditure amounted to £507,813 of which £121,876 was accounted for by management and administrative expenses. Funding provision for new projects in this financial year was less than anticipated due to a dearth of good quality applications following the change in the Council's research priorities.



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 to maintain its existing investment policy. This policy seeks to generate income from investments in corporate bonds and UK equities. Included within the corporate bond portfolio is a holding in the pooled 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 2004 this investment represented 7.7 % of the Fund’s value.

The discussions with Baillie Gifford also highlighted that the objective of maintaining the real value of annual income was no longer achievable given the fall in market yields. With the investment policy being retained revised income benchmark targets were agreed for the next two financial years as follows:-

- Year to 31 March 2005 £595,000
- Year to 31 March 2006 £605,000

These revised income targets will continue to be assessed 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 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 during the year the fund managers have delivered a level of income that met their revised objective. In terms of performance against the benchmark, Baillie Gifford & Co produced a total return of 27.1% against a return on the benchmark of 24.4%. The Council is of the opinion that investment performance can only be effectively assessed over a longer timeframe than one year. The Council is pleased to note that Baillie Gifford's average annualised performance over a 3 and 5 year timeframe has exceeded the benchmark as follows:-

| | <u>3 Years</u> | <u>5 Years</u> |
|-------------|----------------|----------------|
| | <u>% p.a.</u> | <u>% p.a.</u> |
| Fund | 4.8 | 3.0 |
| Benchmark | 1.8 | 2.2 |

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 is actively seeking to expand its funding base either through collaboration with other funding bodies in the alcohol field or through its innovative approach to become a Lottery partner.

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 £4,810 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 2004, 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 continued to review 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 that the organisations faces were re-confirmed as follows:

- 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 will continue to 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:

Dr Noel DL Olsen
Chairman of Council

Professor Ray Hodgson
Director, Scientific Advisor and Accounting Officer

30 July 2004

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 2004.

CHANTREY VELLACOTT DFK

Chartered Accountants
Registered Auditors

LONDON

Date: 30 July 2004

TOTAL INCOME

£630,828

Investment Income

£626,018

Donations From Individuals

£4,810

TOTAL EXPENDITURE

£507,813

Management and administration

£121,876 (24%)

Cost of Generating Funds

£64,127 (13%)

Research & Action Projects

£288,662 (57%)

Studentships

£7,983 (2%)

Miscellaneous Grants

£25,165(4%)

SUMMARISED STATEMENT OF FINANCIAL ACTIVITIES

For the Year Ended 31 March 2004

| | <u>2003/2004</u> | <u>2002/2003</u> |
|--|------------------|------------------|
| | <u>£000</u> | <u>£000</u> |
| Incoming resources | 631 | 649 |
| Resources expended | | |
| Grant expenditure | 322 | 232 |
| Cost of generating funds | 64 | 60 |
| Management and administration | <u>122</u> | <u>131</u> |
| | <u>508</u> | <u>423</u> |
| Net incoming resources | 123 | 226 |
| Gains (losses) on investments | | |
| • Realised | 194 | (311) |
| • Unrealised | <u>1,539</u> | <u>(1,760)</u> |
| Net movement in funds | 1,856 | (1,845) |
| Fund Balance b/f at 1 April 2003 | <u>8,655</u> | <u>10,500</u> |
| Fund Balance c/f at 31 March 2004 | <u>10,511</u> | <u>8,655</u> |

Summarised Balance Sheet at 31 March 2004

| | <u>2003/2004</u> | | <u>2002/2003</u> | |
|---|------------------|---------------|------------------|--------------|
| | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Fixed assets | | | | |
| Tangible fixed assets | | 2 | | 2 |
| Investments at market value | | 10,647 | | 8,915 |
| Current assets | 597 | | 543 | |
| Creditors due within one year | <u>(637)</u> | | <u>(709)</u> | |
| Net current assets | | <u>(40)</u> | | <u>(166)</u> |
| Total assets less current liabilities | | 10,609 | | 8,751 |
| Creditors: amounts falling due after more than one year | | (98) | | (96) |
| | | <u>10,511</u> | | <u>8,655</u> |
| Net assets | | <u>10,511</u> | | <u>8,655</u> |
| Funds | | | | |
| Unrestricted Funds | | <u>10,511</u> | | <u>8,655</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 30 July 2004 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.

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
Honorary Treasurer