

# Annual Report and Accounts

1 April 2009 –  
31 March 2010



**Equality and  
Human Rights  
Commission**

# **Equality and Human Rights Commission Annual Report and Accounts 1 April 2009–31 March 2010**

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pursuant to paragraph 32 of Schedule 1  
to the Equality Act 2006

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## **Foreword from the Chair**

The financial year 2009/10 was significant for the Equality and Human Rights Commission (the Commission). The Equality Act 2010 received parliamentary approval with broad consensus support and the Commission itself brought to conclusion some important programmes of work.

These included the report of its inquiry into the treatment of workers in the meat and poultry processing industries and the launch of two new inquiries into the harassment of disabled people and human trafficking in Scotland. The meat processing inquiry uncovered some significant evidence of human rights violations in working conditions in the sector and also highlighted good relations issues in the workplace arising from commonplace employment practices.

Our inquiries into race discrimination in the construction industry and gender pay issues in the financial services sector also reported in the year and both led to follow-up programmes of work with organisations representing major employers in each sector.

The Commission's legal strategy also made progress. In 2009/10 we intervened in or supported around 50 discrimination and human rights cases, including the landmark Allen case. This emphasised the need for banks and other service providers to provide reasonable adjustments for disabled customers. The Commission also took action against other organisations which had broken the law including the British National Party. More detail on the year's achievements is included in Annex 3 to this report.

However, there have also been significant challenges in the management and governance of the organisation which we have addressed throughout the course of the year. The reasons behind qualification of our first full set of accounts have been thoroughly investigated and the senior management team have put in place new procurement and financial management processes to deal with these issues.

The Commission's Board has commissioned a series of reviews and taken action to put a new executive team in place. In the course of identifying the underlying causes of the qualification, we have developed a very detailed picture of all the contracts and transactions which have taken place in the year. In the course of this, it became clear that a proper process was not followed in more areas than was originally thought. This has led to the

National Audit Office qualifying our accounts for a third time. The interim Chief Executive Officer will address these issues in more detail in the statement of internal control and they are also covered in the report from the Comptroller and Auditor General.

The Board and I very much regret the fact that the accounts have been qualified for a third time. We remain utterly supportive of the senior management team's work both to put in place new process and to be unstinting in their efforts to uncover as much detail as possible about the failings in procedure which have occurred since the set-up of the Commission and which in some cases predate its creation.

Indeed, some, but by no means all of the contracts which were incorrectly procured were put in place during the transition phase before the Commission opened its doors; during this period, responsibility for these matters was held by the government-sponsored transition team. As the Public Accounts Committee recognised in its report on our 2006/08 accounts, there were a number of flaws in the way in which government set up the Commission.

In addition to management action, a largely new board has strengthened its own governance arrangements to ensure that it is working more effectively and properly holding the executive to account. The Audit and Risk Committee provides the Board with overall assurance of the Commission's financial management and major improvements have been made in the quality of financial reporting.

Two new Board oversight committees have been created: one scrutinising the Commission's use of resources and the other its regulatory and legal activity.

The chairs of all these committees report to every Board meeting on their work and highlight any areas of concern which they have which need to be brought to the attention of the full Board.

I am confident that we have taken appropriate steps at both Board and management level to deal with the governance and procedural problems which have occurred. We are continuing to investigate these so that we can clean the slate for the future. Evidence of compliance with the new procedures which the senior management team have put in place is encouraging. However there remain significant historic issues which we will continue to deal with.

Looking forward, the changing economic climate which started to emerge at the end of the financial year will create new challenges for equality and human rights in the year ahead. Helping to deal with these will be a high priority for the Commission. It will also be important for the organisation to ensure that passing into law of the Equality Act results in tangible progress on the ground.

Trevor Phillips OBE, Chair

## **Chief Executive's review: Key events and achievements in the financial year 2009/10**

The Equality and Human Rights Commission achieved significant successes during the financial year 2009/10, as covered by this report.

During the year, the Commission developed statutory codes of practice and non-statutory guidance on the Equality Act 2010, following extensive consultation with stakeholders. These will enable the courts to interpret the new legislation and provide practical information for individuals and organisations to understand their rights and responsibilities under the new legislation.

The Commission successfully intervened in important legal cases – such as that of David Allen, a young man who brought a case against his bank requiring it to make its premises properly accessible to disabled people, and that of Elizabeth Boyle versus SCA Packaging Limited, which extended the legal protection of disabled people.

We took legal action against organisations we thought had acted in breach of the law. This included the British National Party, which will now have to take the necessary steps to ensure that its constitution complies with the Race Relations Act 1976.

In the course of the year, the Commission carried out several significant and high-profile inquiries into equality and human rights issues.

These included an inquiry into gender discrimination in the financial services sector, which revealed for the first time the true scale of the gender pay gap in banks, insurance firms and other related companies: our proposals for addressing the gap have the potential to benefit half a million women.

As well as this inquiry, we continued to challenge the gender pay gap in employment in general by setting out a series of recommended measures for firms to describe their gender pay gap, encouraging greater transparency and highlighting areas for improvement.

The Commission carried out an inquiry into recruitment and employment practices in the meat and poultry processing industry, revealing the extent of mistreatment of migrant and agency workers taking place, and providing clear recommendations and follow-up actions.

We also carried out an inquiry into the under-representation of non-white ethnic minorities in the construction industry, highlighting that the fragmented nature of the sector is a barrier to a unified approach to diversity and developing a framework to help industry leaders address the issues faced.

The Commission completed a landmark inquiry into human rights, highlighting how a human rights approach to delivering services has made a positive difference for millions of people in Great Britain but also how much more could and should be done to encourage individuals and organisations to understand what human rights mean and how they can be of benefit.

As the UK's accredited National Human Rights Institution, the Commission set out its minimum expectations of any debate about the future evolution of human rights law in the UK, making clear that any reform should improve the level of human rights protection rather than lessen it.

The Commission called on the previous UK government to re-examine its actions where policy proposals may unjustifiably infringe on individuals' human rights, including in relation to: allegations of the use of torture overseas against people suspected of terrorism; the use of body scanners in airports, and the rights of our armed forces personnel when serving abroad.

We submitted influential reports on the UK's performance regarding its international human rights treaty obligations and playing a vital role in the United Nations Human Rights Council. We also helped secure prompt ratification of the United Nations Convention of Rights of Persons with Disabilities, ensuring the number of reservations expressed by the previous government were minimised.

The Commission continued to promote and enforce the public sector duties; notably undertaking our first statutory public sector duty assessment using our section 31 powers to look into the Department for Work and Pensions Jobcentre Plus.

As part of our Working Better initiative on the needs and expectations of older workers and parents, we made recommendations to employers on reforms which would make the workplace more accessible to older people and carers, including the abolition of the default retirement age and radical reform of parental and paternity leave.

Our research included Stop and Think, a report highlighting that a number of police forces are using stop and search tactics in a way that is disproportionate and possibly discriminatory and in breach of human rights.

The Commission published an authoritative review of the allocation of social housing in England and Wales, showing that the popular myth of a bias in the allocation of social housing in favour of migrants has little basis in fact.

We carried out extensive research into the experiences of lesbian, gay and bisexual people in Britain, reporting on what needs to be done to tackle the discrimination and disadvantage and highlighting the areas where organisations will need to focus in order to address the changes required.

Other publications included a report into disabled people's experiences of targeted violence, harassment and hate crime and a review of evidence on inequalities faced by trans people. We also launched new guidance for all public sector authorities to assist them in meeting their obligations with regards to providing goods, facilities and services to trans users.

The Commission is committed to accountability and transparency. As Accounting Officer, working with the senior management team, I am responsible for ensuring the Commission delivers value for public money.

The Commission's accounts for 2006/08 and 2008/09 were qualified by the National Audit Office in respect of irregular payments which resulted from deficiencies in the Commission's system of internal control.

The Commission's previous Director General commissioned reviews into the Commission's governance procedures to establish the extent of weaknesses in the system of internal control during 2009/10 and began to put in place measures to address them. These included strengthening our corporate management procedures to cover areas such as procurement, establishment controls, project management and our funding programme.

The Commission also made significant changes to its senior management team including introducing a new Finance Director who is much better placed to ensure the Commission's financial management complies with the standards expected of us.

The Commission has a new Board, Audit and Risk Committee and stronger and accountability mechanisms in place. We are confident that these measures are securing more effective financial and corporate management.

Some of these improvements, however, were made during the course of the financial year and were therefore unable to address irregular payments which had already been made. Following my appointment as Accounting Officer in October 2010, I undertook additional reviews of payments in 2009/10 which have identified further issues during the year.

As a result of these issues, the National Audit Office has qualified our accounts for a third time, which the Commission sincerely regrets.

Since my appointment, I have made further improvements to the system of internal control. These are detailed in my Statement of Internal Control later in this Annual Report.

The Board has also established a Regulatory Committee and a Resources Committee, which, along with the Audit and Risk Committee, report to the Board. The Commission has appointed new internal auditors. Progress in implementing the actions required to deliver their recommendations is monitored each month by the senior management team and by the Audit and Risk Committee. Financial reports are reviewed by the senior management team each month to monitor the performance of the Commission.

I have established comprehensive controls over staff numbers and sound budgetary controls have been in place throughout the year. The Commission's procurement team has been strengthened, a new procurement policy has been introduced and mandatory training for all staff who undertake procurement activity has been carried out.

Proper record-keeping and procedures for the legal grants programme have been put in place, and the Commission has cleared a substantial backlog of grants payments in line with the recommendations made by our internal auditors.

I am confident that the Commission now has in place proper procurement processes, and the required procedures and controls over its grants programmes.

I believe our ongoing successes, together with the strengthening of our internal procedures during 2009/10, puts the Commission on a firm footing to fulfil its vision of an accountable and independent public body working with, and through, other organisations to be an ambitious catalyst for social change in Britain.

Helen Hughes, interim Chief Executive Officer

# About the Equality and Human Rights Commission

## Our mission

The Equality and Human Rights Commission (the Commission) is the independent advocate for equality and human rights in Britain, and has a remit to reduce inequality, eliminate discrimination, challenge prejudice, strengthen good relations between people, and promote and protect human rights.

The Commission is a non-departmental public body created under the provisions of the Equality Act 2006 and was established on 1 October 2007. It extends the reach of and builds on the achievements of three former individual equality commissions: the Commission for Racial Equality (CRE), the Disability Rights Commission (DRC) and the Equal Opportunities Commission (EOC).

The integrated single Commission covers England, Scotland and Wales, where it is responsible for encouraging compliance with the Human Rights Act 1998 and has been granted powers to enforce equality legislation on age, disability, gender, gender reassignment, race, religion or belief, and sexual orientation.

The Commission has duties and powers to:

- uphold the rights of individuals and tackle instances of discrimination
- use influence and authority to ensure equality and human rights are at the top of agendas for government, employers, media and society
- campaign for social change and justice
- provide information, guidance and advice on discrimination and rights in specific settings to businesses, the voluntary and public sectors, and individuals
- stimulate debate and reform on equality and human rights by fostering partnerships at local, regional and national levels
- develop an evidence-based understanding of the causes and effects of inequality for people across Britain, and
- act directly to enforce legislation.

## **Our management structure**

In the financial year 2009/10:

- The Board of Commissioners, led by the Chair, Trevor Phillips, was responsible for setting the strategic direction of the Commission.
- The Accounting Officer was responsible for business delivery and for advising the Board on emerging strategic priorities. The role of Accounting Officer was undertaken by Chief Executive Dr Nicola Brewer until she left the Commission on 13 May 2009. Neil Kinghan's appointment as interim Director General took effect on 7 May 2009, and his duties included acting as the Commission's Accounting Officer until his departure on 30 September 2010. Since Neil's departure Helen Hughes, formerly Group Director Corporate Management at the Commission, has been appointed as interim Chief Executive and Accounting Officer until Mark Hammond becomes Chief Executive later this month.
- The Commission's three statutory committees for Disability, Wales and Scotland were each chaired, respectively, by: Alun Davies (until his resignation on 31 December 2009) then Mike Smith (following his appointment as a Commissioner from 4 December 2009); Dr Neil Wooding (until his term of office ended on 3 December 2009) then Ann Beynon OBE (following her appointment as Wales Commissioner on 4 December 2009), and Morag Alexander (until her term of office ended on 28 March 2010) then Kaliani Lyle (with effect from her appointment as Scotland Commissioner on 29 March 2010).

## **Delivering our strategic priorities in 2009/10**

The Commission's 2009-12 strategic plan identified five strategic priorities to guide all our work. These priorities were developed through extensive consultation and involvement with over 1,000 stakeholders. They are to:

1. Secure and implement an effective legislative and regulatory framework for equality and human rights.
2. Create a fairer Britain, with equal life chances and access to services for all.
3. Build a society without prejudice, promote good relations and foster a vibrant equality and human rights culture.
4. Promote understanding and awareness of rights and duties, and deliver timely and accurate advice and guidance to individuals and employers.
5. Build an authoritative and responsive organisation.

Our 2009/10 business plan identified 12 key delivery targets to support these priorities. Annex 3 summarises the targets, and shows how we have delivered against them. The following chapter sets out what the Commission pledged to achieve, and what we have delivered.

### **Strategic priority 1: Secure and implement an effective legislative and regulatory framework for equality and human rights**

1. *Produce statutory codes of practice and practical, accessible non-statutory guidance through wide consultation in support of the Equality Act.*

The Commission welcomed the government's Equality Bill (now the Equality Act 2010, having received Royal Assent on 6 April 2010) as a vehicle to modernise and improve equality law.

The Bill had its second reading in the House of Commons on 11 May 2009. For this, and for subsequent significant stages of the Bill's parliamentary progress, the Commission produced briefings to help MPs and peers understand its position on its overall principle and key provisions.

The Commission produced information to help stakeholders understand the Bill's potential impact. In December 2009, we held an event, aimed primarily at a business audience, explaining the Bill's provisions on positive action.

The Commission has a responsibility to help individuals, businesses, public services and charitable organisations understand their new rights and responsibilities under the Act.

In 2009/10, the Commission began to produce two types of document to explain the Act. The first are statutory codes. These are formal legal documents, whose primary intended use is by courts, tribunals and legal staff in the application of the law.

In January 2010, the Commission published the drafts of the first statutory codes for public comment. These were drafts of an employment code and also a services, public functions and associations code. Stakeholders said it would be useful to have a separate equal pay code so the Commission also published a draft of this. The consultation closed in April. Over 100 responses were received.

The second type of document the Commission began to produce in support of the Act was non-statutory guidance. During summer 2009, the Commission set up a reference group of key equality organisations, business representatives and other interested parties in order to learn what they wanted from non-statutory guidance. They said that guidance should explain the law simply, in an accessible style and with plenty of practical examples.

For the first tranche of non-statutory guidance, the Commission committed to producing five sets of guides: for employers and employees, for service providers and service users, and a 'what's new'-style guide.

An extended period of engagement with stakeholders began on 25 January 2010 and ran through to mid April. This comprised an interactive online consultation, 11 consultation events across the country and a series of stakeholder meetings.

Work to improve these drafts of statutory codes and non-statutory guidance, to produce further tranches of each, and to prepare for their publication will continue into the financial year 2010/11.

- 2. Publish the findings of the Human Rights Inquiry and consult on and develop a three-year strategy to establish human rights in all our work and support public service delivery through human rights approaches.*

The Human Rights Inquiry, originally launched on 6 March 2008, was chaired by Dame Nuala O’Loan. The lead Commissioner on the inquiry was Professor Francesca Klug, who sat on the panel with fellow Commissioners Sir Bert Massie and Dr Neil Wooding. The inquiry had two major terms of reference:

- to assess progress towards the effectiveness and enjoyment of a culture of respect for human rights in Great Britain, and
- to consider how the current human rights framework might best be developed and used to realise the vision of a society built on fairness and respect, confident in all aspects of its diversity.

The Commission launched the findings of the Human Rights Inquiry on 15 June 2009 with the then Justice Secretary, the Rt Hon Jack Straw MP, as the keynote speaker.

The report drew on the accounts of more than 2,800 people from all walks of life who gave evidence on written submissions and on polling and deliberative research. It represented the most important analysis of how the Human Rights Act 1998 was working in practice since it was passed into law.

The report found that human rights play an essential role in safeguarding individuals’ dignity and privacy, in making public services work better, and in providing a ‘rules of the road’-style framework to enable people to live together in a diverse society. It also found that there are some serious misunderstandings and misconceptions about human rights in public debate.

Drawing on the evidence from the inquiry, in November 2009 the Commission published its three-year Human Rights Strategy.

The strategy included commitments to:

- create a climate of respect for human rights – through promoting understanding, demonstrating the value of human rights law in people’s everyday lives, and using legal powers
- promote widespread and accurate understanding of human rights and help to translate the law into practical action by public, private and voluntary organisations, and
- develop innovative ways to measure the performance of government and public authorities on human rights, and work to strengthen the degree of accountability of the UK government to the United Nations in relation to torture, race discrimination and disability rights.

One of the core principles in the strategy was for any future legislative developments, such as a proposed Bill of Rights, to have the rights and remedies of the Human Rights Act at their heart, so that the protection it provides is retained.

This message was at the heart of the Commission's response to the government's Green Paper on the Bill of Rights, Human Rights Act Plus. This response was published on 1 March 2010, and was accompanied by a debate involving speakers from the three largest political parties, in which they set out their views on the future of Britain's human rights framework.

**3. *Pursue strategic legal casework and interventions targeting 100 legal actions with a 70 per cent success rate.***

In 2009/10 the Commission pursued 98 strategic legal actions and interventions. In addition we took over 245 pre-enforcement actions and referred 73 cases for conciliation to the Equality Mediation Service. As part of this work, we intervened in a number of landmark, high-impact cases to clarify or challenge elements of the law, including:

- The Lunt case, which underlined the importance of local authorities licensing properly accessible taxis for disabled passengers.
- The Smith case, raising the question of the state's responsibilities towards armed forces personnel on active duty abroad, and of whether those personnel were covered by the Human Rights Act 1998.
- The Jewish Free School case in order to argue against a potential narrowing of the scope of race relations legislation.

We also requested a judicial review against the National Offender Management Services in relation to the transfer of foreign prisoners. This reaffirmed the importance of public authorities taking into proper consideration the impact of their decisions on ethnic minority and disabled people.

The Commission also took legal action against the British National Party, establishing that their membership criteria, which excluded people on the basis of race, were unlawful.

## **Strategic priority 2: Create a fairer Britain, with equal life chances and access to services for all**

### **4. *Promote and enforce the public sector duties, working with inspectorates and regulators to monitor compliance.***

Public authorities such as schools, hospitals and local councils have a statutory duty to promote equality of opportunity and eliminate discrimination in relation to race, gender and disability. These duties are a powerful means of helping to achieve substantive equality, and of making public services work better for everyone. The Commission has a key role in ensuring that public bodies take their duties seriously and meet the standards set out in law.

In 2009/10, the Commission monitored compliance with the law and, where there were serious concerns, called public authorities to account:

- In September 2009, the Commission wrote to Hinckley and Bosworth Council asking for evidence of compliance with its legal duty to eliminate disability-related harassment, following the Coroner's Inquest into the deaths of Fiona Pilkington and her daughter Francesca.
- In November 2009, following its work on the Map of Gaps and the provision of support for women who have experienced domestic violence, the Commission issued compliance notices to three local authorities warning of their need to take immediate steps to address gender inequality in their community or face legal action for failing to comply with the Sex Discrimination Act 1975.
- In December 2009, the Commission issued compliance notices to three NHS Trusts warning of their need to take immediate steps to address race equality or face legal action for failing to comply with the Race Relations Act 1976. These authorities had failed to set out in a race equality scheme what they intended to do to monitor the impact of their work on people of different backgrounds or train staff on their responsibilities in relation to race equality.
- In March 2010, the Commission published Stop and Think, an analysis of the use of stop and search powers by different police forces. It highlighted that, nationally, black people are stopped and searched at six times the rate of white people. Asian people are stopped twice as often as white people. The Commission wrote to the police forces with the most disproportionate use of stop and search tactics to express concerns and to highlight the good practice in other forces.

In 2009/10 the Commission also sought to help public authorities understand their various equality duties and meet them effectively in the first place. In February 2010, it launched new guidance for all public sector authorities to assist them in meeting their obligations with regards to providing goods, facilities and services to trans users. Under the existing Sex Discrimination Act, public authorities (including hospitals, NHS providers and prisons) are required to assess the inequalities being experienced by women and men (including trans users) of their goods and services.

The Commission recognises that with over 40,000 public sector organisations across the UK, an effective approach to regulation requires partnership with other public regulators. In 2009/10 we continued to build relationships with a range of public service inspectorates including Ofsted and the Audit Commission. We also signed a Memorandum of Understanding with the Care Quality Commission (CQC), setting out how the two organisations will work together. We have, for example, made a commitment to adopt a joint approach to training CQC staff on the Equality Act, which will put a concern for equality and human rights at the heart of the way residential homes and other care services are regulated and assessed.

**5. *Develop a set of metrics for gender pay reporting in consultation with business bodies and trade unions.***

In order to make fresh progress in closing the gender pay gap, the government asked the Commission to work with stakeholders to produce metrics for measuring the gender pay gap. Encouraging employers to publish details of the differences in wages between men and women could create a new incentive to tackle disparities.

The Commission led a consultation involving representatives from the Confederation of British Industry (CBI), Trades Union Congress (TUC) and other organisations, including businesses in the private sector, voluntary sector representatives, trade unions and equal pay experts.

In January 2010, following this consultation, the Commission released proposals outlining the voluntary measures organisations with more than 250 employees can use to publish information on pay differentials between men and women.

The Commission said that employers which chose to analyse and report publicly their gender pay gaps would receive limited immunity from investigation.

6. a) *Conduct and publish the findings of existing inquiries into:*
- *the construction industry (on race discrimination)*
  - *the financial services sector (on gender discrimination), and*
  - *the meat and poultry processing industry (on inequality of the treatment of agency staff).*

In July 2009 the Commission published the findings of its inquiry into race discrimination in the construction industry. The construction industry is a vital sector of the economy, supporting some three million jobs. Ethnic minorities make up just 3.3 per cent of that workforce, up from 1.9 per cent in 1999. This compares to ethnic minorities making up 7.9 per cent of the national workforce.

The Commission's report was based on both existing data and original research, including interviews with more than 1,500 people employed in the industry. It made 31 broad-based recommendations, including in relation to training and education, recruitment and contracting, retention, unlawful discrimination, and monitoring and influencing change.

Following publication, the Commission spoke to industry bodies and stakeholders, including relevant government departments, trade unions, education providers and careers advisers, and key coordinating bodies like the National Apprenticeship Service and sector skills councils. The Commission published a follow-up action plan in February 2010. This set out a number of practical commitments by the Commission and other bodies, including the launch of a Construction Leadership Diversity Forum and a drive for better monitoring of diversity data in the sector.

In September 2009 the Commission published its inquiry into gender discrimination in the financial services industry. Financial services companies, including banking and insurance businesses, employ more than a million people across the country, and men and women are represented in its workforce in roughly equal numbers. Yet the Commission's research uncovered a significant overall pay gap, around twice as large as the pay gap in the economy as a whole, and particular disparities in some areas of pay policy. Women in some of the UK's leading finance companies receive around

80 per cent less in performance-related pay than their male colleagues. The report made a number of recommendations to seek to address the policies and practices which may contribute towards the pay gap. The recommendations included that financial firms appoint a senior leader to champion gender equality, carry out and publish annual equal pay audits, and ensure that maternity, paternity and paternal support systems are in place and are effective.

The Commission has now begun the third phase of its inquiry which will involve collaboration with finance companies, employees, industry associations, leaders, regulators and trade unions to develop more targeted solutions to the gender inequalities identified in its report.

In March 2009, the Commission's report into the meat and poultry processing industry was published. The meat and poultry industry employs more than 85,000 people and it makes a particularly significant contribution to the local economy in certain areas including the east of England, the East Midlands and South Wales.

The Commission's report, which was published in 2010 found evidence of the mistreatment and exploitation of migrant and agency workers in the meat and poultry processing sector. Workers reported physical and verbal abuse and a lack of proper health and safety protection, with the treatment of pregnant workers a particular concern. In some cases, the report highlighted conditions which flouted minimum ethical trading standards and basic human rights.

The inquiry also uncovered some examples of good practice by firms, employment agencies and public bodies which helped to maintain ethical standards. The report's recommendations sought to make this good practice more widespread. It called for supermarkets to improve their auditing of suppliers; processing firms and agencies to improve recruitment practices, working environments and the ability of workers to raise issues of concern; and for the government to provide sufficient resources for the Gangmasters' Licensing Agency. The Commission made a commitment to review progress made over the next 12 months by supermarkets and to consider taking further action if necessary.

*b). Consider launching an inquiry into the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD).*

In the financial year 2009/10, the Commission gave careful consideration to the case for launching an inquiry into the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD) and gathered evidence. We have agreed that the most opportune time to conduct such an inquiry would be after the UK government submits its report in June 2011, both to scrutinise the government's report and as part of the process of gathering evidence for a shadow report in 2012.

In 2010/11 however the Commission continued to identify what it believes to be the most important priorities in relation to the UK's performance in implementing the Convention in order both to influence the government's own report and to lay the foundations for its work leading to the shadow report.

In addition, the Commission is involved in continuing work to enable disabled people and their advocates to make best use of the Convention, and to hold government to account for its performance against the standards set out in the Convention.

In 2009/10 the Commission also set out its plans for two further major inquiries. In December 2009 it announced its intention to carry out a formal inquiry into disability-related harassment and the role of public authorities. And in February 2010 the Equality and Human Rights Commission Scotland began a formal inquiry into human trafficking, with a particular focus on commercial sexual exploitation.

**Strategic priority 3: Build a society without prejudice, promote good relations and foster a vibrant equality and human rights culture**

- 7. Inspire the next generation to embrace the values of equality, human rights and good relations by developing 1,000 young equality leaders, building on our youth camps and Young Brits at Art projects and working with schools to develop teaching materials to promote equality, human rights and good relations.*

Following the success of the Young Brits at Art competition in 2008/09, which attracted 1,639 entries, in November 2009, the Commission relaunched the contest for 2009/10. The competition encouraged young people to consider the question: 'What would the world look like if we lived without prejudice?' The organisations which took part included a young mothers' unit, a lesbian, gay, bisexual and trans (LGBT) youth group, and a large number of schools. In July 2009 the Commission announced the 10 winners of the Young Brits at Art competition for 2008/09.

In August 2009, more than 90 UK young people from all walks of life attended Our Space, the Commission's annual summer camp. The event aimed to help break down barriers of mistrust which can exist when people from different backgrounds do not interact. Participants were aged between 13 and 15, and the camp gave them the opportunity to make new friends, learn new skills and build their confidence.

In September 2009, the Commission launched the campaign Young People: Know Your Rights to Fair Treatment, which was aimed at young people aged 16 to 25 plus their teachers, careers advisers and future employers. The information pack, distributed by schools across the UK, included a pocket-sized booklet with real-life stories told to us by young people and included advice on where to turn for help.

In November 2009, the Commission hosted an event marking the 20th anniversary of the United Nations Convention on the Rights of the Child. A number of young equality leaders expressed their thoughts on the importance of the Convention, and on what rights mean to them. Their presentations were made available through the Commission's website.

In December 2009, the Commission hosted an event on identity-based bullying. A group of young equality leaders were encouraged to devise campaigns to confront bullying on the grounds of race, disability and sexual orientation. Guest speakers from groups including Mencap and the Muslim Youth Helpline helped them develop their ideas. The young people who came up with the three best ideas were encouraged to put them into practice in their own school and local community. Their accounts of how they got on were made available through the Commission's website.

**Strategic priority 4: Promote understanding and awareness of rights and duties, and deliver timely and accurate advice and guidance to individuals and employers**

8. *Launch a new strategic funding programme for advocacy, good relations and legal advice, focusing on projects which directly serve individuals and promote good relations in communities.*

In the financial year 2009/10, the Commission invited applications to its strategic funding programmes designed to provide support for groups who work in the field of equality, human rights and good relations.

In November 2009, the Commission announced which voluntary sector organisations (including law centres, advice bureaux, racial equality councils, disability advice specialists and human rights organisations) would receive grants under the strategic funding programme designed to support those organisations that offer legal advice on equality and human rights issues.

In the same month, the Commission announced the award of support to community and voluntary sector organisations across England, Scotland and Wales under the strategic funding programmes focusing on advocacy and good relations. These organisations provide guidance, advice and advocacy services to help break down discrimination and inequality in areas including education, health and employment. Funding also supports organisations building good relations, particularly between groups, or in areas, where there are known tensions.

The projects awarded grants by the Commission included:

- Barking and Dagenham Racial Equality Council: to fund work to draw different communities together, supporting interaction and participation within the community.
- Derbyshire Friend – LGBT Specialist Support and Advocacy Services: to raise awareness and provide advocacy services to reduce isolation, hate and harassment.
- Bonny Downs Community Association in London: to help older people with advice, support, training and advocacy.
- Glasgow Disability Alliance: to recruit and nurture the next generation of disabled leaders in conjunction with Glasgow Centre for Inclusive Living.

- National Youth Theatre of Great Britain: to fund an education programme using drama to explore the issues around young people using knives.
- Living Options Devon: to help test a new, nationally important, deaf-led rural advocacy, information and peer support service.
- Kick It Out: to fund a leadership programme to increase the diversity within the football industry for coaches and administrative staff.

A full list of all groups funded is available through the Commission's website.

9. *Build new narratives for new audiences through campaigns to promote the advice and guidance we offer – particularly helpline users and small businesses – and developing our digital channels, enriching them with new content, to engage the public with our mandate.*

In 2009/10, through our Working Better initiative, the Commission sought to engage with the private sector to show that promoting diversity in the workplace can be straightforward and, very often, in an employer's best interests.

To support this work, we published Working Better: A Manager's Guide to Flexible Working. This guidance was designed to explain the benefits of flexible working in a concise, practical manner that would appeal to a business audience, including small and medium enterprises (SMEs). The launch took place at a conference of the Greater Manchester Chamber of Commerce, at which the Commission's Chair, Trevor Phillips, gave a speech.

In February 2010, the Commission published Working Better: The Over 50s, the New Work Generation. This report drew on original research highlighting the fact that many older workers have significant potential and are both willing and able to keep on working, but find that factors including a default retirement age and a lack of availability of flexible working prevent them from doing so. The report made policy recommendations, including suggestions to the business community on how they could best harness the potential of older workers.

The Commission has continued to drive excellence in the provision of frontline advice services through the Transfer of Expertise projects across the three nations. In England, 3,000 delegates had an opportunity to visit the Commission's advice stand at two major national conferences: Citizens Advice and the TUC. A programme of regional training events attracted

a total of 500 advisers from the voluntary and community sector, taking away expertise on the new equality regulations to cascade through their organisations.

In Scotland, a series of roadshows were held in partnership with the Scottish Employment Rights Network, attracting 200 delegates from Citizens Advice and trade unions. These events raised awareness of the legislation and sourced priority cases for legal intervention. The Commission also exhibited at events such as the Scottish Trades Union Congress (STUC) and Association of Chief Police Officers in Scotland (ACPOS) conferences on LGBT issues.

In Wales, two university-based courses in Employment Tribunal Skills and Equality Law enrolled 40 advisers who successfully gained an accredited qualification.

The Commission's booklet *50 Difficult Questions on Equality and Good Employment Practice* aimed to answer employers' most common queries in a clear and accessible manner. Copies were made available at the British Chambers of Commerce annual conference in March 2010.

The Commission continued to make material about its work available through YouTube, and sought to reach audiences through social media channels including Twitter and Facebook.

## **Strategic priority 5: Build an authoritative and responsive organisation**

### **10. *Develop our relationship with stakeholders with clear pathways for involvement in our work.***

Stakeholders played a vital role in shaping and informing almost every aspect of the Commission's work in 2009/10:

- More than 100 groups and individuals commented on the drafts of the statutory codes on the Equality Act.
- A number of representatives from the private, public and voluntary sectors acted as a sounding board during the production and publication of drafts of non-statutory guidance on the Equality Act.
- A similar mix of business, trade unions and advocacy groups were involved in the discussions leading up to the publication of the Commission's proposals on how to measure gender pay transparency.

- Our Bill of Rights debate on 1 March 2010 attracted 100 guests, including human rights lawyers, advocacy groups and journalists.

The Commission also recognised the importance of further strengthening our communication and work with stakeholders, and during 2009/10 we have taken a number of steps to achieve this. Different members of the Board now act as ‘champions’ on specific issues, including human rights and each of the equality strands for which the Commission is responsible. The Board champion acts as a focal point for other organisations with an interest in that particular issue. Our aim is that this should allow a more productive dialogue between the Commission and the groups with which it shares key objectives.

We also published *What Our Plans Mean for You*, highlighting key issues the Commission has championed and intervened on across the seven protected grounds and human rights.

**11. *Finalise the equality measurement framework and prepare our first triennial review.***

Every three years, the Commission is required by law to set out the progress society is making on equality, human rights and good relations. Work to prepare for the first such triennial review reached a new level in the financial year 2009/10.

The publication of the review marks a significant moment for the Commission. It is the most complete and wide-ranging account of inequalities in modern society. It will galvanise action from public and other bodies to address those inequalities; it will help the Commission understand where it should be directing its resources as a matter of priority, securing greater value for public money; and it will give other public bodies a similar means of assessing priorities as they seek to meet their own statutory equality duties.

Following discussion with various public services, advocacy organisations and members of the public, the Commission published the outline Equality Measurement Framework in July 2009. This sets out, across 10 different areas or domains, the elements that are vital for everyone to thrive in life – including personal security, education, employment, health, and the opportunity to exercise power and influence.

Practical measures relating to each of the domains form the backbone of the triennial review. In 2009/10 the Commission began to collate data and evidence on these measures. Work to prepare and publish the triennial review continued into the financial year 2010/11 and the document was laid before parliament in October 2010.

As part of this work, in October 2009, the Commission published *Beyond Tolerance*, a summary of research into the discrimination and disadvantage experienced by lesbian, gay and bisexual people. Later in the same month, the Commission published a summary of research on the available evidence of discrimination and disadvantage faced by trans people. We also conducted research, together with the Government Equalities Office and the Department for Work and Pensions, on the impact of recession on different groups. The latest edition of this was published in December 2009.

Between October 2009 and January 2010, the Commission called for submissions, inviting individuals and organisations to share their experiences of discrimination, unfairness and inequality.

**12. *Build our organisational capability including improvements to our Helpline service and our regulatory approach and function.***

During 2009/10 we took a number of actions to build our organisation's capability. Firstly, we strengthened our governance and decision-making arrangements, introducing a new governance manual and streamlined committee structures. In November 2009, the government announced the appointment of new Commissioners to the Board, bringing a range of experience in equality issues, human rights, the private sector, public service and corporate governance.

Secondly, a review of the Helpline service was completed and a re-organisation implemented in October 2009. However, further development of our regulatory approach and intelligence function will be undertaken during 2010/11.

Finally, as part of our learning and development strategy, a new leadership programme was rolled out to over 70 staff and, in addition, over 200 signed up for an e-learning package covering equality and business skills. We have also made improvements to our internal communications, with the launch of a new intranet site, weekly staff updates and monthly open meetings.

## **Board of Commissioners**

Below is a list of Commissioners who served between 1 April 2009 and 31 March 2010. A new Board took office on 4 December 2009, with three Commissioners reappointed.

### *Trevor Phillips OBE (Chair)*

Trevor initially studied as a chemist, then went into a career in broadcasting and publishing. He was a member of the Greater London Authority and chaired the London Assembly. He is a board member of Aldeburgh Music and a patron of the Sickle Cell Society. Trevor was previously Chair of the Commission for Racial Equality (CRE) and when his first three-year term of office at the Equality and Human Rights Commission ended on 10 September 2009, he was reappointed for a further three-year term.

### *Baroness Margaret Prosser of Battersea OBE (Deputy Chair)*

Margaret has been an active member of the trade union movement, and is a member of the House of Lords. She was Chair of the Women's National Commission and the Women and Work Commission. She is also a non-executive director of Royal Mail. She was reappointed for a second three-year term at the Equality and Human Rights Commission from 4 December 2009.

### *Stephen Alambritis*

Stephen is head of public affairs at the Federation of Small Businesses and a Labour councillor for Ravensbury ward in the Mitcham and Morden parliamentary constituency. He was previously a member of the Better Regulation Task Force and a member of the Disability Rights Task Force, and he was also a Commissioner of the Disability Rights Commission (DRC) until its closure at the end of September 2007.

### *Morag Alexander OBE*

Morag has a lifelong commitment to equality and was an active campaigner for Scottish devolution. She is a lay member of the General Optical Council and was the first convener of the Scottish Social Services Council. She was also a trustee of Turning Point Scotland and chaired the early years advisory group of Children in Scotland. Morag's term of office ended on 28 March 2010.

### *Kay Allen*

Kay is recognised as one of the leading diversity specialists in the UK. She is MCIPD qualified with over 16 years' direct experience in diversity

management. She is currently group head of social policy and inclusion at Royal Mail. Kay's term of office ended on 3 December 2009.

*Ann Beynon OBE*

Ann has been BT Director Wales since 2004 and is the organisation's strategic and development representative for Wales. Before joining BT in 1998, she held a number of senior business development posts. Ann was awarded an OBE in 2008 and was the Prince of Wales's Ambassador in the Community for Wales from 2005-06.

*Baroness Jane Campbell DBE*

Jane is an independent health and social care policy adviser. She is Chair of the Office for Disability Issues Independent Living Review Expert Panel, and was Chair of the Social Care Institute for Excellence. Jane has a long history of parliamentary lobbying for improved civil and human rights for a range of excluded communities. Jane resigned from the Commission on 16 July 2009.

*Kay Carberry CBE*

Kay is Assistant General Secretary of the TUC. She has been involved in public policy development across a range of areas and has served on a number of government advisory bodies on equality, education, training and employment. Kay was reappointed for a second three-year term at the Equality and Human Rights Commission from 4 December 2009.

*Jeannie Drake CBE*

Jeannie is a member of the Employment Appeal Tribunal, a board member of the Pension Protection Fund, acting Chair of the Personal Accounts Delivery Authority and an independent member of the Walker Guidelines Monitoring Group for the UK private equity sector. Jeannie's term of office ended on 30 September 2009.

*Meral Hussein Ece OBE*

Meral has been a local councillor for 15 years and was the UK's first female councillor from the Turkish community. She was cabinet member for Health and Adult Social Care at Islington Council; a non-executive director of Camden and Islington Mental Health and Social Care Trust, and part of the cross-party Black, Asian and Minority Ethnic Women Councillors Taskforce. Meral is also an accredited local government peer reviewer for the Improvement and Development Agency (IDeA) and received an OBE in 2009 for services to local government.

*Reverend Joel Edwards*

Joel has served on a number of faith, government and public agency advisory groups and is a regular broadcaster for UK and international media. He was General Director of the Evangelical Alliance until September 2008 and became International Director of Micah Challenge International in January 2009. Joel resigned from the Commission on 31 January 2010.

*Baroness Sally Greengross OBE*

Sally has been a crossbench (independent) member of the House of Lords since 2000. She is Chief Executive of the International Longevity Centre UK. She also co-chairs the Alliance for Health and the Future. She is Chair of the advisory groups for the English Longitudinal Study on Ageing and the New Dynamics of Ageing. She is Vice President of Age Concern England. Sally was reappointed for a second three-year term at the Equality and Human Rights Commission from 4 December 2009.

*Professor Kay Hampton*

Kay is Professor of Communities and Race Relations at Glasgow Caledonian University. She is also a Commissioner of the Scottish Human Rights Commission. She was the last Chair of the CRE. Kay resigned from the Commission with effect from 30 April 2009.

*Dr Jean Irvine OBE*

Jean holds a number of board positions including non-executive director of Chelsea Building Society, trustee and Director of RADAR (the UK's largest disability campaigning organisation), and non-executive board member for the Department for Business, Innovation & Skills. She held a number of senior positions within the Post Office and has worked at director level in the public, private and third sector.

*Professor Francesca Klug OBE*

Francesca is a professorial research fellow at the London School of Economics (LSE) and Political Science and Director of the Human Rights Futures project. She is based in the Centre for the Study of Global Governance and is a Senior Research Associate at the Centre for the Study of Human Rights. She is also a member of the Advisory Committee for the LSE's Centre for Analysis of Social Exclusion. Francesca resigned from the Commission on 17 July 2009.

### *Kaliani Lyle*

Kaliani started her career as a community education worker at the YWCA. She then became Edinburgh District Council's first race relations officer, worked with the Wester Hailes Partnership, and became Chief Executive of the Scottish Refugee Council in 1995. From 1998 until her retirement in March 2010, she was Chief Executive of Citizens Advice Scotland, and in 2007 she received the Institute of Contemporary Scotland's Alastair Hetherington Award for Humanitarian Service.

### *Angela Mason CBE*

Angela is a recognised champion of equality and human rights, and was Director of Stonewall and head of the Women and Equality Unit at the Department for Communities and Local Government. She is now national advisor on equalities and cohesion at the IDeA, Chair of the Fawcett Society and patron of the UK Lesbian & Gay Immigration Group.

### *Sir Bert Massie CBE*

Bert is the Commissioner (Chair) of the Commission for the Compact and was Chair of the DRC until its closure at the end of September 2007. He is trustee of several voluntary organisations including Motability and is a Governor of Liverpool John Moores University. Bert resigned from the Commission on 18 July 2009.

### *Professor Ziauddin Sardar*

Ziauddin is a writer, broadcaster and academic. He has written extensively about issues of human rights, equality and community. He has previously acted as an advisor on equality, development and constitutional matters to international organisations and numerous national governments. Zia's term of office ended on 3 December 2009.

### *Baroness Maeve Sherlock OBE*

Maeve Sherlock has chaired a number of non-government organisations and government-appointed bodies. She is currently at Durham University doing research for her doctorate on the subject of the interface between faith and the state in modern Britain. She is a member of the Carnegie Commission of Inquiry into the Future of Civil Society.

### *Michael Smith*

Mike consults on equality and board governance issues for private, charity and third sector organisations. He worked for PricewaterhouseCoopers for

19 years and has been involved in equality and diversity organisations for the last decade, starting with the disability movement in Tower Hamlets. Since 2005, Mike has been Chair of the National Centre for Independent Living and since 2006 he has been on the board of Stonewall. Since January 2010, Mike has been Chair of the Commission's Disability Committee.

*Ben Summerskill OBE*

Ben is Chief Executive of Stonewall. He has successfully led parliamentary campaigns for the introduction of civil partnership, pioneering new 'goods and services' protections for gay people and the new criminal offence of incitement to homophobic hatred. Ben's term of office ended on 3 December 2009.

*Professor Geraldine Van Bueren*

Geraldine is professor of international human rights law at Queen Mary, University of London, and visiting fellow at Kellogg College, Oxford. She is a barrister and associate tenant at Doughty Street Chambers, and works extensively with governments and intergovernmental organisations such as UNESCO. She is also a member of the Attorney General's International Pro Bono Coordinating Committee.

*Dr Neil Wooding*

Neil has spent much of his career working with organisations across the UK to promote equality and human rights. He was the first equality adviser to be appointed in Wales and during the course of his career successfully established the NHS Centre for Equality and Human Rights. He is currently a trustee of the National Aids Trust. As a full-time occupation, he is the Director of Public Service Management Wales. Neil's term of office ended on 3 December 2009.

*Simon Woolley*

Simon is founder and Director of Operation Black Vote, and sits on two government task forces: REACH, which looks at improving the educational achievement of black boys, and the Black, Asian and Minority Ethnic Women Councillors Taskforce. Simon is a visiting lecturer at Nottingham University, was on The Big Issue's grassroots power list 2002, awarded the Men of Merit in 2003, and was awarded the annual community achievement in 2007 by Unison.

*Dr Nicola Brewer CMG*

In addition to being a Commissioner, Nicola was also Chief Executive of the Commission. She was previously Director General for Europe at the Foreign and Commonwealth Office (FCO) and sat on the FCO Board. Nicola resigned from the Commission on 13 May 2009.

## **Annex 1: Committee members**

Below are listed committee memberships for the period 1 April 2009 to 31 March 2010. A number of members were appointed to committees, and the membership of others ceased, during the course of the year. The Commission may co-opt independent members to committees if this is required to bring in specific skills.

### *Disability Committee*

Alun Davies (chaired the Committee until his resignation on 31 December 2009)

Mike Smith (Chair from January 2010 following his appointment as a Commissioner on 4 December 2009; previously a committee member)

Saghir Alam

Baroness Jane Campbell DBE (until her resignation on 16 July 2009)

Kirsten Hearn (appointed 1 February 2010)

Andrew Lee

Diane Mulligan

Liz Sayce

Michelle Valentine (appointed 1 February 2010)

Teresa Waldron (appointed 1 February 2010)

Bob Benson (ex officio)

Rhian Davies (ex officio)

Baroness Sally Greengross OBE (ex officio) (until 17 December 2009)

### *Scotland Committee*

Morag Alexander OBE (Chair until her term of office ended on 28 March 2010)

Kaliani Lyle (Chair with effect from her appointment as Scotland Commissioner on 29 March 2010)

Di Airey

Rowena Arshad

Bob Benson

Christine Cnossen

Louise Falconer (with effect from 1 February 2010)

Rajiv Joshi (until his resignation on 25 August 2009)

Ronnie McDonald

Angela O'Hagan

Alastair Pringle

### *Wales Committee*

Dr Neil Wooding (Chair until his term of office ended on 3 December 2009)

Ann Beynon OBE (Chair following her appointment as a Commissioner on 4 December 2009)

Barry Clarke (until his resignation with effect from 31 December 2009)

Anne Crowley (with effect from 1 August 2009)

Rhian Davies

Karen Dusgate (with effect from 1 January 2010, to replace Barry Clarke)

Reverend Aled Edwards

Siân Gale (with effect from 1 August 2009)

Clifton Robinson

Dr Olwen Williams

Elizabeth Withers (until her resignation with effect from 30 April 2010)

### *Legal Committee*

(The Board on 17 December 2009 agreed that the Legal Committee be dissolved, with its role subsumed within the Terms of Reference of the Regulatory Committee. However, pending approval of the Terms of Reference of the Regulatory Committee, it was agreed by the Board on 28 January 2010 that the Legal Committee could continue to meet, with the membership of the Regulatory Committee as set out below, up to March 2010.)

Trevor Phillips OBE (Chair)

Kay Carberry CBE

Jeannie Drake CBE (until her term of office ended on 30 September 2009)

Professor Francesca Klug OBE (until her resignation on 17 July 2009)

Sir Bert Massie CBE (until his resignation on 18 July 2009)

Dr Neil Wooding (until his term of office ended on 3 December 2009)

Mike Smith (co-opted member as representative of Disability Committee with effect from 8 October 2009)

### *Regulatory Committee*

(Established by the Board on 17 December 2009; membership confirmed by the Board on 28 January 2010; Terms of Reference approved by the Board on 25 March 2010.)

Kay Carberry CBE (Chair)

Angela Mason (Deputy Chair)

Baroness Sally Greengross OBE

Mike Smith

Geraldine Van Bueren

Simon Woolley

### *Resources Committee*

(Established by the Board on 17 December 2009; membership confirmed by the Board on 28 January 2010; Terms of Reference approved by the Board on 25 March 2010.)

Baroness Margaret Prosser OBE (Chair)

Baroness Maeve Sherlock OBE (Deputy Chair)

Stephen Alambritis

Morag Alexander OBE (until her term of office ended on 28 January 2010)

Meral Hussein Ece

Baroness Sally Greengross OBE (until her membership ended with effect from 25 March 2010)

Kaliani Lyle (with effect from her appointment as a Commissioner on 29 March 2010)

### *Remuneration Committee*

Ben Summerskill OBE (Chair until his term of office ended on 3 December 2009)

Baroness Margaret Prosser OBE (Chair with effect from 28 January 2010)

Kay Allen (until her term of office ended on 3 December 2009)

Jean Irvine OBE (with effect from 28 January 2010)

Trevor Phillips OBE

Helen Alexander (independent member)

### *Audit and Risk Committee*

Ben Summerskill OBE (Chair until his term of office ended on 3 December 2009)

Jean Irvine OBE (Chair with effect from 28 January 2010)

Stephen Alambritis (with effect from 28 January 2010)

Morag Alexander OBE (until her term of office ended on 28 March 2010)

Ann Beynon OBE (with effect from 28 January 2010)

Jeannie Drake CBE (until her term of office ended on 30 September 2009)

Professor Francesca Klug OBE (until her resignation on 17 July 2009)

Jane Earl (independent member until her resignation in November 2009)

Angie Jezard (independent member until her resignation in November 2009)

Balram Gidoomal CBE (independent member with effect from 1 April 2010, to replace Jane Earl)

Howard Cressey (independent member with effect from 1 April 2010, to replace Angie Jezard)

### *External Affairs Committee*

(Dissolved by the Board on 17 December 2009.)

Baroness Margaret Prosser OBE (Chair)

Baroness Jane Campbell DBE (until her resignation on 16 July 2009)

Kay Carberry CBE

Jeannie Drake CBE (until her term of office ended on 30 September 2009)

Baroness Sally Greengross OBE

Professor Francesca Klug OBE (until her resignation on 17 July 2009)

Trevor Phillips OBE

Professor Ziauddin Sardar (until his term of office ended on 3 December 2009)

### *Grants Committee*

(Dissolved by the Board on 17 December 2009.)

Professor Kay Hampton (Chair for meeting held on 18 March 2009; committee member until her resignation with effect from 30 April 2009)

Trevor Phillips OBE (Chair for meeting held on 28 April 2009, until Margaret Prosser became Chair, with effect from meeting held on 13 October 2009; remained a member until the committee's dissolution)

Baroness Margaret Prosser OBE (Chair with effect from meeting held on 13 October 2009)

Kay Carberry CBE

Professor Ziauddin Sardar (until his term of office ended on 3 December 2009)

Dr Neil Wooding (until his term of office ended on 3 December 2009)

## **Annex 2: About the Commission**

The Commission aims to provide a working environment in which employees are treated fairly and with respect, encouraged to develop, and given the opportunity to contribute to the Commission's mandate to be a modern regulator charged with upholding fair treatment and addressing inequality. We are committed to ensuring equality to all our employees on the basis of merit. Discrimination, bullying or harassment of any kind is not tolerated.

The average number of full-time equivalents (FTEs) in post during the year 2009/10 was 526 exceeding the approved establishment of 525 FTE (note 4a to the financial statements refers). This occurred as staffing numbers increased post the 2008/09 year end and as a result of a failure of establishment controls. When the problem was identified the Commission took action to resolve it.

As at 31 March 2010, to help us fulfil our objectives, 452 individuals were directly employed by the Commission on a permanent or fixed-term basis (this excludes any secondees in to the Commission, Commissioners and those who work with us but are engaged as interim or agency employees).

### **Commission employment statistics**

- The 452 employees equate to 427.7 full-time equivalents.
- The average length of service for employees is 6.3 years.
- The average number of days' sickness per full-time equivalent of employee is 8.68 days per annum.
- The turnover rate for 2009/10 across all employees is 12.12 per cent.

In addition to the 452 employees, at 31 March 2010, two individuals are on secondment to the Commission from other areas of the public sector and 88 individuals were engaged as interim or agency employees, giving us a total headcount of 542. This equated to a full-time equivalent of 517.1.

### *Staff consultation and engagement*

With a head office based in Manchester and staff engaged across a number of geographic locations such as Glasgow, Cardiff, London and Birmingham, the Commission is committed to communicating and consulting with its entire workforce.

Regular team meetings, planning days and monthly briefings from the Chief Executive take place, complemented by additional 'open meetings' on an as-needed basis.

The Commission is currently engaged in a Mid Term Organisational Review with a view to creating a new organisational design that will ensure that the Commission has the necessary people, skills and structures in place to deliver the duties and powers as defined by the Equality Act 2006. An integral part of this review is extensive engagement with both the trade unions and staff.

The Commission recognises unions and aims to work in partnership with the Public and Commercial Services Union and Unite.

### *Staff development*

Developing both existing and new employees is key to the Commission's success. We undertake this through formal and informal training and education, and on-the-job training and development. Staff members are also encouraged to take up secondments and temporary positions within the organisation to develop further their skills and expertise.

### *Sickness absence*

In 2009/10 the average number of days lost to illness was 8.68 per employee. This is below the Commission's target of nine, and lower than the public sector average, which was 9.7 days per employee for 2009/10 (data source: CIPD Absence Management report 2009). The Commission's target was set by the Director of People using sector averages and benchmarking data as a guideline.

### Annex 3: How we delivered against our business plan's 12 key targets

<b>Strategic priority 1: Secure and implement an effective legislative and regulatory framework for equality and human rights</b>	
<b>Supporting delivery target</b>	
<b>Achieved?</b>	<b>Achieved?</b>
<p>1. Produce statutory codes of practice and practical, accessible non-statutory guidance through wide consultation in support of the Equality Act.</p>	<p><b>Substantially achieved</b> The first tranche of the statutory codes of practice and guidance in support of the Equality Act 2010 produced in line with revised legislative timescales. These include: an employment code; a services, public functions and associations code; and an equal pay code; a guide for employers and a guide for employees; a guide for service providers and a guide for service users; and a 'what's new'-style guide. These codes were laid before Parliament on 12 October 2010 on commencement of the Act. The second tranche of codes of practice and guidance will be produced during 2010/11 covering education and the public sector equality duty.</p>
<p>2. Publish the findings of the Human Rights Inquiry and consult on and develop a three-year strategy to establish human rights in all our work and support public service delivery through human rights approaches.</p>	<p><b>Target delivered</b></p>
<p>3. Pursue strategic legal casework and interventions targeting 100 legal actions with a 70 per cent success rate.</p>	<p><b>Substantially achieved</b> Pursued 98 strategic legal actions and interventions, slightly fewer than the 100 targeted. We also took over 245 pre-enforcement actions and referred 73 cases for conciliation to the Equality Mediation Service. We have successfully intervened in a number of high-impact cases to clarify or challenge elements of the law, including the case between the mother of Private Jason Smith and the Secretary of State for Defence, and Boyle v SCA Packaging.</p>

<b>Strategic priority 2: Create a fairer Britain, with equal life chances and access to services for all</b>	
<b>Supporting delivery target</b>	
<p>4. Promote and enforce the public sector duties, working with inspectorates and regulators to monitor compliance.</p>	<p><b>Achieved?</b></p> <p><b>Target delivered</b></p>
<p>5. Develop a set of metrics for gender pay reporting in consultation with business bodies and trade unions.</p>	<p><b>Target delivered</b></p>
<p>6a. Conduct and publish the findings of existing inquiries into the construction industry, the financial services sector, and the meat and poultry processing industry.</p>	<p><b>Target delivered</b></p>
<p>6b. Consider launching an inquiry into the United Nations Convention on the Rights of Persons with Disabilities (UNCPRD).</p>	<p><b>Re-planned for 2011/12</b></p> <p>The Commission considered launching an inquiry into the UNCPRD and gathered evidence. It was agreed that the most opportune time to conduct such an inquiry would be after the UK government submits its report in June 2011, both to scrutinise the government's report and as part of the process of gathering evidence for a shadow report in 2012. The Commission has also announced its intention to carry out a formal inquiry into disability-related harassment and the role of public authorities, and a formal inquiry into human trafficking, with a particular focus on commercial sexual exploitation.</p>

<p><b>Strategic priority 3:</b>  <b>Build a society without prejudice, promote good relations and foster a vibrant equality and human rights culture</b></p>	
<p><b>Supporting delivery target</b></p>	<p><b>Achieved?</b></p>
<p>7. Inspire the next generation to embrace the values of equality, human rights and good relations by developing 1,000 young equality leaders, building on our youth camps and Young Brits at Art projects and working with schools to develop teaching materials to promote equality, human rights and good relations.</p>	<p><b>Target delivered</b></p>
<p><b>Strategic priority 4:</b>  <b>Promote understanding and awareness of rights and duties, and deliver timely and accurate advice and guidance to individuals and employers</b></p>	
<p><b>Supporting delivery target</b></p>	<p><b>Achieved?</b></p>
<p>8. Launch a new strategic funding programme for advocacy, good relations and legal advice, focusing on projects which directly serve individuals and promote good relations in communities.</p>	<p><b>Target delivered</b></p>
<p>9. Build new narratives for new audiences through campaigns to promote the advice and guidance we offer – particularly Helpline users and small businesses – and developing our digital channels, enriching them with new content, to engage the public with our mandate.</p>	<p><b>Substantially achieved</b>  Launched Here For Business - a campaign providing advice to small and medium-sized enterprises with tailored guidance on flexible working and good employment practices.  The Commission continued to make material about its work available through YouTube, and sought to reach audiences through social media channels including Twitter and Facebook.  The Helpline service campaign originally planned for 2009/10 has been re-planned for 2010/11 to align with the publication of the codes and guidance in support of the Equality Act 2010.</p>

<b>Strategic priority 5: Build an authoritative and responsive organisation</b>	
<b>Supporting delivery target</b>	<b>Achieved?</b>
10. Develop our relationship with stakeholders with clear pathways for involvement in our work.	<b>Target delivered</b>
11. Finalise the equality measurement framework and prepare our first triennial review.	<b>Target delivered</b>
12. Build our organisational capability including improvements to our Helpline service and our regulatory approach and function.	<b>Substantially achieved</b> Strengthened our governance and decision-making arrangements, introducing a new governance manual and streamlined Committee structures, and appointed new Commissioners to the Board. A review of the Helpline service was completed and the reorganisation implemented. However, further development of our regulatory approach and intelligence function will be undertaken during 2010/11 as part of a major review of organisational design.

## **Annex 4: Statutory committee reports**

### **Disability Committee report**

#### *Membership*

Previously an ordinary member, Michael (Mike) Smith has chaired the Disability Committee since December 2009, when he was appointed Commissioner. Alun Davies chaired the Committee from July to December 2009.

The other members of the Committee in 2009/10 were:

Saghir Alam

Baroness Jane Campbell DBE (resigned 16 July 2009)

Kirsten Hearn (appointed 1 February 2010)

Andrew Lee

Diane Mulligan

Liz Sayce

Michelle Valentine (appointed 1 February 2010)

Teresa Waldron (appointed 1 February 2010)

Bob Benson (ex officio Scotland Committee)

Rhian Davies (ex officio Wales Committee)

Baroness Sally Greengross OBE (ex officio) (until 17 December 2009)

#### *Meetings*

The Committee held five formal meetings from April 2009 to March 2010.

Formal business included: feeding into Commission activity, papers, strategies and consultations; reviewing and contributing to the work of the Legal Committee where matters had a disability angle; stakeholder engagement, and developing the Committee's work processes and strategic influence.

#### *Work plan*

The Committee's work plan over the year focused on mainstreaming disability priorities, stakeholder engagement, new research and influencing important legislative and policy developments. In 2009/10, the Committee:

- Worked with stakeholders on priorities for implementation of the United Nations Convention on the Rights of Persons with Disabilities, following ratification of the Convention by the UK government. The Commission developed the monitoring framework for the UK's promotion of the Convention alongside the other monitoring bodies (Scottish Human Rights Commission, Northern Ireland Human Rights Commission and Northern Ireland Equalities Commission).

- Influenced the approach to disability discrimination in the Equality Bill (now Equality Act 2010) and provided advice, including input into the Commission's codes of practice and non-statutory guidance.
- Published research, Disabled People's Experiences of Targeted Violence and Hostility, and an accompanying report setting out the Commission's proposals for promoting the safety of disabled people.
- Launched a formal inquiry into disability-related harassment and consulted widely on its terms of reference.
- Commissioned research on disabled people and employment and skills to be published in 2010/11.
- Promoted guidance for public authorities on revising their disability equality schemes.
- Wrote to relevant football authorities and met with the Premier League, Football League and Football Association to raise concerns regarding the difficulties faced by disabled football supporters in accessing football stadia and their experiences of abuse in football grounds.
- Undertook a scoping exercise on the priorities of disabled Muslim people and hosted two roundtable meetings, in Leeds and south Yorkshire, to hear the views and experiences of Muslim disabled people and organisations.
- Agreed to assist 26 new disability-related strategic legal cases (plus one that involved disability plus other strands) and to intervene in a further five.
- Provided legal assistance or intervened in a number of disability-related cases that have resulted in important judgments from the appeal courts. These have included: *Allen v Royal Bank of Scotland* on rights of access and *SCA Packaging v Boyle* on definition of disability, which were both brought under the Disability Discrimination Act (DDA).
- In addition to the DDA cases quoted above, the Commission used human rights legislation to intervene in *N & G v Secretary of State for Health and Nottinghamshire Healthcare Trust*, which clarified that people with mental illnesses are protected from discrimination by the European Convention on Human Rights.

## **Scotland Committee report**

### *Membership*

Morag Alexander OBE chaired the Scotland Committee until her term of office as Scotland Commissioner ended on 28 March 2010. Kaliani Lyle became Chair with effect from her appointment as Scotland Commissioner on 29 March 2010.

The other members of the Committee in 2009/10 were:

Di Airey

Rowena Arshad

Bob Benson

Christine Cnossen

Louise Falconer (appointed 1 February 2010)

Rajiv Joshi (resigned 25 August 2009)

Ronnie McDonald

Angela O'Hagan

Alastair Pringle

### *Meetings*

The Committee held six formal meetings between April 2009 and March 2010. Meetings took place in Dumfries, Edinburgh and Glasgow. The Committee also participated in three joint meetings with the Disability Committee, the Wales Committee and the Commission Board as well as a joint meeting of the Board and all statutory committees. Business included delivering the Commission's strategic priorities by developing the Scotland Directorate work plan and driving the agenda on issues such as migration and violence against women.

### *Work plan*

The Committee's work plan focused on research, policy development, working with key stakeholders and raising the profile of the Commission in Scotland. In 2009/10, the Scotland Committee:

- Published and launched the equality measurement framework and worked with the Scottish Government to develop indicators for measuring progress towards equality. Influenced the Scottish Government's National Conversation by publishing a research report, a legal analysis and a discussion paper on the extent and impact of the Scottish Parliament's devolved equal opportunities powers.

- Brought together a wide range of social researchers in a one-day event to build understanding and networks between the Commission and the research community.
- Began work on Counting the Cost, research into the impact of the Scottish Government concordat with local government on the disability, gender and race public sector duties.
- Launched an inquiry into human trafficking in Scotland.
- Organised a lecture on the future of equality, how the criminal justice system deals with rape survivors and discrimination in housing. Delivered two stakeholder events to help inform the Commission's response to the Scottish Government consultation on specific equality duties. Attended and hosted events at the main Scottish party political conferences. Undertook five roadshows across Scotland targeted at advice agencies and the public. Provided training for legal advisers.
- Continued to work with MSPs, Scottish Government ministers and officials to secure passage of devolved legislation on hate crime and reform of law on rape.
- Gave written and oral evidence to the Scottish Parliament Finance Committee with regard to its work on the 2011/12 Scottish Budget.
- In partnership with Scottish Government, launched Better Policy, Better Lives, a section 31 assessment of equalities impact looking at the Scottish Government's drugs, health and housing policy. Co-funded and developed a question for the 2010 discrimination module of the Scottish Social Attitudes Survey. Continued to support the Independent Living in Scotland project, a long-term approach to help improve the daily lives of disabled people.
- Engaged with local government by visiting community planning partnerships delivering key services across Scotland.
- Continued to take part in roundtables aimed at facilitating dialogue between the lesbian, gay, bisexual and transgender community and faith groups.
- Held consultations with religion or belief stakeholders to help the Commission build further understanding in terms of our good relations mandate.
- Co-funded and launched a DVD with Stonewall Scotland which will be used across all of Scotland's secondary schools to tackle homophobic bullying.
- Delivered over £500,000 worth of grants to organisations across Scotland.

## **Wales Committee report**

### *Membership*

Dr Neil Wooding chaired the Wales Committee until his term of office ended on 3 December 2009. He was replaced by Ann Beynon OBE who became Chair following her appointment as Wales Commissioner on 4 December 2009.

The other members of the Committee in 2009/10 were:

Barry Clarke (resigned 31 December 2009)

Anne Crowley (appointed 1 August 2009)

Rhian Davies

Karen Dugate (appointed 1 January 2010)

Reverend Aled Edwards

Siân Gale (appointed 1 August 2009)

Clifton Robinson

Dr Olwen Williams

Elizabeth Withers

### *Meetings*

The Committee held four formal meetings between April 2009 and 31 March 2010 across Wales: in Caernarfon, Cardiff, Merthyr Tydfil and Wrexham. The Committee also held a joint meeting with the Scotland Committee. Business included shaping the Wales Directorate business priorities; devolution and equality – the All Wales Convention; developing a stakeholder strategy for Wales; the Commission's new governance structure, and a review of the Committee's work so far.

### *Work plan*

The Committee's work plan over the year focused on stakeholder engagement, devolution and equality, improving public services and promotion of human rights. In 2009/10, the Wales Committee:

- Engaged leaders and local people from equality and human rights groups across Wales, listening to views and raising the profile of the Commission.
- Submitted written and oral evidence to the All Wales Convention (the landmark public consultation on further devolution). We gathered views through academic research and equality practitioners and champions.

This evidence showed that equality and human rights have risen up the political and policy agenda over the past 10 years.

- Hosted its first annual lecture, delivered by Dr Paul Chaney of Cardiff University, who examined what devolution has done for the equality and human rights agenda in Wales.
- Held the first major public events in the UK about the United Nations Convention on the Rights of Persons with Disabilities. Bringing together over 150 people and 85 organisations and public bodies to explore the articles of the UNCRPD and prioritise action areas.
- Achieved commitment from all four political party leaders in Wales to our Electing for Equality commitment which calls on parties to promote equality in their general election campaigns rather than take actions likely to generate disharmony between different groups of society.

#### *Other Wales Committee and directorate achievements*

Over the year, the Wales Committee and Directorate:

- Gave stakeholders the opportunity to participate in the Assembly Government's listening exercise on specific duties for Wales by convening nine voluntary sector events, across all our mandates, and holding three regional events with our employers network.
- Submitted evidence and set out our proposals for specific duties for Wales to help shape the future framework for equalities in Wales.
- Co-hosted a human rights summit attended by 150 delegates to explore ways to overcome the barriers associated with implementing a human rights approach in public services.
- Worked with inspectorate and regulatory bodies in Wales, including Estyn (the education and training inspectorate for Wales), Wales Audit Office and Health Inspectorate Wales, to investigate the link between equality and improvement in public services.
- Held a roundtable discussion on equal pay with trade unions and legal advisers to review the current position of local authorities in Wales and to agree a way forward.
- Ensured the Commission's Finance Sector Inquiry has had a Welsh angle. Through this inquiry, we built strong links with organisations such as Admiral, GoCompare, Principality and Call Centre Forum for Wales.
- Launched the equality measurement framework in Wales with the support of the Welsh Assembly Government. This framework provides a way of assessing equality and human rights standards across areas of everyday life, such as health, education, crime and living standards.

- Worked with the major political parties in Wales with the aim of increasing political participation of women, ethnic minorities and disabled people. We produced short films that were shown on the main floor of three of the four party conferences in Wales.
- Had a strong presence at the annual National Eisteddfod, promoting human rights, our helpline and our work with young people with thousands of people who came to our stand.
- Sponsored a discrimination law course, with Cardiff and Bangor universities, for advocates to be able to take cases at employment tribunals on discrimination law subjects.

## **Annex 5: Management commentary**

The Statement of Accounts on the following pages reports the results of the Commission for the period to 31 March 2010. It was prepared on an accruals basis and in accordance with the accounts direction issued by the secretary of state in accordance with the Equality Act 2006.

### *Principal activities*

The Commission is a Great Britain-wide body, classified to the central government sector for national accounts purposes. Its functions, duties and powers are laid out in sections 3-32 of the Equality Act.

The Commission is empowered to do anything that appears to it to be necessary or expedient for the purpose of, or in connection with, the exercise of its functions under the Act, within the constraints set out in broader legislation.

The Commission is obliged to monitor the effectiveness and effects of equality and human rights legislation and may make proposals to the government for change. The Commission will publish a report every three years, the triennial review, on its progress towards identified outcomes with reference to identified indicators. The first report, laid before parliament by the Lord Privy Seal and published by the Commission in October 2010, draws on a range of major datasets and surveys, as well as the Commission's own research reports, to build a portrait of Britain in 2010. The 700-page report provides the independent evidence and benchmarks for reviewing the state of social justice.

### *Register of Members' Interest*

The Commission maintains a Register of Members' Interests, which is available for inspection by arrangement.

### *Corporate governance*

RSM Bentley Jennison LLP provided the internal audit services to confirm that governance measures were in place. The internal auditors also conducted additional work for the Commission during this period.

The contract for the provision of internal audit services came to an end in March 2010 and Bentley Jennison LLP ceased to provide this service. Following a procurement exercise Deloitte LLP were appointed as internal auditors for a three-year term commencing in May 2010.

The external audit is carried out by the National Audit Office (NAO) which is required to examine, certify and report on the annual financial statements, in readiness for laying before the Houses of Parliament. The external auditors' remuneration for the audit of the 2009/10 financial statements will be £89,500.

Regulations made under Section 494 of the Companies Act 2006 require the Commission to disclose any remuneration paid to the auditors for any non-audit work undertaken. During the year the Commission did not purchase any non-audit work from its auditor, the NAO.

### *Auditing of accounts*

The Commission has an Audit and Risk Committee, whose purpose is to review the establishment and maintenance of an effective system of governance, risk and control processes across the Commission that supports the Commission's objectives. This is to provide an independent perspective and constructive challenge, to ensure that the optimal control environment is in place and that formal assurance statements are supported. The Audit and Risk Committee meets on a bi-monthly basis.

During 2009/10 the members of the Audit and Risk Committee were:

Ben Summerskill OBE (Chair until 3 December 2009)  
Jean Irvine OBE (Chair with effect from 28 January 2010)  
Stephen Alambritis (with effect from 28 January 2010)  
Morag Alexander OBE (until 28 March 2010)  
Ann Beynon OBE (with effect from 28 January 2010)  
Jeannie Drake CBE (until 30 September 2009)  
Professor Francesca Klug OBE (until 17 September 2009)  
Jane Earl (independent member until November 2009)  
Angie Jezard (independent member until November 2009)

The following independent members were appointed in 2010/11:

Balram Gidoomal CBE (independent member with effect from 1 April 2010)  
Howard Cressey (independent member with effect from 1 April 2010)

As far as the Accounting Officer (Chief Executive) is aware, there is no relevant audit information of which Commission's auditors are unaware and the Chief Executive has taken all the steps that ought to have been taken to make herself aware of any relevant information and to establish that the Agency's auditors are aware of that information.

### *Risks and uncertainties*

The Commission has in place a strategic risk register which identifies risk, mitigating activities and risk owners. The principal risks set out in the strategic risk register relate to:

- The effect the reform agenda and the associated funding reductions may have on the Commission's ability to deliver its strategic objectives and to produce the critical deliverables in the business plan.
- The impact of a Commission-wide structural review, the Reform Programme, on the ability of the Commission to deliver the deliverables identified in its business plan.
- A failure to implement and maintain required control and accountability improvements to key corporate systems and processes.
- The effectiveness of the Commission as a modern regulator and its responses to spending cuts in the public sector within the context of the public sector duties on race, disability and gender and the legal obligation to pay due regard to equality.

The strategic risk register is subject to regular review by senior management, the Audit and Risk Committee and the Board. It also informs operational level risk registers. The Commission has also appointed a risk manager to continue the work to embed risk management processes, working alongside the newly appointed internal auditors Deloitte LLP.

### *Financial review*

The annual Statement of Accounts for the period to 31 March 2010 is set out on the following pages. The notes contained within these accounts also form an integral part of the accounts.

The Commission is primarily funded by grant-in-aid received from its sponsor department the Government Equalities Office (GEO). In compliance with the Government Financial Reporting Manual grant-in-aid, unlike other income, is treated as financing and taken straight into taxpayers' equity. Cash grant-in-aid for the period to 31 March 2011, taking into account the amounts required to meet the Commission's liabilities falling due in that period, has already been included in the GEO's estimates for the year, which have been approved by parliament. There is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming.

It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

The net expenditure for the year taken to taxpayers' equity was £54m (2009: £63m). The most significant reasons for the reduction in net expenditure were:

- A net reduction in programme expenditure of £8m (note 5) following a review of the Helpline service and as a consequence of a reduction of the number of grant claimants paid in 2010 to 205 (2009: 284 claimants paid).
- An increase in staff costs of £5m with a corresponding increase in the average number of full-time equivalent (FTE) staff employed of 46 (notes 4a and 4b refer). With particular regard to agency staff, the average cost per FTE of employment increased by 40 per cent between the two years as a consequence of a focus on engaging the higher value senior interim to bridge skills and experience gaps within the Commission's directly employed staff.
- Transition costs of £4m were charged to the net expenditure account in 2008/09 (note 5), primarily relating to dilapidation and property provisions for three leased properties formerly occupied by the legacy Commissions and no longer required or occupied by the Commission (note 13). No further transition costs were incurred in 2009/10.
- A net reduction in depreciation and amortisation charged of £1m as a consequence of the impairment to intangibles (note 8 and 20c) and an adjustment for accounting estimate associated with the depreciation charged for assets located at the Commission's premises in Manchester (accounting policy 1c).

### *Resources*

The capital structure of the Commission is shown by way of taxpayers' equity which is funded by the annual resource allocation from our sponsor department, the GEO. The statements of financial position and changes in taxpayers' equity for the year provide more information. The value of taxpayers' equity as at 31 March 2010 is £5.2m (2009: £5.2m). The level of provisions has reduced as has the revaluation reserve.

### *Future developments*

Following the general election in May 2010, the government made a number of announcements that will impact upon the future of the Commission. These have been disclosed in note 21 to the financial statements.

### *Financial instruments*

The Commission's approach to risk management and policies in relation to financial instruments are disclosed in note 9 to the financial statements.

### *Treatment of pension liabilities*

The Commission's approach towards the treatment of pensions liabilities have been disclosed in accounting policy 1n and note 14 to the financial statements.

### *Payment of creditors*

The Commission is committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aims to pay all undisputed invoices within 30 days if there is no specific provision in the contract. Against this measure 99.2% of undisputed invoices were paid within the policy target (Restated 2008/9: 99.0%).

During 2009/10 the Commission also committed to support SME businesses by aiming to achieve payment of undisputed supplier invoices within 10 days. Against this measure the Commission paid undisputed invoices on average within six days (2008/9: five days).

The Commission defines an undisputed invoice as supplier invoices that quote a valid purchase order number, have been goods receipted and have been physically received by the finance team.

### *Events after the reporting period*

Details of any important events affecting the Commission which have occurred after 31 March 2010 have been disclosed in note 21 to the financial statements.

### *Donations*

No charitable or political donations were made in the period to 31 March 2010.

### *Community and social responsibility*

The Commission recognises that there is an increasingly urgent requirement for all organisations to take a responsible, proactive approach to minimising the negative impact of their activities on the local and global environment, and to promote best environmental practice and continuous improvement.

The Commission wishes to develop itself into an exemplary organisation in all of its undertakings. A vital part of this approach must be a commitment

to doing our utmost to put sustainable development at the heart of all our decision-making and activities. To assist this process the Commission has developed an environmental policy.

### *Environmental policy*

The policy is consistent with the UK's commitment to sustainable development, the UK government's 'Greening Government' agenda and the targets set out in the 2006 Energy Review.

In addition the Commission is committed to using, where possible, environmentally friendly office and hospitality consumables from sustainable or recycled resources, many of which in turn are recycled. Furthermore, we are committed to controlling the amount of water and energy consumed in administration buildings and, where possible, to make use of fuel-efficient transportation methods. The Commission has an active 'green group' led by a senior management team member.

### *Equality scheme*

As a public authority, the Commission has legal requirements under the general equality duties to promote equality in the areas of disability, gender and race.

Our first three-year equality scheme describes how the Commission will fulfil its moral, social and legal obligations to put equality at the heart of everything we do. As well as disability, race and gender, the scheme has also been extended to include the areas of age, religion or belief, carers and sexual orientation, along with human rights.

Covering the period 1 April 2009 to 1 April 2012 the scheme is closely linked to our three-year strategic plan.

A copy of the equality scheme can be downloaded from our corporate website.

### *Detailed breakdown of employment data*

Each year the Commission produces an annual Equality and Diversity Workforce Monitoring Report to meet its statutory obligations under the existing three public sector duties to collate, analyse and publish information in relation to employment.

The 2009/10 Equality and Diversity Workforce Data Report, which covers the period 1 April 2009 to 31 March 2010, can be found on the following page: <http://www.equalityhumanrights.com/our-job/our-equality-impact-assessments/our-equality-scheme/>

This report provides an analysis of the 2009/10 Equality and Diversity Workforce data together with progress against the improvement actions resulting from the 2008/09 Equality and Diversity Report, which is also available via the above link.

We collect employment data about recruitment, retention, promotion, impairment type, performance appraisal, grievances, disciplinary action, leavers, staff in post, training, part-time working and pay.

A snapshot of the 2009/10 Equality and Diversity Workforce Report is presented below. It is based on the 452 individuals directly employed by the Commission as at 31 March 2010 (Annex 2 refers). This relates to permanent staff and does not include details of the interim or agency staff we have.

- Sixty-six per cent of the workforce is female, significantly higher than the proportion of women in the workforce population as a whole at 50 per cent\*.
- Twenty-three per cent of our workforce describes themselves as having a disability, significantly higher than the proportion of disabled people in the workforce population as a whole at 13 per cent\*.
- Nineteen per cent of our workforce is from an ethnic minority group compared to eight per cent of the population (Labour Force Survey).
- Thirty-one per cent of our workforce are aged 25 to 34 compared to 22 per cent\* of the workforce population as a whole and 13 per cent are over 55 compared to 15 per cent\* of the workforce population as a whole.
- Twelve per cent of our workforce declared a non Christian religion compared to 6 per cent\* of the population. Two-fifths of staff stated that they have no religious belief. Of the remainder the largest group are of the Christian faith.
- Eight per cent of our workforce is lesbian, gay or bisexual (LGB) compared to 1.5 per cent of the population (Commission research). Seventy-nine per cent of staff stated that they are heterosexual.
- Over a third of staff stated they have caring responsibilities.
- No staff identified themselves as being transgender.

\*Source: Equality and Human Rights Commission analysis of Office for National Statistics - Social and Vital Statistics Division, Annual Population Survey, October 2008 – September 2009

## **Annex 6: Remuneration report**

### **The Policy on the Remuneration of Senior Managers for the period ended 31 March 2010.**

The Commission's most senior managers comprise the Chief Executive Officer or the Director General and the direct reports who constitute the senior management team (SMT).

Dr Nicola Brewer was Chief Executive Officer until 13 May 2009, whilst Neil Kinghan was Director General from 7 May 2009 to 30 September 2010. Since the departure of the Director General, Helen Hughes, formerly Group Director Corporate Management at the Commission, has been appointed as interim Chief Executive until Mark Hammond becomes Chief Executive later this month.

During 2009/10 the Commission had in place a Remuneration Committee. The Remuneration Committee, within the constraints of a non-departmental public body, provides rewards that will attract, retain and motivate the senior management necessary to enable the Commission to fulfil its statutory remit and responsibilities. The committee reviews the annual reward package for the Chief Executive Officer or Director General and members of the SMT.

The members of the Remuneration Committee during 2009/10 were:

Ben Summerskill (Chair) (until term of office ended on 3 December 2009)  
Baroness Margaret Prosser OBE (Chair with effect from 28 January 2010)  
Kay Allen (until term of office ended on 3 December 2009)  
Jean Irvine OBE (with effect from 28 January 2010)  
Trevor Phillips OBE  
Helen Alexander (independent member)

The Remuneration Committee met on 5 August 2009, 10 November 2009 and 4 February 2010.

The Chief Executive Officer's and Director General's annual remuneration was made in line with the performance management and reward systems for the Senior Civil Service.

We consult the trade unions on pay and conditions of service that apply to all staff including, where relevant and appropriate, those applying to senior

managers. For 2009/10 part of the pay award finalised the process of pay harmonisation between the three former Commissions. Staff transferring from these bodies have been job-matched to commensurate roles within the Commission.

The Commission's pay remit for 2009/10 has not yet been approved and is still being discussed with the Government Equalities Office and HM Treasury.

### **Commission members' remuneration\*\***

a) Chair:

Trevor Phillips OBE was Chair throughout the period. Trevor's first term of office ended 10 September 2009; he was reappointed for a second three-year term from 11 September 2009. The Chair is classed as an office holder and is not a member of the Principal Civil Service Pension Scheme (PCSPS). Provision has been made in the accounts for a pension provision broadly by analogy to that provided by PCSPS. The provision is included in note 14 in the financial statements.

As part of the terms and conditions of his appointment, and in order to maximise the official use of his time, the Commission funds the provision of an official car and driver to the Chair of the Commission. This includes journeys from the Chair's home to the Commission. In 2009/10 the benefit arising was £14,301.

During the period, the Chair's remuneration was as follows.

	<b>2009-10</b> <b>£'000</b>	<b>2008-09</b> <b>£'000</b>
Salary	112	112
Employer's National Insurance contribution (NIC)	12	12
	<b>124</b>	<b>124</b>
Expenses	2	3

The cash equivalent transfer values (CETV) for the Chair under the by analogy scheme were:

	<b>31 March 2010 £'000</b>
Real increase in accrued pension	0-2.5
Real increase in accrued lump sum	-
Accrued pension as at 31 March 2010	10-15
Accrued lump sum as at 31 March 2010	-
CETV at 31 March 2009	196
Real increase in CETV funded by employer	34
CETV as at 31 March 2010	245

b) The cost of Commission members' emoluments was:

	<b>2009-10 £</b>	<b>2008-09 £</b>
Commissioners' salaries and fees	187,924	193,218
Commissioners' employer's NIC	15,427	20,302
Statutory committee and advisory group members' fees	103,731	98,981
Statutory committee and advisory group members' employer's NIC	2,505	5,070
	<b>309,587</b>	<b>317,571</b>

Total Commissioners' costs included at note 4b to the financial statements include the above costs plus the costs of the Chair.

c) The fees and expenses for each Commission member were as follows:

<b>Commission member</b>	<b>Fees £</b>	<b>Expenses £</b>
Stephen Alambritis Appointed for three-year term from 4 December 2009	5,000	-
Morag Alexander OBE Term of office ended 28 March 2010	12,000	989
Kay Allen Term of office ended 3 December 2009	5,333	65

Ann Beynon OBE Appointed for three-year term from 4 December 2009	5,000	183
Baroness Jane Campbell DBE Resigned on 16 July 2009	2,366	661
Kay Carberry CBE Re-appointed for three-year term from 4 December 2009	10,333	61
Jeannie Drake CBE Term of office ended 30 September 2009	5,200	197
Meral Hussein Ece OBE Appointed for three-year term from 4 December 2009	5,000	66
Reverend Joel Edwards Resigned with effect from 31 January 2010	6,667	294
Baroness Sally Greengross OBE Re-appointed for three-year term from 4 December 2009	10,333	583
Professor Kay Hampton Resigned with effect from 30 April 2009	1,427	181
Dr Jean Irvine OBE Appointed for three-year term from 4 December 2009	5,000	-
Professor Francesca Klug OBE Resigned on 17 July 2009	2,366	92
Kaliani Lyle Appointed for three year term from 29 March 2010	-	-
Angela Mason CBE Appointed for three-year term from 4 December 2009	5,000	353
Sir Bert Massie CBE Resigned on 18 July 2009	4,099	1,327
Baroness Margaret Prosser OBE (Deputy Chair) Re-appointed for three-year term from 4 December 2009	59,533	1,574
Professor Ziauddin Sardar Term of office ended 3 December 2009	5,333	68
Baroness Maeve Sherlock OBE	8,000	23

<b>Commission member</b>	<b>Fees £</b>	<b>Expenses £</b>
Michael Smith Appointed for three-year term from 4 December 2009	5,000	-
Ben Summerskill OBE Term of office ended 3 December 2009	6,933	229
Professor Geraldine Van Bueren Appointed for three-year term from 4 December 2009	5,000	1,313
Dr Neil Wooding Term of office ended 3 December 2009	8,000	990
Simon Woolley Appointed for three-year term from 4 December 2009	5,000	-

Commission member appointments are not pensionable.

Fees and expenses paid to independent members of the Audit and Risk Committee were in total £2,475.

### **Chief Executive and Director General\*\***

#### *Chief Executive*

The annual salary of the Chief Executive (Nicola Brewer) for the year ended 31 March 2010 was £185,000. Payments to her departure on 13 May 2009 were £21,821.

Total actual emoluments to 13 May 2009 were £29,578 including employer's contributions of £5,302 to the PCSPS. Employer's NIC amounted to a further £2,455. The Chief Executive is an ordinary member of the PCSPS, with the Commission's contribution to the scheme amounting to the equivalent of 24.3 per cent of salary.

#### *Director General*

On his appointment on 7 May 2009 to 21 January 2010 the Director General, Neil Kinghan, was paid as a contractor at the rate of £1,000 per day exclusive of VAT. Total payments made on this basis were £158,388 (inclusive of VAT).

From 22 January 2010 the Director General transferred to a fixed-term contract and was paid via the payroll. The annual salary for the year ended 31 March 2010 was £150,000 with one per cent of this being performance related and has been accrued on the basis that the performance criteria will have been judged to have been met. Total actual emoluments for the period 22 January 2010 to 31 March 2010 were £25,645 including employer's NIC of £2,802. The position was not pensionable.

### **Salary and pension entitlements\*\***

The following table provides details of the salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Commission for the period ended 31 March 2010.

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation.

Salary and pension entitlements**	Salary £	Benefits in kind (rounded to nearest £100)	Flexible benefits (rounded to nearest £100)	Bonus	Real increase in pension and related lump sum (£2.5k bands)	Pension at 31/03/10 and related lump sum (£5k bands)	CETV at 31/03/09 (£'000)#	CETV at 31/03/10 (£'000)	Real increase in CETV as funded by employer (£'000)
Dr Nicola Brewer Chief Executive (to 13/05/09)	21,821 (2008/9 185,000)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	0-2.5 plus 0-2.5 lump sum	55-60 plus 175-180 lump sum	1,056	1,070	5
Neil Kinghan Director General (from 22/01/10)	22,843 (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	-	-	-	-	-
Kamal Ahmed Group Director Communications (to 25/09/09)	65,906 (2008/9 129,000)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	0-2.5	0-5	30	44	14
Kate Bennett National Director for Wales 75,000	75,000 (2008/9 75,000)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	0-2.5 plus 0-2.5 lump sum	15-20 plus 45-50 lump sum	275	312	18
Patrick Diamond Group Director strategy (to 03/04/09)	6,577 (2008/9 95,000)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	0-2.5	0-5	26	27	2
Helen Hughes Group Director Corporate Management (from 20/04/09)	123,667 (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	2.5-5	0-5	0	34	29

Salary and pension entitlements**	Salary £	Benefits in kind (rounded to nearest £100)	Flexible benefits (rounded to nearest £100)	Bonus	Real increase in pension and related lump sum (£2.5k bands)	Pension at 31/03/10 and related lump sum (£5k bands)	CETV at 31/03/09 (£'000)#	CETV at 31/03/10 (£'000)	Real increase in CETV as funded by employer (£'000)
Ros Micklem National Director for Scotland	80,000 (2008/9 80,000)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	0-2.5	0-5	30	56	22
Andrea Murray Acting Group Director Strategy (from 04/04/09)	91,977 (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	10-12.5	25-30	251	404	133
Mags Patten Acting Group Director Communications (from 01/09/09 to 09/10/09)	10,144 (2008/09 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	0	0-5.0	22	23	1
John Wadham Group Director Legal	120,000 (2008/9 120,000)	Nil (2008/9 nil)	Nil (2008/9 nil)	Nil (2008/9 nil)	5.0-7.5	35-40	560	691	52

Some senior members of the Commission included above were in post for part of the year. To aid comparability the full-year salaries were: Dr N Brewer £185,000; N Kinghan £148,415; K Ahmed £129,000; P Diamond £95,000; H Hughes £130,000; A Murray 92,000; M Patten £92,000.

#The figure may be different to the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendments) Regulations 2008.

- a) The Commission has developed an objective setting system and is in the process of developing a performance management system.
- b) Pay progression will be linked to the performance management system.
- c) The group and national directors are on permanent employment contracts with a three-month notice period.
- d) As detailed above the Commission paid the Director General under a service contract for the period 7 May 2009 to 21 January 2010.\*\*
- e) The Group Director Communications, Richard Emmott, is an interim appointment supplied by Veredus Interim Management. During 2009/10 Veredus was paid £138,472 (inclusive of VAT).\*\*
- f) No compensation for loss of office paid or receivable has been made under the terms of an approved compensation scheme. \*\*
- g) There are no elements of the remuneration package that are not cash.\*\*
- h) During 2009/10 the Commission paid Odgers Interim a total of £29,728 (inclusive of VAT) for the services of a senior manager.\*\*

\*\*Information and sections marked with a double asterisk\*\* have been audited.

## **Pensions**

Pension benefits are provided through the Principal Civil Service Pension Scheme arrangements. From 30 July 2007, employees may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium or classic plus) or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Price Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good-quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years'

pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between three per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

It was announced in the budget on 22 June 2010 that the government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact on the future operation of the pension schemes that the Commission provides to employees.

Further details about the Civil Service pension arrangements can be found at the website: [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### **Cash equivalent transfer values (CETV)**

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment Regulations) and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax that may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Signed on behalf of the Equality and Human Rights Commission.

**Helen Hughes, Interim Chief Executive**

**13 June 2011**

# **Statement of Accounts**

## **1 April 2009–31 March 2010**

**Equality and Human Rights Commission**

## **Statement of Accounting Officer's responsibilities**

Under the Equality Act 2006 the Secretary of State, with the consent of the Treasury, has directed the Equality and Human Rights Commission to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Equality and Human Rights Commission and of its income, expenditure, changes in taxpayers' equity and cash flows for the financial year. In preparing the accounts, the accounting officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, with the consent of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on a going concern basis.

The Director General of the Government Equalities Office appointed the Director General of the Commission as Accounting Officer of the Commission on 7 May 2009. Following the departure of the Commission's Director General on the 30 September 2010, the Director General of the GEO appointed the interim Chief Executive of the Commission as Accounting Officer of the Commission on 1 October 2010. The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding the Equality and Human Rights Commission's assets, are set out in Managing Public Money issued by the Treasury.

# **The Equality and Human Rights Commission's Accounting Officer's statement on internal control**

## **Scope of responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

Since its creation the Commission has consulted with its sponsor department, the Government Equalities Office (GEO) on its budgets and plans. I have met regularly with the Accounting Officer of the GEO and my officials have worked closely with the GEO's sponsor team to ensure that the Commission's resources are properly managed. The relationship with the GEO has been governed by a Framework Document. The GEO has transferred into the Home Office from 1st April 2011 and the Commission has entered into discussion with the Home Office and the GEO regarding any proposed changes to the Commission's accountability arrangements to Government in light of this transfer, the proposed new Cabinet Office guidance, the Public Bodies Bill and Government Consultation on the Commission.

## **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Commission's accounts for 2006/08 and 2008/09 were qualified by the Comptroller and Auditor General (C&AG) in respect of irregular payments which resulted from deficiencies in the Commission's system of internal control. On his appointment in May 2009 my predecessor commissioned reviews of the internal controls over financial management, procurement, programme and project management, grants management and recruitment.

From these reviews, the annual report of the head of internal audit and reports by the National Audit Office, he aimed to establish the extent of weaknesses in the system of internal control during 2009/10 and began to put in place measures to address them. These improvements, however, were made during the course of the 2009/10 financial year and were therefore unable to address irregular payments which had already been made. Further and more substantial measures were put in place following the appointment of a new Finance Director in March 2010.

Since my appointment as Accounting Officer in October 2010 I have made further improvements to the system of internal control, as detailed herein. I have also undertaken additional reviews of payments made in previous years which have identified further expenditure that was incurred without proper authority.

This statement explains the system of internal control that was in place during 2009/10 and the measures I have taken to ensure that it is further improved and developed so that it fully accords with Treasury guidance.

Since 2009/10 the future of the Commission has been considered as part of the government's review of Non Departmental Public Bodies and Spending Review. Whilst the Commission is to be retained it is to be substantially reformed, with a 50% reduction in its resources by 2014/15. The Government is currently consulting on the reform of the EHRC. During 2011/12 the Commission will be developing its Strategic Plan for the period to 2015. Alongside this will be a reform programme which will ensure that the Commission has the structure, skills, capacity, management and governance arrangements in place to deliver the Strategic Plan. The overall reform programme includes the continued improvement of the Commission's internal control, building on the progress described within this statement.

### **Capacity to handle risk**

The Commission uses risk management to assess strategic and operational risks. During 2009/10 my predecessor updated the risk strategy, identified the strategic risks facing the Commission and developed a new strategic risk register. Building upon this in 2010/11 the Audit and Risk Committee and the Board have both held workshops to consider the management of strategic risks. Since my appointment I have established a process whereby the management of each strategic risk is assigned to a member of the Senior Management Team (SMT) and the corporate management of strategic risks is assessed each month by the SMT. The strategic risk register is reviewed at all

meetings of the Board and the Audit and Risk Committee and has been fully overhauled. I have also put in place measures to manage the risk of fraud. Risk management is also being substantially strengthened at operational level.

### **The risk and control framework**

The Board of the Commission has overall responsibility for the strategic management of risk. The Board regularly reviews the strategic risk register and advises me on the actions to be taken to manage risk. The Board is supported by the Audit and Risk Committee. The Committee has been reformed and new members appointed to it, including new, independent members. The Chair provides a report on the scrutiny work of the Committee to each meeting of the Board. The Audit and Risk Committee agrees an annual internal audit plan which is designed to provide assurance on the internal controls in place in the Commission. The Internal Auditors report to the Audit and Risk Committee on the results of their work and recommend improvements as appropriate.

In 2009/10 the Board set up a Regulatory Committee and a Resources Committee, each of which considers the risks to the Commission arising in the area for which it has responsibility. These new Committees first met in early 2010/11.

As explained, I have reviewed and improved the risk management framework. The SMT, comprising my direct reports, agrees the actions to be taken to manage them. The Chair of the Audit & Risk Committee is invited to, and regularly attends, SMT strategic risk review sessions, reporting back on progress to the Committee and the Board.

Programme boards take forward the strategic objectives of the Commission and risk management is a key part of their role. Each programme board is chaired by a senior Director who maintains a risk register and is accountable to me for managing programme risks. Programmes use standard project and programme management methodology (PPMM). I have introduced a PPMM Improvement Plan so as to embed these disciplines across the Commission. Progress against this plan is reported to both the Resources Committee and Audit & Risk Committee.

Monthly financial reports are reviewed by the SMT to monitor corporate financial performance, beginning in March 2010. I subsequently introduced a monthly report on procurement activity to review compliance with the Commission's procedures and delegations.

The Commission has appointed new internal auditors with effect from 1 April 2010. Progress in addressing their recommendations is monitored each month by the SMT and by the Audit & Risk Committee at each of its meetings.

Work is continuing to define the Commission's risk appetite. A programme of risk management training is planned for 2011/12.

I describe below further actions I have taken to improve the Commission's system of internal control.

### **Review of effectiveness**

As Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control. This review is informed by the SMT and by Directors and managers within the Commission who have responsibility for the development and maintenance of the internal control framework, the work of the internal auditors, comments made by the Comptroller and Auditor General in his reports on the Commission's accounts and by the National Audit Office in their management letters and in other reports. I have been advised by the Board and the Audit & Risk Committee on the implications of the results from my review of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In his report on the accounts for 2008/09 the Comptroller and Auditor General noted systemic weaknesses which in his view reflected a culture of inadequate forward planning in the Commission, a lack of focus on compliance with procedures and insufficient review and oversight of expenditure by the senior management of the organisation. While welcoming the improvements begun by my predecessor, he described the weaknesses in the system of internal control as deep seated and longstanding and suggested that it would take time to remedy them.

Underlying weaknesses in the system of internal control continued in 2009/10 and resulted in the Commission incurring further expenditure which has been deemed to be irregular. These issues are reported by the Comptroller and Auditor General in his report on the accounts on pages 80 to 127.

Since my appointment in October 2010 I have strengthened the Commission's system of internal control in the following ways:

### **Controls to prevent a breach of the pay remit**

During 2009/10 the Commission was unable to agree its pay remit with the GEO. It restructured some of its operations during the year and incurred costs which exceeded the limits set, retrospectively, by HM Treasury. Technical difficulties arising from this breach of the pay remit have led to the Commission being unable to secure agreement for the pay remit.

I have now established comprehensive controls over staff numbers and sound budgetary controls have been in place throughout the year. In the absence of an agreed pay remit for 2009/10 the Commission is unable to agree a pay remit for 2010/11. While I monitor pay costs, I have been unable to do so against agreed pay remit limits during 2010/11. I am concerned that the Commission will similarly be unable to monitor staff costs against a pay remit in 2011/12 and, to address this concern, a timetable for resolving later years is being developed with Home Office and the GEO. I am working with the GEO, the Home Office and HM Treasury to obtain agreement to the 2009/10 pay remit.

### **Controls over procurement**

In 2009/10 responsibility for procurement was largely devolved, centrally held management information was not complete and controls were inadequate. In consequence, the Commission's delegated authorities were exceeded.

I subsequently increased the skills, capacity and strengthened the authority of the Commission's procurement team. I have introduced central monitoring and increased controls. All procurement expenditure requires approval by a Director. All procurement expenditure of a value of £5,000 or higher requires approval by the procurement team or the Finance Director. Following the introduction of a new, stronger procurement policy in August 2010 an extensive programme of training courses has been run and I have made attendance at these training courses mandatory for Directors and all staff who undertake procurement activity. I have set up improved procurement performance management and reporting, ensuring that reports of procurement activity are reviewed each month by the SMT. I write formally to each SMT member each month with an assessment on their team's procurement performance seeking formal written responses. I have provided progress reports to all meetings of the Audit & Risk Committee.

I commissioned a comprehensive review of all procurement activity since the creation of the Commission in order to ensure that every procurement

has been properly managed within the Commission's delegated authorities. This review identified further payments in both 2009/10 and 2010/11 which have arisen from procurements in earlier years and which have breached the Commission's delegated authority. I have put in place measures to undertake new procurements for essential goods and services which are still being supplied to the Commission in 2011/12 but have been incorrectly procured in earlier years.

I am confident that the Commission now has in place proper procurement processes and that new procurement in 2010/11 has been properly managed, consistent with the Commission's delegated authority.

### **Controls to prevent write offs**

During 2009/10 the Commission wrote off costs arising from the development of a website which did not operate properly. In 2009/10 the Commission also lacked adequate control over capital expenditure. To ensure that no more write offs of capital expenditure are required I have applied the improved procurement controls described above to all capital and resource expenditure. In addition, I have put in place procedures to ensure that an investment appraisal process is followed for capital expenditure. Such expenditure now requires prior approval by the SMT and the Resources Committee.

### **Controls over grants payments**

During 2009/10 the Commission did not maintain proper records for its legal grants programme and did not properly control payments to funded organisations. On taking up post in October 2010 I changed management responsibility for legal grants administration to the Director of Finance, reporting through to the Group Director, Corporate Management. Since November 2010 I have established proper record keeping for the legal grants programme, have put in place new procedures for grants administration and monitoring and have cleared a substantial backlog of grants payments. I have provided regular progress reports to the Resources and the Audit and Risk Committees. I am implementing the recommendations made by our internal auditors for the improvement of grants management. I am satisfied the Commission now has in place proper procedures and controls over both grants programmes.

### **Performance management & enhanced assurance**

Since my appointment I have planned for and introduced a system of Performance Management, and from April 2011 I have put in place an enhanced system of personal accountability for members of the SMT.

Detailed Performance Management will be rolled out from Directors to all staff during 2011/12. The Business Plan for 2011/12 generates personal objectives for the senior team and budget and workforce allocations for senior managers. Reductions to the staff complement are part of the Commission's Reform Programme which will be regularly monitored by the SMT, Resources Committee and Board. The Reform Programme encompasses all change activity across the Commission, including the transition to a new structure and values and behaviours. Members of the SMT and Directors will be required to sign their own governance statements, to provide greater assurance to myself as Accounting Officer and attach greater personal accountability to senior staff. Workshops and training for senior leaders are planned and will be mandatory. The Remuneration Committee and Resources Committee have endorsed this approach.

I have strengthened the Commission's ability to deliver tighter performance management, by bringing in experienced new staff and, from 1st April 2011, the Finance and Planning & Performance Directorates, report directly to the Director of Finance. This will assist in making a direct link between inputs and outputs, with a view to improving the management information and analysis presented to senior staff, Commissioners and to inform better decision-making.

### **Governance**

The Commission uses committees of its Board to scrutinise aspects of its operations and provide assistance to the Board and Accounting Officer.

The Regulatory Committee oversees policy development and scrutinises implementation of regulation and regulatory activity, including legal and compliance action.

The Resources Committee scrutinises development of the annual Business Plan and the allocation of resource, reviewing performance against plan throughout the year.

During my period as Accounting Officer, I have commissioned and received formal reports scrutinising areas of performance where lessons could be learned, for example, on the production of Codes & Guidance and the administration of the Legal Grants Programme. These reports and recommendations for action are monitored by the Resources Committee, which ensures that actions are taken and the agreed improvements implemented.

The Audit & Risk Committee oversees the system of internal control and risk management within the Commission.

The SMT supports the Chief Executive in leading and managing EHRC. It meets weekly and, since October 2010, operational meetings have been attended by the Finance Director.

The effectiveness of the Board's governance has been reviewed in the 2010/11 Internal Audit programme. This will be further strengthened by a Board Effectiveness review and self assessment in 2011/12.

### **Staffing and a new organisational design**

In 2010/11 the Commission developed a medium term organisational design, which was the subject of formal consultation, but has since been overtaken by the need to reduce the size of the Commission still further. The development and implementation of plans to ensure the Commission can deliver its Strategic Plan for 2012 to 2015 have been formalised into an overall reform programme. Led by experienced change managers, this programme will result in a smaller, more effective and agile Commission, providing better value for money.

The Commission has greatly reduced its over-reliance on interim staff, with only 37 in post in March, compared to 84 at the start of 2010/11. The Commission will continue to reduce the number of interim staff in the Commission during 2011/12.

The Commission has run a voluntary exit scheme in the latter part of 2010/11 and it is planned that 45 staff will leave the commission by the end of June 2011. In order to make future cost savings, further reductions in staffing will be required during 2011/12. The Commission will be developing a new organisational design early in 2011/12 and it is likely that it will seek approval for another voluntary exit scheme and, following consultation, a voluntary redundancy scheme. The management of this will be formalised through the reform programme board that I have established, the Resources Committee and the Board.

### **Policy and consultation**

Since October 2010 I have put formal sign-off processes in place for policies and briefing, in order to reduce the reputational risk to the Commission of inconsistent or conflicting policy positions or guidance.

## **Security and Information Management**

I have significantly strengthened security within the Commission. In 2009/10 I commissioned a review of security which led to the adoption of HM Government's Security Policy Framework and have since put in place strengthened Corporate, Information and IT security policies. All new significant projects are assessed against these policies at their inception.

I have implemented information security education at which attendance by all staff was mandatory; I have improved IT security, preventing usage of non-authorised information storage devices and supporting our public inquiry work by enabling information to be held in a discrete and secure way. Further work is planned to build on this foundation and enhance control mechanisms and staff understanding. The Group Director, Corporate Management is Senior Information Risk Owner and chairs the cross-Commission Security Committee which reviews all security incidents every quarter. There have been no information security incidents reported to Government since my appointment.

## **Culture**

The culture of the organisation and the awareness of the need for corporate control and personal ownership are changing, although there is further work to be done. The Board, its Committees and the SMT are committed to ensuring that the Commission strengthens its accountability and responsibility for governance, planning and delivery. This forms part of a wider programme of culture change including revitalising our corporate Values & Behaviours with an SMT endorsed delivery plan, to make these values real and meaningful as part of the roll-out of performance management.

**Helen Hughes**

Accounting Officer

**13 June 2011**

## **The certificate of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of the Commission for Equality and Human Rights (the Commission) for the year ended 31 March 2010 under the Equality Act 2006. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Regularity**

#### **Qualified opinion on regularity arising from irregular expenditure**

The Commission is required to comply with the authorities laid out for it in

statute and other regulations, including the requirements of 'Managing Public Money' and delegations from its sponsor Department. When expenditure is not in accordance with these authorities I consider it to be irregular. As detailed in my accompanying report, the Commission has incurred expenditure in respect of pay costs (£570,000) and procurement of goods and services (£1,059,000), and has written off losses of £874,000, which I have concluded are not in conformity with the authorities which govern them, and are therefore irregular.

In addition, the Commission has been unable to provide me with sufficient appropriate evidence to support the regularity of £2,621,000 of grants paid to various local bodies providing equality related legal support. As a result I have been unable to conclude on the regularity of the application of these grants.

**In my opinion, except for the irregular transactions referred to above, in all other material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.**

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Equality Act 2006 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with directions issued by the Secretary of State under the Equality Act 2006; and
- the information given in the "Board of Commissioners" section of the Annual Report and "Annex 5: Management Commentary" for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

In respect solely of the limitation on my work relating to the regularity of legal grant payments:

- I have not obtained all the information and explanations that I considered necessary for the purposes of my audit.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

My report on pages 80 to 89 provides further detail of the basis for my qualified opinion on regularity.

**Amyas C E Morse**  
**Comptroller and Auditor General**  
**National Audit Office**  
**157-197 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SP**  
**15 June 2011**

# The report of the Comptroller and Auditor General to the Houses of Parliament

## Introduction

1. The Equality Act 2006 established a new Commission for Equality and Human Rights. On 1 October 2007, this Commission took up its new powers and took on the responsibilities of three legacy equality Commissions; the Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission, as well as taking responsibility for protection against discrimination on the grounds of age, religion or belief, sexual orientation and the promotion of human rights in the United Kingdom.

2. In my report of 8 July 2010 to the House of Commons on the accounts of the Commission for Equality and Human Rights (the Commission) for the year ending 31 March 2009, I noted that I had qualified my audit opinion on the accounts. The Commission had incurred expenditure in respect of consultants' fees (£30,274), pay costs (£508,000) and procurement of goods and services (£487,937), which I concluded was not in conformity with the authorities which governed it, and was therefore irregular. In addition, the Commission was unable to provide me with sufficient evidence to support the regularity of £62,800 of grants paid to a small number of recipients providing equality related activities. I was therefore unable to conclude on the regularity of the application of this £62,800 of grant expenditure.

3. Previously, I had also qualified my opinion on the Commission's first set of accounts for the period ending 31 March 2008. This was because the Commission had re-engaged seven former employees of the former Commission for Racial Equality on short term consultancy contracts without obtaining the requisite Treasury authority. I subsequently issued a Supplementary Memorandum to the Committee of Public Accounts on 27 October 2009, which provided further details of the problems faced by the Commission before it took on its powers on 1 October 2007 and updated the Committee on some more recent issues with the Commission's controls over staffing and staff costs. The Committee of Public Accounts considered the Report and Supplementary Memorandum at a hearing on 4 December 2009 and issued its report on 4 March 2010.

4. The statement of accounts on the following pages represents the results of the Commission for the period from 1 April 2009 to 31 March 2010. I have qualified my audit opinion on these accounts.

## **Purpose of Report**

5. The purpose of this Report is to explain the background to the qualification of my audit opinion.

## **My obligations as Auditor**

6. Under the Equality Act 2006, I am required to examine, certify and report on each statement of account that I receive. I am required, under International Standards on Auditing (UK and Ireland), to obtain evidence to give reasonable assurance that the Commission's financial statements are free from material misstatement. In forming my opinion I examine, on a test basis, evidence supporting the disclosures in the financial statements and assess the significant estimates and judgements made in preparing them. I also consider whether the accounting policies are appropriate, consistently applied and adequately disclosed.

## **Audit Opinion**

### **Qualified opinion owing to irregular expenditure**

#### **Irregular Expenditure as a Result of a Breach of Pay Remit**

7. All non departmental public bodies, such as the Commission, are required to agree annual pay remits with their sponsor Department and the Treasury, which set out the maximum level of pay increases for permanent employees. In my Report on the Commission's 2008-09 accounts, I noted that the Commission had breached its pay remits for 2007-08 and 2008-09.

8. At the date of certifying these accounts, the Commission has not agreed a pay remit for 2009-10 or beyond with its sponsor Department, the Government Equalities Office (GEO), and the Treasury.

9. Nevertheless, the Commission has incurred expenditure on staff pay in 2009-10 that the GEO and the Treasury consider to be increases above the pay baseline agreed in 2008-09. This relates to the following two specific sets of payments.

In June 2009 the Commission incurred in year expenditure of £386k in respect of 179 staff who transferred to the Commission from the legacy commissions. This expenditure was designed to harmonise the

amounts paid by the Commission to those of its staff who were previously employed by the legacy commissions on varying terms and at differing pay rates.

While accepting that the Commission had made a contractual commitment to make harmonisation payments to these staff, the GEO noted that the Commission had not sought the GEO's approval before making the payments, was concerned they breached Treasury guidance on pay and therefore classified them as novel and contentious within the guidelines of the Treasury's Managing Public Money document. The GEO and the Treasury thus ruled that this expenditure should be considered as breaching the 2009-10 pay remit guidance.

In April 2009 the Commission transferred former employees of a private sector firm that had previously provided disability advice for the Commission's Helpline into the Commission under TUPE arrangements. In September 2009, the Commission incurred in year expenditure of £184k in transferring these staff on to the Commission's terms and conditions, as well as its pay scales.

The GEO considers that the Commission again failed to seek the necessary approvals before implementing a change that led to an increase in staff salaries. It has therefore refused to issue retrospective approval for the expenditure and considers the payments to breach the 2009-10 pay remit guidance.

10. It is possible that the GEO and the Treasury could provide retrospective approval for both these amounts, if and when they approve the Commission's 2009-10 pay remit. However, as noted above, there is not yet any such remit in place. I am concerned that some twelve months after the end of the period to which the remit will apply, the responsible parties have not been able to agree a pay remit. While much of the initial delay appears to have been caused by the need for the Commission to properly reflect the impact of the major structural changes that it went through in its creation, further delay and complication was added in trying to retrospectively design a pay remit, which is a document that is designed to be agreed before the period to which it relates, not after. One of the key problems thus caused was that the Commission initially worked on the assumption that it would be able to increase permanent staff salaries by up to 4%, which was the original Treasury guidance. However, this maximum limit was reduced to 2.5% in

March 2010, after the Commission had incurred the additional expenditure referred to above. While this may help explain some of the reasons for the Commission's delay in preparing a compliant pay remit, it does not change the fact that the Commission should not have made payments that increased staff salaries without first obtaining the GEO's approval. Formally, the responsibility for the delay in agreeing a pay remit lies with the Commission, which is charged with preparing a remit in a form, and with content, acceptable to the GEO and the Treasury. I understand that discussions over the remit have now moved forward, and that the expectation of both the Commission and the GEO is that an agreed remit will be shortly put to Ministers.

### **Irregular Expenditure as a Result of Breaches of Procurement Delegations**

11. The Commission has agreed a formal Framework Document with the GEO, as its sponsor Department. This sets out, amongst other things, the financial authorities that the GEO has given to the Commission. One of these is a requirement that the Commission seek the GEO's approval for any Single Tender Procurement Actions (STAs) above £50,000.

12. In November 2009, the Commission reviewed its use of Single Tender Procurement Actions (STAs) and its compliance with the requirements set out in the Framework Document. The review found total expenditure of £488k in 2008-09 where the Commission had entered into STAs for amounts greater than £50,000 without seeking the approval of the GEO. The review also found that the Commission had incurred £251k of expenditure in 2009-10 in respect of the same procurements. The Commission decided not to seek retrospective approval for any of this expenditure, which rendered it irregular. As a result, I qualified my audit opinion on the Commission's 2008-09 accounts.

13. In my accompanying report on the 2008-09 accounts, I stated that this review was not a comprehensive analysis of all possible breaches of the STA delegation, and noted that the Commission was not certain that the £487,937 represented all the breaches of the STA delegation.

14. Subsequently, the Commission has carried out further detailed reviews of all its procurement activity to determine how far it had complied with the STA delegation rules. As a result the Commission has developed a more

comprehensive and complete analysis of all procurement activity that was not in accordance with the delegations. Through this exercise it has identified a further 18 cases, where it procured goods and services of more than £50,000 using Single Tender Procurement Actions that were not authorised by the GEO, as was required under the terms of the Framework Document.

15. The total value of this procurement activity is some £2,377k, of which £808k was incurred in 2009-10. Some £1,138k of this total was incurred in the two prior financial periods, with a further £431k relating to committed expenditure in 2010-11 and 2011-12.

16. The Commission has sought retrospective approval from the GEO for £2,245k of this expenditure. The GEO has declined to provide such approval because it considered that it was not given sufficient justification to approve such STAs. The Commission has yet to seek retrospective approval for the remaining £138k of this expenditure, and as such does not have the appropriate approval for it. Consequently the Commission has incurred total expenditure of some £1,059k (£251k plus £808k) in 2009-10 without the appropriate approval. As the Commission has incurred this expenditure without obtaining the proper approval from its sponsor department, I have qualified my audit opinion in respect of the regularity of the £1,059k STA expenditure relating to 2009-10.

17. In my Report on the Commission's 2008-09 accounts, I commented that the Commission's procurement review noted many other serious failings in its management of procurement. Many of these problems appeared to stem from a basic lack of understanding amongst staff of the Commission's procurement procedures. I also welcomed the fact that from April 2010 the Commission made significant changes to its procurement processes.

18. Since then the Commission has revised its procurement guidance, and formalised the restriction introduced in April 2010 that only Directors or above can authorise purchase orders. All purchase orders over £5,000 must now be reviewed by the Procurement team, while all procurements over £20,000 will be directly managed by the Procurement team. All Directors and above have now been trained in the proper processes and procedures to be followed when procuring goods and services.

19. Furthermore, the Procurement team now provides regular reports on procurement activity to the weekly meetings of the Senior Management Team, and has introduced a programme of contract management reviews to ensure

that procurement activity is in accordance with the Commission's guidance, as I recommended in my report on the 2008-09 accounts.

20. While I welcome the considerable improvements that the Commission has made in its controls over procurement, there are still areas where it needs to make improvements. In particular, up to 35% of the Commission's purchase orders are not raised until after the Commission has received an invoice for goods and services. This means that Commission staff are committing funds without going through proper processes and are avoiding some of the checking processes. Consequently the Commission does not have an accurate understanding of its committed expenditure at any one point in time. The Interim Chief Executive has recently instructed all members of the Senior Management Team to set out plans to improve performance in this area, and I welcome the fact that the Board will be monitoring progress against these plans.

### **Irregular Expenditure as a Result of a Breach in the Losses Delegations**

21. In accordance with its Framework Document, the Commission is required to seek the GEO's approval to write off total losses of over £100,000 in any one financial year.

22. In May 2009 the Commission's transition website experienced serious technical difficulties and, in the opinion of the Commission, could not be restored or used further. The Commission decided, therefore, to write off the remaining net book value of the website. Both the Commission and the GEO agree that this write off constitutes a loss under the definitions of Managing Public Money, and that the Commission should have sought approval from the GEO. Unfortunately, the Commission did not seek such approval at the time of the write off.

23. The Commission has decided not to seek retrospective authority for the write off of total losses of £874k, of which £866k related to the net book value of the website. The Commission has disclosed the full £874k in its Losses Note in the 2009-10 draft accounts. As the Commission has written off a loss of £874k in 2009-10 without the appropriate approval, I consider the write off to be irregular, and have qualified my audit opinion in this regard.

24. In discussions between the Commission and the GEO on this matter, the GEO has commented that the website suffered from much ambition but poor specification, and that the understanding of what went wrong was not helped by incomplete documentation.

## **Insufficient Evidence to Support the Regularity of Expenditure on Legal Grants**

25. I limited the scope of my audit opinion on the Commission's 2008-09 accounts as the Commission was not able to obtain any assurances over how a small number of organisations to which it had paid grants had used some £62,800 of grants provided to them.

26. The Commission changed the nature of its grant programme for 2009-10, and disaggregated it into separate components. While the Commission made improvements to the control regime over many of the grants paid, it did not do so for the 2009-10 legal grants programme.

27. In 2009-10 the Commission incurred expenditure of approximately £2,621k on providing legal grants. The Commission introduced a process whereby the legal grant recipients provided returns to the Commission setting out how they spent the money and what the funded projects had delivered. However, the Commission adopted an ad hoc and partial process of checking the information in the returns. There was little evidence of checking to supporting evidence, or visiting of grant recipients to check how they used the Commission's funds or to validate the outputs claimed. We have invited the Commission to go back to the recipients and obtain the necessary evidence to validate the use of these legal grants, but it has declined to do so on the grounds that it considers it unlikely that it would now be able to obtain this information from grant recipients and that such an exercise would not be an effective use of its resources.

28. Our findings were supported by the Commission's Internal Auditors, who found that the Commission had no formal procedures for monitoring legal grant outcomes or making payments. The Internal Auditors also found that the Commission did not have any process in place for an end of grant review of outcomes and expenditure. In response, the Commission commissioned an independent lessons learned review to better understand the reasons for these failings and to make recommendations on what further actions should be put in place. Furthermore, in November 2010 the Commission strengthened its oversight of these grants by changing the internal management arrangements. This included the development of a detailed project plan to deliver improved administration and enhanced controls. Progress against this plan is now regularly reported to both the Audit and Risk and the Resources Committees.

29. I consider that the Commission did not have a sufficiently rigorous programme of monitoring or assurance gathering for legal grants in 2009-10, and cannot now assure itself that approximately £2,621k of grants were used for the purposes intended. I cannot, therefore, confirm that there is sufficient appropriate audit evidence for me to confirm the regularity of these legal grants.

## **Conclusions**

30. In my Report on the Commission's 2008-09 accounts, I expressed concern that the scale of the weaknesses described therein reflected a culture of inadequate forward planning in the Commission, a lack of focus on compliance with procedures and insufficient review and oversight of expenditure by the senior management of the organisation. Most of the problems described above in relation to 2009-10 stem from these same weaknesses.

31. Since I last reported on the Commission's accounts in July 2010, the Commission has made improvements to its financial controls. In particular it has made considerable efforts to introduce more effective control and management of its procurement, and its transactional controls more generally. It has also introduced significantly better financial reporting with more detailed and comprehensive management accounts. This information is now prepared on a timely basis and is reviewed by both the Commission Board and the Senior Management Team.

32. While the Commission has made improvements in these financial controls, it has continued to struggle in other areas. In particular, I regard it as unacceptable that the Commission has not agreed a pay remit some twelve months after the end of the period to which it is supposed to relate. I am also concerned that the Commission did not properly manage or oversee its legal grants during 2009-10. While I welcome the new controls and proper system of documentation that the Commission put in place over these grants from late 2010, I am concerned that they were introduced so long after the programme was started.

33. Furthermore, the Commission still has difficulty in budgeting and forecasting effectively, and this prevents it from exercising full control over its resources. Many of these difficulties, especially around forecasting,

result from the continuing problem of Commission staff not raising purchase orders on a timely basis. If the Commission does not have a clear idea of its spending commitments at any point of time, it is difficult to accurately forecast its future expenditure.

34. Many of the improvements that the Commission has put in place have been delivered by interim staff brought in by the Commission. In general the Commission continues to be over-reliant on interim staff. Four out of the seven members of the Senior Management Team and eight of the 19 Directors are interim appointments, including the Finance and IT Directors. Other key staff in Corporate Services, such as the Head of Procurement and the Finance Project Manager, are also interim appointments. I am concerned that once these interim staff depart, there is a risk that the improvements in controls that they have delivered will lapse. The Commission will need to ensure that not only does it appoint properly qualified and experienced staff to fill these posts, but it will also need to ensure a proper transfer of knowledge.

35. One of the key posts occupied on an interim basis up to June 2011 was the Chief Executive. The Commission was without a substantive Chief Executive from May 2009 to June 2011. In its 15th Report of 2009-10 (issued February 2010), the Committee of Public Accounts recommended that the Commission seek to appoint a permanent Chief Executive as soon as possible, having followed a rigorous competitive appointment process. While recognising that the Commission has now made a permanent appointment from late June 2011, I am disappointed at the time it has taken to get to this point and am concerned that the Commission's ability to drive forward improvements has been restricted by the lack of a permanent appointment.

36. I remain concerned, too, about the culture of the Commission with regard to financial and administrative controls. It is clear that there is little general financial understanding or competence in the organisation, and that many managers have limited experience of the effective management of public money. In such circumstances it is imperative that the Commission Board and the Senior Management Team are clear and unequivocal in their expectations that staff will comply with the laid down financial procedures and manage public funds effectively, and that such expectations are reflected through active performance management. The Chief Executive should also consider appointing the Finance Director as a full member of the Senior Management Team, as this would provide the Team with greater financial awareness and expertise, and also send a clear message to the organisation of the importance the Senior Management Team gives to financial control and management.

37. In my Report on the Commission's 2008-09 accounts, I commented that the weaknesses in the Commission's controls were deep seated and longstanding, and that it would take time for the Commission both to put in place rigorous controls and to ensure that staff comply with them. As this report indicates, these problems did indeed extend into 2009-10. While the Commission has made improvements in its financial controls, it still needs to embed a culture of compliance with administrative procedures and to ensure that the Commission Board and senior management actively take responsibility for the proper governance and effective administration of the Commission.

**Amyas C E Morse**  
**Comptroller & Auditor General**  
**National Audit Office**  
**157-197 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SP**  
**15 June 2011**

## Net expenditure account for the year ended 31 March 2010

	Note	2009-10		2008-09	
		£'000	£'000	Restated	
		£'000	£'000	£'000	£'000
<b>Expenditure</b>					
<i>Staff costs</i>					
Operational	4b	29,399		24,124	
Transition	4b	-		176	
Early retirement and severance costs	13	86		169	
			29,485		24,469
<i>Depreciation and amortisation</i>			1,922		3,011
<i>Other expenditure</i>					
Operational	5	22,949		32,097	
Transition	5	-		4,026	
Loss on disposal on property, plant and equipment	5	8		232	
Impairment of intangible assets	5 & 20c	866		-	
			23,823		36,355
<b>Total expenditure</b>			<b>55,230</b>		<b>63,835</b>
<b>Income</b>					
Income from activities	6		(437)		(455)
Other income-access to work	11		(264)		(145)
<b>Total income</b>			<b>(701)</b>		<b>(600)</b>
<b>Net expenditure</b>			<b>54,529</b>		<b>63,235</b>
Cost of capital	5		(349)		(262)
Interest receivable			-		(32)
Interest cost on pension scheme liabilities	14		78		57
<b>Net expenditure after cost of capital and interest</b>			<b>54,258 *</b>		<b>62,998</b>

The notes on pages 94 to 127 form part of these accounts.

\*This is fully financed from grant-in-aid from our sponsor department the Government Equalities Office.

## Statement of financial position as at 31 March 2010

	Note	31 March 2010		31 March 2009 Restated		1 April 2008 Restated	
		£'000	£'000	£'000	£'000	£'000	£'000
Non - current assets							
Property, plant & equipment	7	3,267		4,930		6,011	
Intangible assets	8	<u>625</u>		<u>1,811</u>		<u>1,972</u>	
Total non - current assets			3,892		6,741		7,983
Current Assets							
Trade and other receivables	10a	1,879		1,517		1,779	
Cash and cash equivalents	11	<u>5,163</u>		<u>5,066</u>		<u>6,484</u>	
Total current assets			7,042		6,583		8,263
Total assets			<u>10,943</u>		<u>13,324</u>		<u>16,246</u>
Current liabilities							
Trade and other payables	12a	(9,228)		(9,912)		(11,217)	
Provisions	13	<u>(1,881)</u>		<u>(2,844)</u>		<u>(2,804)</u>	
Total current liabilities			(11,109)		(12,756)		(14,021)
Total assets less current liabilities			<u>(175)</u>		<u>568</u>		<u>2,225</u>
Non - current liabilities							
Provisions	13	(3,118)		(4,078)		(1,861)	
Pension liabilities	14	(1,624)		(1,308)		(1,087)	
Trade and other payables	12b	<u>(286)</u>		<u>(376)</u>		<u>(503)</u>	
Total non - current liabilities			(5,028)		(5,762)		(3,451)
Assets less liabilities			<u>(5,203)</u>		<u>(5,194)</u>		<u>(1,226)</u>
Taxpayers' equity							
Donated asset reserve			-		-		8
Revaluation reserve			108		357		112
General reserve			(5,311)		(5,551)		(1,346)
			<u>(5,203)</u>		<u>(5,194)</u>		<u>(1,226)</u>

The notes on pages 94 to 127 form part of these accounts.

These financial statements were signed on behalf of the Equalities and Human Rights Commission by:

**Helen Hughes**  
Interim Chief Executive  
**13 June 2011**

## Statement of cash flows for the year ended 31 March 2010

	Note	2009-10 £'000	2008-09 Restated £'000
<b>Cash flows from operating activities</b>			
Net deficit after cost of capital and interest		(54,258)	(62,998)
Adjustment for cost of capital	5	(349)	(262)
(Increase)/Decrease in trade and other receivables	10a	(362)	262
(Decrease) in trade and other payables	12a	(774)	(410)
Depreciation, amortisation and impairment	5	2,788	3,011
Loss on disposal of property, plant and equipment	5	8	232
Release of donated asset reserve		-	(8)
Increase in provisions	13	(193)	3,944
Use of provisions	13	(1,730)	(1,687)
Difference between movement on pension liabilities and amounts recognised in the Net Expenditure account	14	114	12
		<u>(54,756)</u>	<u>(57,904)</u>
<b>Net cashflow from investing activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(79)	(992)
Purchase of intangible assets	8	(110)	(1,788)
(Costs)/Proceeds of disposal of property, plant and equipment		(7)	2
		<u>(196)</u>	<u>(2,778)</u>
<b>Net cash outflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
Grant in aid received from parent department		55,049	59,264
		<u>97</u>	<u>(1,418)</u>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>			
Cash and cash equivalents at the beginning of the financial year	11	5,066	6,484
Cash and cash equivalents at the end of the financial year	11	<u>5,163</u>	<u>5,066</u>

The notes on pages 94 to 127 form part of these accounts.

## Statement of changes in taxpayers' equity for the year ended 31 March 2010

2008-09		Donated Asset Reserve £'000	Revaluation Reserve £'000	General Reserve £'000	Total £'000
	Note				
<b>Balance at 31 March 2008</b>		8	-	(1,070)	(1,062)
Changes in accounting policy		-	112	(276)	(164)
Restated balance at 1 April 2008		8	112	(1,346)	(1,226)
<b>Changes in taxpayers' equity 2008-09</b>					
Net expenditure after cost of capital and interest for the year		-	-	(62,998)	(62,998)
Non cash credit - cost of capital		-	-	(262)	(262)
Net expenditure recognised directly in equity for the year:					
-Actuarial gain (loss)	14	-	-	(209)	(209)
-Release from donated asset reserve		(8)	-	-	(8)
-Revaluation of property, plant & equipment	7	-	245	-	245
<b>Total recognised income and expense for the year</b>		<b>(8)</b>	<b>245</b>	<b>(63,469)</b>	<b>(63,232)</b>
Grant in Aid received from sponsor Department		-	-	59,264	59,264
<b>Balance at 31 March 2009</b>		<b>-</b>	<b>357</b>	<b>(5,551)</b>	<b>(5,194)</b>
2009-10		Donated Asset Reserve £'000	Revaluation Reserve £'000	General Reserve £'000	Total £'000
	Note				
<b>Balance at 31 March 2009</b>		-	357	(5,551)	(5,194)
<b>Changes in taxpayers' equity 2009-10</b>					
Net expenditure after cost of capital and interest for the year		-	-	(54,258)	(54,258)
Non cash credit - cost of capital		-	-	(349)	(349)
Net expenditure recognised directly in equity for the year:					
-Actuarial gain (loss)	14	-	-	(202)	(202)
-Charge to revaluation reserve	7	-	(249)	-	(249)
<b>Total recognised income and expense for the year</b>		<b>-</b>	<b>(249)</b>	<b>(54,809)</b>	<b>(55,058)</b>
Grant aid received from sponsor Department		-	-	55,049	55,049
<b>Balance at 31 March 2010</b>		<b>-</b>	<b>108</b>	<b>(5,311)</b>	<b>(5,203)</b>

The notes on pages 94 to 127 form part of these accounts.

# Notes to the financial statements for the year ended 31 March 2010

## 1. Statement of accounting policies

The financial statements have been prepared in a form consistent with the Accounts Direction issued by the Secretary of State in accordance with the Equality Act 2006.

In addition the financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM). The accounting policies described in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### *1a. Accounting convention*

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment (PPE) and intangible assets.

### *1b. Going Concern*

Grant-in-aid, unlike other income, is treated as financing and taken straight into taxpayer's equity. Cash grant-in-aid for the period to 31 March 2011, taking into account the amounts required to meet the Commission's liabilities falling due in that period, has already been included in the Government Equalities Office's (GEO) estimates for the year, which have been approved by parliament. There is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

## Notes to the financial statements for the year ended 31 March 2010

### *1c. Critical Accounting Judgements and Key Sources of Estimation Uncertainty*

In the application of the Commission's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are continually reviewed.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or, in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the Commission's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Valuation of property, plant and equipment (See accounting policy 1e below and note 7)
- Recognition criteria for intangible assets (See accounting policy 1g below and note 8)

#### *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future and other key sources of estimation uncertainty, at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities in the next financial year:

- Useful lives of items of property, plant and equipment for depreciation calculations (See accounting policy 1e and 1f below and note 7)
- Useful lives of intangible assets and amortisation (See accounting policy 1g and 1h below and note 8)
- Provisions (See accounting policy 1i and note 13)
- Pension liabilities (See accounting policy 1n and note 14)

## **Notes to the financial statements for the year ended 31 March 2010**

### *Changes in accounting estimates*

In 2008/9 assumptions were made regarding the planning requirements associated with an anticipated lease renewal for Commission premises in Manchester. As a consequence and in line with the depreciation policy, the depreciation on all classes of property, plant and equipment (PPE) held at these premises was accelerated so that the assets would be fully written down by 31 March 2010.

A new lease term has since been approved in principle to end in June 2016. As a result of changes to the planning assumptions and therefore accounting estimates, with the exception of fit out costs associated with the original lease term, the depreciation for PPE previously accelerated has been restated in 2009/10 to coincide with their estimated useful economic life and in compliance with the Commission's depreciation policy (accounting policy 1f).

Therefore in respect of these premises, the write back of accelerated depreciation charged to 2008/09 is £286k giving a net depreciation charge in 2009/10 of £187k. Note 7 provides further information concerning total depreciation charged in the period and the current Net Book Value of assets by class.

### *1d. Grant-in-Aid*

The FReM requires the Commission to account for grant-in-aid received for revenue purposes as financing and credit it to the General Reserve. The treatment arises as grant-in-aid is regarded as a contribution from a controlling party which gives rise to a financial interest in the residual interest of the Commission. Grant-in-aid received for the purchase of non-current assets is also credited to the General Reserve.

Grant-in-aid is paid to the Commission by the Government Equalities Office under its Request for Resources 1: Promoting a fair and equal society where everyone has the opportunity to prosper and reach their full potential.

### *1e. Property, Plant and Equipment*

Purchased and donated assets are capitalised where the expected useful lives of the assets exceed one year and where the acquisition exceeds £3,000, either individually or in related groups.

## Notes to the financial statements for the year ended 31 March 2010

Property, plant and equipment are carried at fair value. Where individual assets have a short useful economic life of four years or less and/or where assets have a low cost, then depreciated historic cost is used as a proxy for fair value.

In all other cases, when ascertaining fair value, such assets are revalued using the price indices for plant and machinery as published by the Office for National Statistics which the Commission deems to be the most appropriate valuation methodology available. Any gain on revaluation is credited to the revaluation reserve. Any loss is credited to the revaluation reserve to the extent that a gain has previously been recorded, and otherwise to the net expenditure account.

### *1f. Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated using the straight line basis. Depreciation is applied over the estimated useful economic lives of the assets to the Commission as follows:

Fit out costs for premises	8 years
Office furniture	4 years
ICT and telephony hardware	4 years

A full year's depreciation is charged in the year of acquisition and none in the year of disposal for all classes of assets.

The lease on the Commission premises in Birmingham expires in June 2011. The depreciation on assets held at these premises has been accelerated so that the assets will be fully written down by 31 March 2010.

The original lease on the Commission premises in Manchester expired in June 2010. A new lease term has since been agreed in principle to end in June 2016. It is a requirement of the agreement in principle that the Commission undertakes some fit out work to the premises. In line with the policy, therefore, depreciation on the fit out costs associated with the original lease term has been accelerated so that the assets were fully written down by 31 March 2010.

## Notes to the financial statements for the year ended 31 March 2010

The lease on the Commission premises at 3 More London expires in February 2013. The assets held at these premises will be fully written down by 31 March 2013.

### *1g. Intangible assets*

Intangible assets comprise acquired computer software licences, certain costs incurred in the development phase of internal computer software projects and the costs associated with the development of the Commissions' transitional website.

Intangible assets are carried at fair value. Where individual assets have a short useful economic life of four years or less and/or where assets have a low cost, then amortised historic cost is used as a proxy for fair value. Currently, all intangible assets have been valued at amortised historic cost.

Costs incurred in the developmental phase of internal software projects and the costs associated with the development of the Commissions' transitional website were capitalised if, they were directly associated with the production of identifiable computer software programmes controlled by the Commission that would generate economic benefits beyond one year, and provided a number of criteria are satisfied. These include the technical feasibility of completing the asset so that is available for use, the availability of adequate resources to complete the development and use the asset and how the asset will generate future economic benefit.

Computer software development costs and the costs associated with the development of the Commissions' transitional website recognised as assets are amortised in accordance with the amortisation policy. Other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

### *1h. Amortisation of intangible assets*

Intangible assets are amortised using the straight line basis. Amortisation is applied over the estimated useful economic lives of the assets to the Commission as follows:

Software and website costs	4 years
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## Notes to the financial statements for the year ended 31 March 2010

A full year's amortisation is charged in the year of acquisition and none in the year of disposal for all classes of asset.

### *1i. Provisions*

A provision is recognised in the statement of financial position when the Commission has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows by the Treasury Real Discount Rate of 2.2%.

### *1j. Cash and cash equivalents*

Cash and cash equivalents include cash on hand and call deposits with the Government Banking Service (GBS).

### *1k. Income recognition*

Income is recognised on an accruals basis in the period to which it relates.

### *1l. Access to work*

The Commission makes use of the Access to Work scheme run by Jobcentre Plus, who consider what reasonable adjustments are needed to allow a person with a disability to perform their role. The equipment or service to make the adjustment is paid for by the Commission with Jobcentre Plus reimbursing an agreed proportion of the cost up to 100%. The reimbursement is treated as income.

### *1m. Analysis of employees*

The analysis of employees at note 4a reports the number of full-time equivalent members of staff and is made on the following basis:

Managerial – comprises senior management and heads of department.

Operational – comprises operational staff.

Administration and support – comprises staff providing support services and those providing administrative support to teams.

## **Notes to the financial statements for the year ended 31 March 2010**

### *1n. Pension policy*

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The defined benefit elements of the schemes are unfunded and non-contributory except in respect of dependents' benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes the Commission recognises the contributions payable for the year.

Pension benefits for current and former Chairs of the Commission and legacy Commissions are provided under a 'broadly by analogy scheme' subject to IAS 19 – Employee Benefits. This scheme is an unfunded defined benefit scheme. The fund is managed by the Home Office Pay and Pension Section (HOPPS) and any pensions are administered by them in accordance with the standard rules (by analogy with the PCSPS). Where actuarial gains and losses arise from changes to actuarial assumptions when revaluing future benefits and from actual experience in respect of scheme liabilities and investment performance of scheme assets being different from previous assumptions, then the actuarial gains and losses are recognised directly in taxpayers' equity for the year.

Note 14 to these financial statements details the provision on the By Analogy Pension Liability.

### *1o. Cost of capital*

In order to show the full cost of the Commission's activities, notional costs are included in the Income and Expenditure Account. A notional cost of capital is charged at HM Treasury's cost of capital rate of 3.5 per cent to average capital employed during the year. The sum is written back into the general reserve for the year.

### *1p. Operating leases*

Operating leases are for premises and equipment rental and are charged to the income and expenditure account on a straight line basis over the life of the lease.

## Notes to the financial statements for the year ended 31 March 2010

### *1q. Value added tax (VAT)*

Most of the activities of the Commission are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of fixed assets.

### *1r. Grants*

Section 17 of the Equality Act 2006 empowers the Commission to award grant funding. The Commission funds organisations working in the voluntary sectors which are legally constituted to work in one or more of the equality mandate areas and which have a strong direct link to their beneficiaries, either individuals or communities.

Grant payments are recognised on an accruals basis in the period to which they relate.

### *1s. Presentation of operational and transition costs*

In the Net Expenditure Account and associated notes the remaining costs arising from the merger of the legacy commissions into EHRC are referred to as transitional costs. All other costs are shown as operational.

### *1t. Future IFRS amendments and early adoption*

The Commission applies new or amended International Financial Reporting Standards (IFRSs) in line with their adoption by the FReM.

As at 31 March 2010 the following IFRSs of future amendments to the FReM, identified as having an impact on the Commission, had been issued but were not yet effective:

#### *Cost of capital charge – amendment to the FReM*

The 2010-11 FReM removes the requirement to charge a cost of capital amount to the net expenditure account. As such the 2010-11 accounts will not contain a cost of capital charge.

## **Notes to the financial statements for the year ended 31 March 2010**

### *IFRS 8 Segmental reporting – early adoption*

The 2009/10 FReM has been amended to require all reporting entities to apply IFRS 8 in full, as amended in the revised standard, effective from the accounting period from 1 January 2010 and applied to 2009/10. This constitutes early adoption of the standard (The main impact is that segmental information for total assets is only required if such amounts are regularly reported to the operating decision maker).

## Notes to the financial statements for the year ended 31 March 2010

### 2. First time adoption of IFRS

In line with all government departments and public sector bodies, the Commission has moved to International Financial Reporting Standards (IFRS) with effect from 1 April 2009. The table below explains the accounting impact, of the transition to IFRS, together with a description of these changes.

	Donated assets £'000	Revaluation reserve £'000	General reserve £'000	Total £'000
Taxpayers' equity at 31 March 2008 reported under UK GAAP	8		(1,070)	(1,062)
Adjustments:				
IAS 16 - Revaluation of property, plant and equipment		112		112
IAS 19 - Employee benefits	-		(276)	(276)
	<u>8</u>	<u>112</u>	<u>(1,346)</u>	<u>(1,226)</u>
Taxpayers' equity at 1 April 2008 under IFRS				
Taxpayers' equity at 31 March 2009 reported under UK GAAP	-	-	(5,207)	(5,207)
Adjustments:				
IAS 16 - Revaluation of property, plant and equipment		357		357
IAS 19 - Employee benefits	-		(344)	(344)
	<u>-</u>	<u>357</u>	<u>(5,551)</u>	<u>(5,194)</u>
Taxpayers' equity at 1 April 2008 under IFRS				
				<b>£'000</b>
Net expenditure taken to taxpayers' equity for the year to 31 March 2009 under UK GAAP				(62,932)
Adjustments:				
IAS 19 - Employee benefits				(68)
Capital charge				<u>2</u>
Net expenditure taken to taxpayers' equity for the year to 31 March 2009 under UK GAAP				<u>(62,998)</u>

IAS 19 – Employee Benefits requires the cost of providing employee benefits to be recognised in the period in which the benefit is earned, rather than when it is paid. As at 31 March 2009, EHRC staff had accrued holiday entitlement, amounting to a cost of £344,000. As such, under IFRS an accrual has been made for this amount, increasing the balance of Trade and Other Payables. Under the same requirements, a balance of £276,000 would have been required as at 31 March 2008, hence there is an overall effect on Net Expenditure taken to Taxpayers' Equity for the year ended 31 March 2009 of £68,000.

## **Notes to the financial statements for the year ended 31 March 2010**

Additionally, the following reclassifications have been made to the Statement of Financial Position reported under UK GAAP, at 31 March 2009 and 31 March 2008:

- Web site costs with a Net Book Value of £866k (2008: £897k) reported within tangible fixed assets under UK GAAP at 31 March 2009 have been reclassified as intangible assets in accordance with IAS 38 – Intangible Assets.
- Pension liabilities reported within provisions under UK GAAP at 31 March 2009 of £1,308k (2008: £1,087k) have been separately reported on the face of the Statement of Financial Position and set out in note 14 in accordance with IAS 19 – Employee Benefits.

### **3. Segmental reporting**

The Commission's primary reporting format is by directorate with six directorates and a Commissioners' Office.

The Commissioners' Office supports and co-ordinates the work of the Board, its committees and the Commissioners and integrates the work of the Board with that of the executive of the Commission.

The Communications Directorate provides strategic communications and stakeholder relations support to the Commission. The directorate engages stakeholders in the Commission's work and activities and ensures good external recognition of the Commission's work.

The Corporate Management Directorate delivers infrastructure functions and systems and provides operation services. The directorate manages the Commission's grant making process.

The Commission has a unique set of legal powers that are vested in the Legal Directorate. The directorate uses these powers and its legal resources to enforce equality laws, eliminate discrimination, reduce inequality, promote good relations and protect human rights.

## Notes to the financial statements for the year ended 31 March 2010

The Strategy Directorate works to develop the Commission's knowledge and view of the wide equalities and human rights landscape. The directorate devises and implements a strategy of intervention that will make a public impact and supports the Board in managing the Commission's strategy. The directorate supports and works with the Statutory Disability Committee.

The Scotland and Wales Directorates have a programme of work delivered specifically in Scotland and Wales and contribute to the Commission's Great Britain wide programme. They work closely with colleagues in other directorates to deliver the Commission's strategic priorities but in the devolved context needed to deliver Scotland and Wales specific work and ensure that Commission policy making reflects their devolved needs. The directorates work with their statutory committees to ensure that devolved needs are taken into account in the Commission business plan and to implement an appropriate programme of work.

Segmental results are highlighted below:

Directorate	2009-10			2008-09		
	Income £'000	Expenditure £'000	Total £'000	Income £'000	Expenditure £'000	Total £'000
Commissioners' Office	(1)	1,713	1,712	-	1,752	1,752
Communications	(7)	10,179	10,172	-	11,156	11,156
Corporate Management & Operational	(359)	23,149	22,790	(154)	34,560	34,406
Legal	(188)	8,484	8,296	(149)	5,740	5,591
Scotland	(126)	2,111	1,985	(125)	1,869	1,744
Strategy	(6)	7,956	7,950	(2)	6,820	6,818
Wales	(14)	1,367	1,353	(170)	1,701	1,531
Net Expenditure after cost of capital and interest	(701)	54,959	54,258	(600)	63,598	62,998

## Notes to the financial statements for the year ended 31 March 2010

Segmental information for total assets and liabilities are not regularly reported to the chief operating decision maker and have not therefore been produced in the accounts (see accounting policy 1t regarding the early adoption of IAS 8 – Segmental Reporting).

In May 2009 the Commission’s transitional website experienced grave and irreparable technical difficulties and was considered to have been impaired in accordance with IAS 36 – Impairment of Assets (notes 5, 7 and 20c refer). The impairment loss has been reported on the face of the Net Expenditure Account and in the Corporate Management directorate in the segmental results above, the reportable segment to which the asset belongs.

### 4. Staff numbers and related costs

#### 4a. Staff numbers

The average number of full time equivalent (FTE) employees in post during the year was as follows:

	2009-10	2008-09		Total
	Total	Operational	Transition	
Directly employed: Management	93	85	-	85
Operational staff	259	216	-	216
Administration and support	91	95	-	95
Seconded staff (net of inward and outward secondments)	(2)	2	-	2
Agency staff	85	82	3	85
	526	480	3	483
Commissioners	14	16	-	16
Total	540	496	3	499

Post the 2008/09 year end staffing numbers increased and a failure in establishment controls resulted in the approved establishment of 525 FTE being exceeded. When the problem was identified the Commission took action to resolve it. As at 31 March 2010 there were 517.1 FTE in post, which is below the permitted level.

## Notes to the financial statements for the year ended 31 March 2010

### 4b. Staff costs comprise

	2009-10	2008-09 Restated		Total £'000
	Total £'000	Operational £'000	Transistion £'000	
Wages and salaries	15,902	13,807	-	13,807
Social security costs	1,270	1,150	-	1,150
Other pension costs	3,091	2,737	-	2,737
Seconded staff	275	97	-	97
Agency staff	8,739	6,070	176	6,246
Outward secondments	(312)	(179)	-	(179)
Sub-total	28,965	23,682	176	23,858
Commissioner and Chairs costs	434	442	-	442
Total	29,399	24,124	176	24,300

#### *Salary*

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowances to the extent that it is subject to UK taxation.

#### *Pension arrangements*

New employees automatically join the PCSPS nuvos scheme (a defined benefit pension scheme) or can elect to start a partnership pension account (a stakeholder pension with an employer contribution). A number of staff transferring from the legacy commission are existing members of the Principal Civil Service Pension Scheme (PCSPS).

PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For the year to 31 March 2010, employers' contributions of £3,043,813 were payable to the PCSPS (2008-09: £2,744,834) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands.

## Notes to the financial statements for the year ended 31 March 2010

The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires, and not the benefits paid during the year to existing pensioners.

Employees can opt to open a partnership pension account (a stakeholder pension with an employer contribution). Employers' contributions of £18,043 were paid to one or more of the panel of three appointed stakeholder pension providers (2008-09: £23,055). Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

### 5. Other expenditure

	2009-10		2008-09	
	Total	Operational	Transition	Total
	£'000	£'000	£'000	£'000
<b>Running costs</b>				
Staff support, recruitment and training	1,487	1,961	30	1,991
Staff and Commissioners' travel and subsistence	1,582	1,324	-	1,324
Rentals under operating leases for equipment	44	60	-	60
Rentals under operating leases for premises	2,247	2,156	214	2,370
Premises costs (non-lease)	1,665	1,565	3,432	4,997
Support and office services	2,359	3,207	339	3,456
IT and telecommunications costs	1,149	1,263	-	1,263
Access to work	232	153	-	153
Auditors remuneration	90	87	-	87
<b>Programme</b>				
Helpline and advisory services	591	1,656	4	1,660
Legal and mediation services	1,658	1,282	-	1,282
Grants given	5,003	10,701	-	10,701
Publication and information	2,888	4,509	-	4,509
Research and policy development	1,954	2,173	7	2,180
Total other operating charges	22,949	32,097	4,026	36,123
<b>Non cash items</b>				
Depreciation of property, plant and equipment	1,492	2,113	-	2,113
Amortisation of intangible assets	430	898	-	898
Loss on impairment of intangible asset	866	-	-	-
(Profit)/Loss on disposal of property, plant and equipment	8	234	(2)	232
Notional cost of capital charge	(349)	(262)	-	(262)
Total Other Expenditure	25,396	35,080	4,024	39,104

During the year the Commission purchased £nil of non-audit services from its auditor, the National Audit Office.

## Notes to the financial statements for the year ended 31 March 2010

### 6. Income from activities

	2009-10	2008-09
	£'000	£'000
Other government grants	181	425
Sponsorship income	12	16
Miscellaneous income	244	6
Release from donated asset reserve	-	8
	<u>437</u>	<u>455</u>

# Notes to the financial statements for the year ended 31 March 2010

## 7. Property, plant and equipment

<b>2009-10</b>	<b>Fixtures &amp; fittings £'000</b>	<b>IT &amp; Telecomms Equipment £'000</b>	<b>Furniture £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 April 2009	4,991	2,266	1,088	8,345
Additions in year	40	33	6	79
Disposals	-	(2)	-	(2)
Revaluations	(245)	-	-	(245)
At 31 March 2010	<u>4,786</u>	<u>2,297</u>	<u>1,094</u>	<u>8,177</u>
<b>Depreciation</b>				
At 1 April 2009	1,434	1,310	671	3,415
Depreciation for the year	1,002	299	191	1,492
Disposals	-	(1)	-	(1)
Revaluations	4	-	-	4
At 31 March 2010	<u>2,440</u>	<u>1,608</u>	<u>862</u>	<u>4,910</u>
<b>Net Book Value</b>				
At 31 March 2010	<u>2,346</u>	<u>689</u>	<u>232</u>	<u>3,267</u>
<b>2008-09 Restated</b>				
<b>2008-09 Restated</b>	<b>Fixtures &amp; fittings £'000</b>	<b>IT &amp; Telecomms Equipment £'000</b>	<b>Furniture £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 April 2008	4,385	1,842	989	7,222
Additions in year	262	436	99	797
Disposals	-	(18)	-	(18)
Revaluations	344	-	-	344
At 31 March 2009	<u>4,991</u>	<u>2,266</u>	<u>1,088</u>	<u>8,345</u>
<b>Depreciation</b>				
At 1 April 2008	296	487	428	1,211
Depreciation for the year	1,039	831	243	2,113
Disposals	-	(8)	-	(8)
Revaluations	99	-	-	99
At 31 March 2009	<u>1,434</u>	<u>1,310</u>	<u>671</u>	<u>3,415</u>
<b>Net Book Value</b>				
At 31 March 2009	<u>3,557</u>	<u>956</u>	<u>417</u>	<u>4,930</u>
At 31 March 2008	<u>4,089</u>	<u>1,361</u>	<u>561</u>	<u>6,011</u>

# Notes to the financial statements for the year ended 31 March 2010

## 8. Intangible assets

2009-10	Software licences £'000	Website £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2009	1,738	1,554	3,292
Additions	110	-	110
Disposals	-	-	-
Impairments	-	(1,554)	(1,554)
At 31 March 2010	1,848	0	1,848
<b>Amortisation</b>			
At 1 April 2009	793	688	1,481
Charged in the year	430	-	430
Impairments	-	(688)	(688)
At 31 March 2010	1,223	0	1,223
<b>Net Book Value</b>			
At 31 March 2010	625	0	625
<b>2008-09 Restated</b>			
	Software licences £'000	Website £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2008	1,433	1,196	2,629
Additions	603	358	961
Disposals	(298)	-	(298)
At 31 March 2009	1,738	1,554	3,292
<b>Amortisation</b>			
At 1 April 2008	358	299	657
Charged in the year	509	389	898
Disposals	(74)	-	(74)
At 31 March 2009	793	688	1,481
<b>Net Book Value</b>			
At 31 March 2009	945	866	1,811
At 31 March 2008	1,075	897	1,972

## Notes to the financial statements for the year ended 31 March 2010

### 9. Financial instruments

As the cash requirements of the Commission are met through grant-in-aid by our sponsor Department the Government Equalities Office (GEO), financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Commissions expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk.

#### 10a. Trade and other receivables

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
<b>Amounts falling due within one year</b>			
Trade receivables	153	88	121
Prepayments and accrued income	1,565	1,314	1,363
Other receivables			
- Access to work	76	18	30
- Other	85	97	265
	1,879	1,517	1,779

#### 10b. Trade and other receivables: Intra-government balances

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
<b>Amounts falling due within one year</b>			
Balances with-			
Other central government bodies	224	211	149
Local authorities	495	37	409
NHS Trusts	-	-	-
Public corporations and trading funds	-	-	-
Balances with bodies external to government	1,160	1,269	1,221
	1,879	1,517	1,779

# Notes to the financial statements for the year ended 31 March 2010

## 11. Cash and cash equivalents

	2010 £'000	2009 £'000	2008 £'000
At 1 April	5,066	6,484	-
Net change in cash and cash equivalent balances	97	(1,481)	6,484
Balance at 31 March	<u>5,163</u>	<u>5,066</u>	<u>6,484</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	-	702	2,288
Office of the Paymaster General (OPG)	-	4,364	4,196
Government Banking Service	5,163	-	-
At 31 March	<u>5,163</u>	<u>5,066</u>	<u>6,484</u>

## 12a. Trade payables and other current liabilities

	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 31 March 2008 £'000
Trade payables	2,200	746	2,639
Other payables	863	590	800
VAT	21	5	-
Other taxes and social security	424	528	604
Accruals	5,720	8,043	7,174
	<u>9,228</u>	<u>9,912</u>	<u>11,217</u>

## 12b. Non-current liabilities

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Premises rent free period	<u>286</u>	<u>376</u>	<u>503</u>

Non-current liabilities is a balance with bodies external to government

# Notes to the financial statements for the year ended 31 March 2010

## 12c. Trade and other payables: Intra-government balances

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
<b>Amounts falling due within one year</b>			
Balances with-			
Other central government bodies	1,544	2,773	2,507
Local authorities	493	4	76
Public corporations and trading funds	-	-	277
Balances with bodies external to government	7,191	7,135	8,357
	<u>9,228</u>	<u>9,912</u>	<u>11,217</u>

## 13. Provisions

2009/10	Early retirement £'000	Dilapidations £'000	Legal £'000	Property disposal £'000	Total £'000
Balance at 1 April 2009 (Restated)	1,962	81	797	4,082	6,922
Provided in year	31	72	224	3	330
Utilised in year	(421)	(15)	(18)	(1,276)	(1,730)
Provisions not required/written back	-	-	(581)	-	(581)
Unwinding of discount	43	-	-	15	58
Balance at 31 March 2010	<u>1,615</u>	<u>138</u>	<u>422</u>	<u>2,824</u>	<u>4,999</u>
Disclosed within non-current liabilities	1,238	66	-	1,814	3,118
Disclosed within current liabilities	377	72	422	1,010	1,881
	<u>1,615</u>	<u>138</u>	<u>422</u>	<u>2,824</u>	<u>4,999</u>

The timing of cash flows is expected to be as follows:

	Early retirement £'000	Dilapidations £'000	Legal £'000	Property disposal £'000	Total £'000
In the remainder of the Spending Review period to 2011	377	72	422	1,010	1,881
Between 2010 and 2016	994	66	-	1,814	2,874
Between 2017 and 2021	244	-	-	-	244
Thereafter	-	-	-	-	-
	<u>1,615</u>	<u>138</u>	<u>422</u>	<u>2,824</u>	<u>4,999</u>

## Notes to the financial statements for the year ended 31 March 2010

2008/09 Restated	Early retirement £'000	Dilapidations £'000	Legal £'000	Property disposal £'000	Total £'000
Balance at 1 April 2000 (Restated)	2,328	436	327	1,574	4,665
Provided in year	71	31	797	3,510	4,409
Utilised in year	(464)	(369)	(98)	(756)	(1,687)
Provisions not required/written back	-	(17)	(229)	(246)	(492)
Unwinding of discount	27	-	-	-	27
Balance at 31 March 2009	1,962	81	797	4,082	6,922
Disclosed within non-current liabilities	1,550	81	-	2,447	4,078
Disclosed within current liabilities	412	-	797	1,635	2,844
	1,962	81	797	4,082	6,922

The timing of cash flows is expected to be as follows:

	Early retirement £'000	Dilapidations £'000	Legal £'000	Property disposal £'000	Total £'000
In the remainder of the Spending Review period to 2011	412	-	797	1,635	2,844
Between 2010 and 2016	1,315	81	-	2,447	3,843
Between 2017 and 2021	235	-	-	-	235
Thereafter	-	-	-	-	-
	1,962	81	797	4,082	6,922

### *Early retirement*

The Commission meets the additional cost of benefits beyond the normal PCSPS entitlement in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and retirement date. A provision has been made that represents the total future liabilities to the former employees. The former Commission employees were offered terms under an early severance scheme with effect from 30 September 2007. Payments under the scheme were made by the Commission after 30 September 2007. The early retirement and severance cost shown on the face of the net expenditure account comprises the sums paid in the year.

## **Notes to the financial statements for the year ended 31 March 2010**

The sum of £86k declared in the Net Expenditure Account for Early Retirement and Severance Costs is made up of £34k for unwinding of discount, £12k for sums paid in year, £31k covers the increase in pensions in payment and £9k represents the difference between actual sums paid and the 2009/10 provision release.

### *Dilapidations and property disposal*

The dilapidations and property provisions relate to three leases on properties formerly occupied by the legacy commissions but not used by the Commission. These premises are being disposed of. Provisions have been made for dilapidations cost arising when premises are vacated. In addition provision has also been made for costs arising from property disposals. The figures used are based on the advice of independent property consultants. Provision has been made for these costs as the leases are considered to be onerous.

### *Legal*

Provision has been made for liabilities arising from litigation that the Commission has ongoing at 31 March 2010. These liabilities are of uncertain timing and amount. Provision is made on the best estimate of expenditure required to settle the obligation. Where litigation is decided in EHRC's favour there is potential for recovery of costs.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.2 per cent in real terms.

## **14. Pension liabilities**

The pension liabilities comprise pension benefits for the current Chair of the Commission and former Chairs of legacy Commissions which are provided under a scheme broadly by analogy (BBA) with PCSPS.

The BBA pension scheme is unfunded with benefits being paid as they fall due and guaranteed by the Commission. There is no fund and therefore no surplus, deficit or assets. The scheme liabilities for service have been calculated by the Government Actuary's Department using the financial assumptions below:

## Notes to the financial statements for the year ended 31 March 2010

	31 March 2010	31 March 2009	31 March 2008
Rate of inflation	2.75%	2.75%	2.75%
Rate of increase in salaries	4.29%	4.29%	4.30%
Rate of increase for pensions in payment and deferred pensions	2.75%	2.75%	2.75%
Rate used to discount scheme liabilities	4.60%	6.04%	5.30%

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
The liabilities associated with ex Chairs holding BBA pensions are as follows:			
Active members (past service)	326	238	187
Deferred pensioners	169	120	130
Current pensioners	1,129	950	770
Present value of scheme liabilities	<u>1,624</u>	<u>1,308</u>	<u>1,087</u>

	2010 £'000	2009 £'000	2008 £'000
The movement of the provision during the year is as follows:			
Balance at 1 April	1,308	1,087	-
Transfers in 1 October 2007	-	-	1,049
Current service cost	27	24	18
Employee contributions	3	3	2
Interest cost on scheme liabilities	78	57	22
Total actuarial (gains)/Losses	202	209	25
Transfer value	81	-	-
Less benefits paid	(75)	(72)	(29)
Present value of scheme liabilities	<u>1,624</u>	<u>1,308</u>	<u>1,087</u>

	2010 £'000	2009 £'000	2008 £'000
The amounts recognised in the Net Expenditure Account are as follows:			
Current service cost	27	24	18
Interim cost on scheme liabilities	78	57	22
	<u>105</u>	<u>81</u>	<u>40</u>
Actuarial losses recognised directly in Taxpayers' equity	<u>202</u>	<u>209</u>	<u>25</u>
Cumulative actuarial losses recognised directly in Taxpayers' Equity	<u>436</u>	<u>234</u>	<u>25</u>

## Notes to the financial statements for the year ended 31 March 2010

The last actuarial valuation of the scheme took place on 1 June 2010. Changes in the demographic and financial assumptions underlying the valuation of the scheme have resulted in losses to the scheme of £265k (2009: £71k gain) or 17.2% (2009: 5.4%) of the balance sheet valuation of the scheme liabilities. Experience gain on the scheme arising because actual movement in liabilities were not in line with previous assumptions made amounted to £63k (2009: £280k loss) or 4.1% (2009: 21.4%) of the balance sheet valuation of the scheme liabilities. The total actuarial loss was £202k (2009: £209k) or 13.1% (2009: 16.0%) of the balance sheet valuation of the scheme liabilities.

It is estimated that the value of benefits falling due and guaranteed by the Commission in the reporting period 2010/11 will be £75k.

### 15. Capital commitments

Contracted capital commitments at 31 March 2010, not otherwise included in these financial statements were as follows:

	2010 £'000	2009 £'000	2008 £'000
Property, plant and equipment	-	29	-
Intangible assets	-	-	-
	-	29	-

### 16. Commitments under leases

#### 16a. Operating leases

Total future minimum lease payments under non-cancellable operating leases are given in the table below for each of the following periods:

	2010 £'000	Restated 2009 £'000
Obligations under operating leases comprise:		
Buildings-		
Not later than one year	1,718	2,193
Later than one year and not later than five years	2,548	4,182
Later than five years	-	-
	4,266	6,375
Other-		
Not later than one year	34	34
Later than one year and not later than five years	31	65
Later than five years	-	-
	65	99
	4,331	6,474

## **Notes to the financial statements for the year ended 31 March 2010**

### **16b. Finance leases**

There were no obligations under finance leases.

### **17. Contingent liabilities**

Legal costs and recoveries relating to supported cases in progress as at 31 March 2010 are not treated as a contingent liability but as an ongoing expense.

A contingent liability exists regarding pension provision for the chair of a legacy commission. The Commission is investigating this but it will take time to recover and review relevant documents from the legacy archives. If the Commission does have a liability the financial impact will be low as the term of office giving rise to the liability is eleven months.

### **18. Contingent assets**

Legal and General are currently holding funds relating to the wind up of the Commission for Racial Equality Pension and Life Assurance Scheme pension scheme in 2005, pending the finalisation of a data cleansing exercise which has the potential to impact on the number of people assessed as being members of the scheme. Once this exercise is completed, it is likely that some funds will be returned to the public purse, but the amount and date of this is uncertain.

### **19. Related party transactions**

The Commission is a non-departmental public body of the Government Equalities Office (GEO). The GEO is regarded as a related party. During the year the Commission received £55,049,000 Grant-in-Aid from the GEO. No other significant transactions have taken place between the two bodies.

The GEO also sponsors the Women's National Commission (WNC). The Commission had no transactions with the WNC.

## Notes to the financial statements for the year ended 31 March 2010

During the year the Commission was involved in the following related party transactions which are considered to be material. All the transactions described were conducted on an arm's length basis<sup>1</sup> and in the normal course of the Commission's business.

Transactions between the Commission and organisations in which board members or senior staff have an interest follow:

<sup>1</sup>A transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of a conflict of interest. The **arm's length principle** (ALP) is the condition or the fact that the parties to a transaction are independent and on an equal footing. Such a transaction is known as an "arm's-length transaction". It is used specifically in contract law to arrange an equitable agreement that will stand up to legal scrutiny, even though the parties may have shared interests.

## Notes to the financial statements for the year ended 31 March 2010

Name	Role	Related party	Position in related party	Total value of expenditure £	Total value of receipts £	Balance due 31 March 2010 £	Nature of transaction
T Phillips OBE	Commissioner (Chair)	Migration Policy Institute	Policy Fellow	7,036	-	-	Services
		The Runnymede Trust	Patron	11,500	-	-	Services
				28,605	-	-	Grant
Baroness M Prosser OBE	Commissioner (Deputy Chair)	Royal Mail #	Non executive director	8,227	-	-	Services
		House of Lords #	Member	2,616	-	-	Services
S Alambritis	Commissioner	The Labour Party #	Councillor (London Borough of Merton)	6,914	-	-	Services
K Allen	Commissioner	Royal Mail #	Group head: social policy and inclusion	8,227	-	-	Services
A Beynon OBE	Commissioner	BT	Director of Wales	589,629	-	50,676	Services
		The Labour Party #	Member	6,914	-	-	Services
Professor G van Buren	Commissioner	British Institute of Human Rights #	Advisory board member	37,212	-	-	Services and research
				16,500	-	-	Grant
Baroness J Campbell DBE	Commissioner	Office for Disability Issues	Chair of expert panel	-	(13,051)	-	Staff secondment and event funding
		House of Lords #	Member	2,616	-	-	Services
Kay Carberry CBE	Commissioner	TUC #	Assistant General Secretary	6,557	-	71	Services
		The Labour Party #	Canvasser	6,914	-	-	Services

## Notes to the financial statements for the year ended 31 March 2010

Name	Role	Related party	Position in related party	Total value of expenditure £	Total value of receipts £	Balance due 31 March 2010 £	Nature of transaction
J Drake CBE	Commissioner	Personal Accounts Delivery Authority	Acting Chair	526,652	(12,732)	-	Re transfer of property lease
		TUC #	Member	6,557	-	71	Services
		Employment Appeal Tribunal	Member	(10)	-	-	Services
Baroness S Greengross OBE	Commissioner	House of Lords #	Member	2,616	-	-	Services
		Age Concern England	Vice president	1,269	-	269	Services
Professor Kay Hampton	Commissioner	Glasgow Caledonian University	Professor	600	-	-	Services
		Scottish Human Rights Commission	Commissioner	382	(93,816)	-	Charges re co-location of offices
		British Trust for Conservation	Ambassador	3,500	-	-	Grant
Dr J Irvine OBE	Commissioner	RADAR	Vice chair	21,033	-	10,356	Sponsorship and services
				4,500	-	-	Grant
Professor F Klug OBE	Commissioner	London School of Economics	Professor Research Fellow	131,017	-	23,063	Research and services
		British Institute of Human Rights #	Advisory council member	37,212	-	-	Services and research
				16,500	-	-	Grant
K Lyle	Commissioner	Citizens' Advice Scotland	Chief executive	782	-	-	Services
A Mason	Commissioner	The Labour Party #	Candidate	6,914	-	-	Services

## Notes to the financial statements for the year ended 31 March 2010

Name	Role	Related party	Position in related party	Total value of expenditure £	Total value of receipts £	Balance due 31 March 2010 £	Nature of transaction
Sir Bert Massie CBE	Commissioner	Liverpool John Moore's University	Governor	25,060	-	25,000	Research
		RAISE Ltd	Director	4,500	-	-	Grant
Maeve Sherlock OBE	Commissioner	Durham University	Tutor	25,000	-	25,000	Research
M Smith	Commissioner	Mike Smith Consulting ###	Sole trader	679	-	13,214	Services
		Stonewall #	Board member	8,093	-	-	Service and membership Grant
				27,374	-	-	
		The Labour Party #	Canvasser	6,914	-	-	Services
Ben Summerskill	Commissioner	Stonewall #	Chief executive	8,093	-	-	Services and membership Grant
				27,374	-	-	
S Woolley	Commissioner	University of Nottingham	Visiting lecturer	84	-	-	Services
Neil Kinghan	Director General	Neil Kinghan Ltd	Sole trader	158,630	-	-	Services as Director General Grant
		The Prince's Trust	Chair of South-East region	2,518	-	-	
Kate Bennett	National Director for Wales	The Labour Party #	Member	6,914	-	-	Services

## Notes to the financial statements for the year ended 31 March 2010

Name	Role	Related party	Position in related party	Total value of expenditure £	Total value of receipts £	Balance due 31 March 2010 £	Nature of transaction
Ross Micklem	National Director for Scotland	Amnesty International #	Member	480	-	480	Services
		Citizens Advice Scotland #	Employer of partner	782	-	-	Services
		Liberty #	Member	31,400	-	-	Grant
Andrea Murray	Acting Group Director Strategy	Equality and Diversity Forum	Personal connection to CEO	1,700	-	-	Services
		The Labour Party #	Member	6,914	-	-	Services
Mags Patten	Acting Group Director Communications	The Labour Party #	Member	6,914	-	-	Services
John Wadham	Group Director Legal	Amnesty International #	Member	480	-	480	Services
		The Labour Party #	Member	6,914	-	-	Services
		Legal Action Group	Member	287	-	80	Services
		Liberty #	Member	31,400	-	-	Grant

# Amnesty International, The British Institute of Human Rights, Citizens' Advice Scotland, House of Lords, Labour Party, Liberty, Royal Mail, Stonewall and TUC are related parties for more than one commissioner or member of senior staff.

## The services provided by Mike Smith Consulting were contracted for and for the most part completed before Mr Smith's appointment as a commissioner.

The Commission maintains a Register of Members' Interests, which is available for inspection by arrangement.

## Notes to the financial statements for the year ended 31 March 2010

### 20. Losses and special payments

#### 20a. Fruitless payments

##### *Chief Executive recruitment*

During the period September 2009 to May 2010, the Commission undertook two recruitment campaigns for a permanent Chief Executive at a total cost of £110k. Due to issues associated with the remuneration package and the outcome of the Spending Review the Commission, with the agreement of the Government Equalities Office (GEO), deemed it appropriate to suspend the recruitment process. As the Commission did not derive any benefit from the recruitment process, the associated costs of £110k are classed as a fruitless payment.

Of the total recruitment costs incurred, £61k was charged to 2009-10 and £49k will be charged to 2010-11.

##### *Generator*

In April 2009 the Commission purchased a generator as part of a business continuity strategy to provide a power backup to its IT data systems. Due to issues associated with the likely ongoing maintenance costs of the system and insurance indemnities required by the landlord, the Commission took the decision to cancel the installation. Since the Commission has not derived any benefit from the acquisition of the asset, the cancellation costs of £8k are classed as a fruitless payment.

#### 20b. Write offs

The Commission wrote off two laptops with a net book value of £842. Both laptops were stolen. No personal data was put at significant risk.

The Commission has written off a small number of payroll overpayments at a value of £8,258 since the likelihood of debt recovery has proved negligible.

#### 20c. Impairments

In May 2009 the Commission's transitional website experienced grave technical difficulties. Although many attempts were made to remedy the situation, it could not be restored. The Commission considered the value of the asset to have been impaired in accordance with IAS 36 – Impairment of assets. As a consequence, the remaining net book value of the development costs of £866k has been written down in 2009-10.

## **Notes to the financial statements for the year ended 31 March 2010**

### **21. Events after the reporting period**

#### *Public bodies review*

In addition to the spending review, the government made a commitment to radically increase the transparency and accountability of all public services by conducting a Public Bodies Review. The review incorporated all Non-Departmental Public Bodies (NDPBs), as well as other bodies, such as some non-ministerial departments and some public corporations.

As a consequence of that review, the Commission intends to consider how it should be reformed to concentrate on its key role as a regulator. In addition the Commission's sponsor department, the GEO, will transfer to the Home Office with effect from 1 April 2011.

#### *Spending Review 2010-11*

Following the general election on 6 May 2010, the government outlined a spending review process for the Public Sector, the outcome of which was presented to Parliament on the 21 October 2010. The GEO has advised the Commission that its spending settlement for 2011-12 is £47.4m for revenue and £1.5m capital.

#### *Interim Chief Executive*

The interim Director General, Neil Kinghan left the Commission on 30 September 2010. Since Neil's departure Helen Hughes, formerly Group Director Corporate Management at the Commission has been appointed as interim Chief Executive until Mark Hammond becomes permanent Chief Executive later this month.

#### *Dilapidations and property disposal*

As at 31 March 2010 the Commission held provisions for a number of legacy properties to be disposed of, comprising £145k for dilapidations and £2,824 k for costs associated with onerous lease commitments on three properties inherited from the legacy commissions. These are Fox Court in London, the Old Tun in Edinburgh and Ty Nant in Cardiff. Since the statement of financial position date the lease commitment for Ty Nant has now come to an end and the Commission took the opportunity to negotiate an early exit from the lease commitment for the Old Tun. A total of £1,032k of the provision has been expended in 2010-11 in respect of all the onerous lease commitments.

## **Notes to the financial statements for the year ended 31 March 2010**

### *Voluntary Exit Scheme*

In February 2011 the Commission received approval from the Cabinet Office, Treasury and GEO to implement a Voluntary Exit (VE) scheme. The opportunity to apply to leave under the VE scheme has been applied to all staff and it is anticipated that the Commission will be releasing up to 50 by the 30 June 2011. The VE scheme is the first part of a phased process which will enable the Commission to move toward a size and structure that is appropriate in our future key role as a regulator.

### *Pensions*

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Commission provides to employees and on the BBA scheme referred to in note 14.

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