

COMMISSION FOR RACIAL EQUALITY

# Annual Report and Accounts

April to September 2007



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RACIAL EQUALITY

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Presented to the House of Commons pursuant to section 7  
of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 19 May 2009

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ISBN: 978 010 295902 4

# Annual Report and Accounts

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# Management Commentary 2007

## Introduction

The Statement of Accounts on the following pages reports the results of the Commission for Racial Equality (CRE) for the six month period 1 April 2007 to 30 September 2007. It was prepared on an accrual basis and in accordance with the Accounts Direction given by the Secretary of State under paragraph 17 of the Race Relations Act 1976 (the RRA or the 'Act') as amended.

## History

The CRE was a non-departmental public body established by statute. It was formerly financed by Grant-in-Aid from the Home Office and for a short period it was funded by the Department for Communities and Local Government and finally the Government Equalities Office. In accordance with FRS 8 the Department for Work and Pensions, the Department for Communities and Local Government and the Government Equalities Office were related parties to the CRE during the period covered by this Statement of Accounts. The Secretary of State for the Government Equalities Office was answerable to Parliament for the CRE and responsible for making financial provision for its needs.

The RRA 1976 provided that the members of the Commission be appointed by the Secretary of State for the relevant department, currently the Government Equalities Office. The Secretary of State also appointed a Chair with the endorsement of the Prime Minister. The CRE's final Chair, Kay Hampton, was appointed on 1 December 2006 for a period up until 31 October 2007. The Chief Executive and Accounting Officer, Maxine Ayton, was appointed on 15 March 2007. During 2007 the CRE operated from offices in London, Manchester, Birmingham, Cardiff and Edinburgh and a number of hub offices employing a small number of staff in each at Nottingham, Newcastle, Leeds, Guildford, Bristol and Cambridge.

## Principal activities

The functions conferred on the CRE by section 43 (1) of the RRA were:

- a. to work towards the elimination of racial discrimination;
- b. to promote equality of opportunity and good relations between persons of different racial groups generally; and
- c. to keep under review the workings of the RRA and, when it was so required by the Secretary of State or otherwise thought necessary, to draw up and submit to the Secretary of State proposals for amending the RRA.

In pursuit of these functions the CRE:

- a. gave financial or other assistance through grants and promotional work to any organisation appearing to the CRE to be concerned with the promotion of equality of opportunity and good relations between persons of different racial groups;
- b. conducted formal investigations for any purposes connected with carrying out its statutory duties and made recommendations as a result of those investigations;

- c. gave advice and assistance to individuals;
- d. undertook, commissioned or supported (financially or otherwise) research and educational activities; and
- e. issued statutory codes of practice containing such practical guidance as the CRE thought fit for the elimination of discrimination and the promotion of equality of opportunity between different racial groups.

The CRE existed to work for a just society where everyone has an equal chance to work, learn and live free from discrimination and prejudice and fear from racial harassment and violence. In pursuit of this objective the CRE adopted two key strategic aims:

- a. to work towards the best possible legacy for racial equality, for the CRE's staff and stakeholders as it moved towards the new umbrella body, the Commission for Equality and Human Rights (see below); and
- b. to develop, promote and deliver against a framework for an integrated society using the three tenets of equality, participation and interaction as its guiding principles.

The CRE had a responsibility for keeping the working of the RRA under review and presented three major reviews of legislation to government. The first was in 1985, the second in 1992 and the third in 1998. The third review, reinforced by the recommendations of the Stephen Lawrence Inquiry, resulted in the passing of the Race Relations (Amendment) Act 2000 (RRAA). The CRE produced the code of practice to enable public sector organisations to implement the amended RRA and the new public sector duties. More information on the RRAA is contained in the 2001 annual report.

## Commission members

Commission members were appointed under the Act for a period of four years. During the six months ended 30 September 2007 the Commission Members were:

<b>Dr Kay Hampton (Chair)</b>	1 December 2006 to 31 October 2007
<b>Mr Yaseer Ahmed</b>	1 October 2006 to 31 October 2007
<b>Mr Kurshid Ahmed</b>	1 April 2002 to 31 March 2009
<b>Mr Mohammed Aziz</b>	1 February 2004 to 31 January 2008
<b>Sir Colin Budd</b>	1 April 2006 to 31 January 2009
<b>Sir Digby Jones</b>	1 July 2003 to 31 January 2008 (resigned 30 June 2007)
<b>Ms Julia Chain</b>	1 February 2004 to 31 January 2008
<b>Ms Jane Codona</b>	1 October 2006 to 31 October 2007
<b>Mr Dilwar Hussain</b>	1 April 2006 to 31 January 2009
<b>Mr Aled Edwards</b>	1 October 2006 to 31 October 2007
<b>Ms Uzo Iwobi</b>	1 October 2006 to 31 October 2007
<b>Ms Gloria Mills CBE</b>	1 April 2002 to 31 March 2009
<b>Sir Dexter Hutt</b>	1 April 2004 to 31 April 2008

The Commissioners' appointments were terminated when the Commission closed on 30 September 2007.

## Register of members' interest

The CRE maintained a Register of Members' Interests, which was available for inspection at the CRE by arrangement.

## Corporate governance

This Statement of Accounts includes a Statement on Internal Control. The CRE took corporate governance and the principles set out in the Turnbull Report seriously and was always seeking to achieve compliance. The CRE had a risk management strategy which was designed to enable senior management to identify the risks to the achievement of its business objectives, to assess the impact of those risks, to design mitigating solutions and to delegate ownership of the processes. More detail is given in the Statement on Internal Control.

Operating and financial systems continued to be developed throughout the six month period to 30 September 2007 to respond to the CRE's needs. The CRE's systems of internal control were designed to safeguard the CRE's assets, to maintain proper accounting records and to ensure that the financial statements agreed with the underlying records. While no system of internal control can provide absolute assurance against material misstatement or loss, the CRE's systems were designed to provide it with reasonable assurance that suitable procedures were in place and operating satisfactorily. The Statement on Internal Control includes an assessment of the effectiveness of internal control as at 30 September 2007 and also a control system which was established to continue this process following the closure of the CRE.

During the six months to 30 September 2007 the Department for Communities and Local Government Audit and Assurance Unit provided the internal audit services to confirm that governance measures were in place throughout the CRE. The Internal Auditors' remuneration for 2007 was £18,577 (£68,697 – 2006/7). The Internal Auditors also conducted additional work for the CRE during the year 2007. The external audit is carried out by the National Audit Office 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 six months ending 30 September 2007 is expected to be £83,000 (£52,000 for 2006/7). The National Audit Office did not perform any non-audit work for the CRE in the year 2007.

In keeping with the Code of Best Practice for Board Members of Public Bodies, the CRE operated an Audit Committee. The Audit Committee met three times during the final six months of the Commission's existence. A list of committees of the Commission is given in an appendix below.

The CRE had a six-month transitional plan and a budget covering the period 1 April to 30 September 2007 which defined the work targets and expenditure limits for the half-year. The budget was reviewed throughout the six-month period and revised if considered necessary. Management accounts comparing actual expenditure against budget were prepared monthly for senior management. The Finance and Transition Committee, which met every two months, considered the financial results for the period and the Commission Members were kept up to date at their meetings.

Commission members met five times during the final six months of the Commission's existence and decided upon the CRE's policy, management, operational structure and performance.

## Results for the year

The accounts for the six months ending 30 September 2007 are set out on the following pages. The Notes also form an integral part of the accounts.

In accordance with schedule 1, paragraph 17 of the Race Relations Act (1976) the CRE's statement of accounts covers the six months ending 30 September 2007. The CRE's statement of accounts is prepared on an accrual basis in accordance with the Accounts Direction issued to the CRE by the Secretary of State for the Department of Communities and Local Government (formerly issued by the Home Office).

The CRE received £10,720,500 in Grant-in-Aid in the six months ending 30 September 2007 (£19,100,000 in 2006/7) consisting of £10,720,500 for revenue expenditure and nil for capital expenditure.

Net operating expenditure before exceptional items for the six months ending 30 September 2007 amounted to £9,846,566.

As mentioned in the Statement on Internal Control, the CRE had taken steps to strengthen its financial management, and was exercising control over spending commitments through closer monitoring of directorates' monthly spending and performance against monthly forecasts.

At 30 September 2007 the cumulative deficit was £1,291,316 on the general reserve.

## Charitable donations

No charitable donations were made in the six months ending 30 September 2007.

## Environmental policy

The CRE was committed to reducing its impact on the environment by improving the environmental performance of its operations and its properties and endeavoured to ensure that such improvement was continuous. The CRE also aimed to educate, train and motivate staff to work in an environmentally responsible manner and to play a full part in developing new ideas and initiatives.

The CRE continued to improve its environmental performance and raise staff awareness of environmental issues prior to its closure on 30 September 2007.

## Going concern and planned future developments

The closure of the CRE, originally planned for 2009, was brought forward in line with an announcement made in October 2006. The CRE ceased to exist on 30 September 2007 and its role was subsumed into the Commission for Equality and Human Rights (CEHR), more usually known now as the Equality and Human Rights Commission (EHRC) established under the Equality Act (2006). There are therefore no future developments to report.

The balance sheet at 30 September 2007 shows total assets of £7,821,166 and liabilities of £9,112,482. Under the terms of the Transfer Order made under the Equality Act 2006, the CRE's assets and liabilities transferred automatically to the EHRC; the going concern basis is appropriate because the functions of the CRE transferred into the EHRC.

## Key assets and liabilities

During the six months ended 30 September 2007 the CRE did not purchase any fixed assets. Further information can be found in note 6 to the financial statements. The CRE utilised provisions in the amount of £106,393 against liabilities recognised during the year. Provisions totalling £1,483,239 were made during the year. Further details can be found at *note 12* in the financial statements.

## Pensions and pension liabilities

The remuneration report on the pages below gives details of the CRE's pension arrangements and related liabilities.

## Activities in the year

### Joint projects

During the six-month period to 30 September 2007 the CRE contributed to the development of the EHRC and to the Discrimination Law and Equality Reviews, as well as other appropriate mechanisms and delivery. This included contributing to the work of the Commission on Integration and Cohesion and the Economic and Social Research Council.

### Building an integrated society

The CRE continued to promote its vision of an integrated society and to raise awareness of its views on the causes of segregation and the barriers to the achievement of an integrated society. It led a public debate on the integration agenda, with the CRE acting as a catalyst for change and creator of new policy in the UK, the EU and internationally. This included working with embassies to arrange mutual business and information exchange. The CRE also published material on Britishness and identity, and funded local bodies via section 44 Grants for our integration agenda.

### Sponsorship

Following the announcement made during May 2006, the Home Office ceased to be the sponsoring department for the CRE. The actual transfer took place in January 2007 at which point responsibility for the CRE resided with the Department for Communities and Local Government.

The Prime Minister announced the establishment of the Government Equalities Office (GEO) on 27 July 2007 which transferred sponsorship of the CRE to the GEO. The GEO was established as a stand-alone government department on 12 October 2007. Changes were made to enable certain powers to be exercised by the Lord Privy Seal that were previously executed by the Secretary of State for Communities and Local Government. The powers in question either related to equality or could be used in connection with functions relating to equality.

## **Business planning closedown**

Following the announcement of the merger into the EHRC, there was consultation with directors and team members to look at the work and projects contained in the business plan to identify their current position and the key processes that would have to take place before work could be transferred to the EHRC or elsewhere, or otherwise concluded. The risks associated with the projects and processes not being transferred and wound down were identified and presented to the EHRC along with the measures designed to minimise those risks.

## **Supplier diversity guide**

The CRE launched a guide encouraging large organisations to make greater use of ethnic minority suppliers. The guide is aimed at organisations in the private, public and voluntary sectors. It covers supplier diversity, the benefits of promoting inclusion within supply chains, and how to implement a supplier diversity programme.

## **A framework for fairness consultation events**

The CRE held general awareness-raising events proposed for a Single Equality Bill for Great Britain arising from the Discrimination Law Review.

## **Governance changes**

In June 2007, the Chair transferred the overall corporate responsibility for oversight of internal aspects of the organisation to the Deputy Chairs, including chairing the Finance and Legal committees and interfacing with the management team. This included:

- delivery of the business plan;
- ensuring a proper closure of the CRE and a smooth handover of legacy work to the EHRC;
- staff assimilation, training and support; and
- budget, audit, policy, HR, legal and enforcement issues.

The Deputy Chairs had direct accountability to the Secretary of State for the CRE performance on transferred functions.

## **Post balance sheet events**

Note 19 to these accounts refers to the post balance sheet events that arose as a result of the provisions within the Equality Act 2006 to set up a new Equality and Human Rights Commission (EHRC), which took on the responsibilities of the CRE from 1 October 2007. The CRE in conjunction with the EHRC transition team managed the setting up of the new organisation to ensure a smooth winding down of the CRE's activities. Some of these activities gave rise to provisions in the CRE accounts.

A liability arose in connection with an early severance scheme made available to the CRE staff. Employees were offered terms under an early severance scheme during the accounting period and payments were made after 30 September 2007. A further liability arose in connection with the termination of the leases for the buildings that the CRE occupied. Full provision has been made in these accounts – see *note 12* – with a corresponding amount accrued as income from the EHRC.

## **Compliance with public sector payment policy**

The CRE followed the Better Payment Practice Code. The CRE aimed to pay suppliers in accordance with either the payment terms negotiated with them or with suppliers' standard terms, provided that the relevant invoice was properly presented and was not subject to dispute. The disclosure on the percentage of invoices paid within 30 days cannot be completed due to problems accessing records after the closure.

## **Equal opportunities**

The CRE was committed to achieving equality of opportunity for all employees and potential employees.

## **Staff consultation and development**

The CRE was committed to keeping its staff informed of performance, development and progress. Staff involvement was encouraged in the business planning process, through 'away days', brainstorming sessions and the annual staff conference. Training programmes were run throughout the year for all staff with the emphasis on core competency training. Specialised training was encouraged and financial assistance offered in higher and further education courses relevant to the CRE's work.

## **Disabled employees**

The CRE gave full and fair consideration to people with disabilities, having regard to the nature of the employment. The CRE sought to encourage any staff who had recently become disabled to continue in their employment.

## **Audit evidence**

As far as the CRE was aware there was no relevant audit information of which the auditors themselves were unaware. The CRE had taken all the steps that it ought to have done to make itself aware of any relevant audit information and to establish that the auditors were also aware of that information.

Signed on behalf of the Commission for Racial Equality by:

**Maxine Ayton**  
Chief Executive and Accounting Officer

5 January 2009



# Remuneration Report

## Service contracts

There were 13 Commissioners who served during the six months to 30 September 2007. Commissioners were appointed by the Secretary of State for the Home Office, who also determined their remuneration, for a term of four years.

Dr Kay Hampton (Chair)	1 December 2006 to 31 October 2007
Mr Yaseer Ahmed	1 October 2006 to 31 October 2007
Mr Kurshid Ahmed	1 April 2002 to 31 March 2009
Mr Mohammed Aziz	1 February 2004 to 31 January 2008
Sir Colin Budd	1 April 2006 to 31 January 2009
Sir Digby Jones	1 July 2003 to 31 January 2008 (resigned 30 June 2007)
Ms Julia Chain	1 February 2004 to 31 January 2008
Ms Jane Codona	1 October 2006 to 31 October 2007
Mr Dilwar Hussain	1 April 2006 to 31 January 2009
Mr Aled Edwards	1 October 2006 to 31 October 2007
Ms Uzo Iwobi	1 October 2006 to 31 October 2007
Ms Gloria Mills CBE	1 April 2002 to 31 March 2009
Sir Dexter Hutt	1 April 2004 to 31 April 2008

Except for the Chair, Kay Hampton, the service contract of the rest of the commissioners automatically terminated on 30 September 2007 on the closure of the Commission.

The Chief Executive and Directors were appointed on merit, following a fair and open competition. They held appointments which were open-ended until they reached the normal retiring age of 60, or until the Commission ceased to exist in its current form. Early termination, other than for misconduct, resulted in the individual receiving compensation as set out in their contracts of employment. The Directors' remuneration was set by reference to the CRE's remuneration policy.

## Remuneration policy

Before pay negotiations commenced, Ministerial approval was sought to agree the pay remit, via the Commission's sponsor bodies (In 2007, the Department for Communities and Local Government and subsequently the Government Equalities Office were the sponsoring units).

The Joint Negotiation Committee comprising of the PCS and Amicus Trade Unions formally negotiated salaries with the Chief Executive or, in her absence, the Corporate Lawyer and the Head of Human Resources. Following negotiations a ballot of Union members took place to confirm their acceptance of the pay remit.

The pay award for senior staff consisted of two elements; a base pay uplift and a non-consolidated bonus. No senior staff received a non-consolidated bonus except Maxine Ayton and Kevin Ross. Recommendations on pay awards for senior staff were

determined within the financial limits imposed by the Treasury. All pay progression for members of the CMT was subject to satisfactory performance as measured and assessed by the CEO using the CRE's own performance management systems.

### Details of the service contract for senior managers who have served during the year

Following the closure of the Commission on 30 September 2007, some senior managers left under the early exit scheme, some were retained for a fixed period and some were transferred into the EHRC.

The closest the CRE had to a service contract was the CEO's contract which was for a fixed term up to 31 October 2007.

Unless otherwise stated the CMT members covered by this report held appointments which were open-ended. One member was on secondment from Her Majesty's Treasury until 31 March 2008.

### Remuneration

This was the last period of account of the CRE and, given this fact, salary and other figures quoted here for 2007 are for six months only. Prior year comparators for 2006/7 have been kept as full year statistics.

The remuneration paid during the year 2007 was as follows:

Commissioners	6 months Salary to Sep 2007 £	12 months Salary to March 2007 <sup>1</sup> £
Trevor Phillips (Chair)	Nil	97,786
Khurshid Ahmed	17,767	5,866
Mohammed Aziz	2,767	6,223
Julia Chain	17,892	3,600
Kay Hampton (Chair)	40,000	44,075
Dexter Hutt	2,767	3,200
Digby Jones	1,517	3,200
Gloria Mills	8,477	3,360
Cherry Short	Nil	2,400
Sir Colin Budd	3,097	3,440
Dilwar Hussain	4,142	3,360
Carol Adams	Nil	787
Yaseer Ahmed	2,767	1,600
Jane Codona	2,767	1,600
Uzo Iwobi	2,892	1,600
Aled Edwards	4,150	2,400

There were benefits in kind paid to the Chair for her accommodation in London totalling £19,499.39.

<sup>1</sup> The tables shown in this Remuneration Report have been audited by the NAO.

<b>Directors</b>		6 months Salary to Sep 2007 £'000	12 months Salary to March 2007 £'000
Maxine Ayton	Chief Executive	55–60	95–100
Kevin Ross	Director of Finance and Support Services (seconded from HM Treasury)	30–35	60–65
Farzana Hakim	Director of Corporate and Government Relations	30–35	55–60
Anthony Robinson	Director of Legal Services and Enforcement	30–35	65–70
Nick Johnson	Director of Policy and Public Sector	30–35	55–60
Colleen Harris	Director of Strategy and Communications	45–50	75–80
Alan Christie	Director of Private Sector	35–40	70–75
Alison Jarvis	Director of Countries, Regions and Communities	20–25	45–50

The following amounts were paid to third parties in respect of Directors seconded to the CRE: £41,593.

'Salary' includes gross salary; performance pay; London weighting allowance and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the CRE and thus recorded in these accounts.

## Pension benefits

Pension benefits for former Chairs of the Commission were provided under a 'by analogy scheme'. This scheme was an unfunded defined benefit scheme. It related to current and former Chairs of the Commission. The fund was managed by the Home Office Pay and Pension Section (HOPPS) and any pensions were administered by them in accordance with the standard rules (by analogy with the PCSPS).

The most recent actuarial valuations of the scheme took place in February 2008.

<b>Assumptions</b>	30 Sep 2007	31 March 2007
The Inflation assumptions	2.75%	2.75%
The rate of increase in salaries	4.30%	4.30%
The rate of increase for pensions in payment and deferred pensions	2.75%	2.75%
The rate used to discount scheme liabilities	4.60%	4.60%

<b>Liability</b>	30 Sep 2007 £'000	31 March 2007 £'000
Deferred	211	205
Pensioners	499	493
Dependant pensioners	272	268
Present value of scheme liabilities	982	966

<b>The effect of accrual during the year</b>	30 Sep 2007 £'000	31 March 2007 £'000
Current service cost (net of employee contributions)	0	17
Any past service cost (net of employee contributions)	Nil	Nil
Gains and losses on any settlements and curtailments	Nil	Nil
The interest cost on pension liabilities	22	43

<b>Actuarial gains and losses during the year</b>	30 Sep 2007 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2005 £'000
Experience (gains) and losses	23	14	(53)	(11)
Effect of changes in demographic and financial assumptions	0	127	0	19
<b>Total actuarial losses/(gains)</b>	<b>23</b>	<b>141</b>	<b>(53)</b>	<b>8</b>

<b>Movement in deficit during the year</b>	30 Sep 2007 £'000	31 March 2007 £'000
Present value of scheme liabilities at start of year	966	818
Movement in year:		
Overnight increase in liabilities (change in real return)	0	0
Current service cost (net of employee contributions)	0	17
Employee contributions	0	2
Interest cost	22	43
Actuarial losses (gains)	23	141
Less benefit paid	(29)	(55)
Less net individual transfers out	0	0
<b>Deficit in the scheme at end of the year</b>	<b>982</b>	<b>966</b>

The actuarial valuation at 30 September 2007 showed an increase in the deficit from £966,000 to £982,000.

<b>Actuarial gains and losses during the year</b>	30 Sep 2007 %	31 March 2007 %	31 March 2006 %	31 March 2005 %
Experience (gains) and losses on scheme liabilities at balance sheet date	2.3%	1.4%	(6.5%)	(1.4%)
Effect of changes in demographic and financial assumptions	0	13.1%	0	2.4%
<b>Total actuarial losses (gains)</b>	<b>2.3%</b>	<b>14.5%</b>	<b>(6.5%)</b>	<b>1.0 %</b>

Pension benefits for Directors are provided under the Principal Civil Service Pension Scheme (PCSPS). Pension benefits accruing to the Directors during the Financial Year ended 31 March 2007 are as follows:

	Real increase in pension at age 60 (£)	Real Increase in lump sum (£)	Accrued Pension at age 60 at 30 Sep 2007 (£)	Total lump sum at 30 Sep 2007 (£)	CETV at 30 Sep 2007 (£)	CETV at 30 Sep 2007 (£)	Real increase in CETV as funded by employer (£)	Compensation Lump Sum Awarded (£)	Compensation Payment Awarded (£)
M Ayton	0-2,500	2,500-5,000	25,000-30,000	85,000-90,000	403,000	431,000	24,000	157,000	0
F Hakim	5,000-7,500	0	0-5,000	0	39,000	45,000	6,000	38,000	0
L A Robinson	0-2,500	0-2,500	10,000-15,000	35,000-40,000	198,000	201,000	5,000	0	0
N Johnson	0-2,500	0	0-5,000	0	23,000	26,000	4,000	16,000	0
C Harris	12,500-15,000	27,500-30,000	35,000-40,000	105,000-110,000	473,000	713,000	252,000	46,000	0
A Jarvis	0-2,500	0	0-5,000	0	18,000	22,000	4,000	22,000	0
A Christie	0-2,500	0	0-5,000	0	24,000	35,000	11,000	0	0
K Ross	0-2,500	0-2,500	20,000-25,000	60,000-65,000	330,573	334,909	8,812	0	0

#### Notes

There are slight differences between the end CETV figures from last year's disclosure and the start CETV figure in this year's. This is because following advice from Cabinet Office Civil Service Pensions Division, the Guaranteed Minimum Pension (GMP) has not been included in this year's pension disclosure.

C Harris left under compulsory early retirement and received immediate payment of an enhanced pension and a compensation lump sum.

M Ayton, F Hakim, N Johnson and A Jarvis – all left under compulsory early severance and received a preserved pension (payable at age 60) and a compensation lump sum.

This pension disclosure is based on data provided by the CRE immediately before 30 September 2007.

**Notes: All the tables above have been subject to audit.**

M Ayton was paid a non-consolidated bonus, which was 10% of her salary and K Ross was paid a non-consolidated bonus, which was 7% of his salary.

## **Principal civil service pensions**

Pension benefits were provided to employees of the CRE through the Civil Service pension arrangements, (Principle Civil Service Pension Scheme). From 1 October 2002, employees may be in one of three statutory based 'final salary' defined benefit schemes. These are Classic, Premium, and Classic Plus.

These schemes were unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under these schemes are increased annually in line with changes in the Retail Price Index.

From 1 October 2002, new entrants to the PCSPS could choose between membership of the premium scheme or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

### **Classic scheme**

Employee contributions were set at the rate of 1.5 per cent of pensionable earnings. Benefits accrued at the rate of 1/80 of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement.

### **Premium scheme**

Employee contributions were set at the rate of 3.5 per cent of pensionable earnings. Benefits accrued at the rate of 1/60 of final pensionable salary for each year of service. There is no automatic lump sum (but members may give up or 'commute' some of their pension to provide a lump sum).

### **Classic Plus scheme**

This is a variation of the premium scheme, but benefits in respect of service before 1 October 2002 were calculated broadly in the same manner as in the Classic scheme.

### **Partnership Pension Account**

This is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent of pensionable salary (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 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).

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**

A Cash Equivalent Transfer Value (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 a member leaves a scheme and chooses to transfer benefits accrued in their former scheme. The pension figures shown relate to 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 CETV figures and, starting from 2003/4, the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme, at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2007 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 30 September 2007.

### **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, 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.

# Statement of Accounts

April to September 2007

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# Statement of Accounting Officer's Responsibilities

Under paragraph 17 of the Race Relations Act 1976 as amended, the Secretary of State, with the consent of the Treasury has directed the CRE 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 accrual basis and must give a true and fair view of the state of affairs of the CRE and of its income and expenditure, recognised gains and losses and cash flows for the period.

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 determined 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 judgments 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 the going concern basis.

The Permanent Secretary of the sponsoring department has appointed the Chief Executive as Accounting Officer of the CRE. 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 CRE's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Treasury and published in *Managing Public Money*. During the period covered by these accounts therefore it was the then Chief Executive of the Commission for Racial Equality, Maxine Ayton, who was responsible for the proper conduct of its affairs in accordance with the above guidance.

Under the terms of the Equality Act 2006, the CRE was wound up on 30 September 2007, with its residual assets and liabilities transferring to the Equality and Human Rights Commission (EHRC). SI 2602 of 2007 required the EHRC to discharge the remaining functions of the CRE in preparing a final annual report and accounts. In those circumstances therefore, the Accounting Officer of the EHRC, Nicola Brewer, also became responsible for arranging for the Secretary of State to lay the Annual Report and Accounts before Parliament.

# Accounting Officer's Statement on Internal Control

## 1. Scope of responsibility

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

The CRE was formerly financed by Grant-in-Aid from the Home Office. However, following the announcement made during May 2006 the Home Office ceased to be the sponsoring department for the CRE. The actual transfer took place in January 2007 at which point responsibility for the CRE resided with the Department for Communities and Local Government. The Prime Minister announced the establishment of the Government Equalities Office (GEO) on the 27 July 2007 which transferred sponsorship of the CRE to the GEO. The Government Equalities Office was established as a stand-alone government department on the 12 October 2007. The CRE closed down on 30 September 2007 when its role was incorporated into the Equality and Human Rights Commission (EHRC) under the terms of the Equalities Act 2006.

## 2. 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 system of internal control was in place up to the closure of the CRE on 30 September 2007, and accords with Treasury guidance.

## 3. Capacity to handle risk

The Commission had a Risk Management Strategy, which formed the basis of a risk reduction plan. The strategy was approved by the Audit Committee, which, along with the Corporate Management Team, reviewed the risk framework and register(s) in the light of current best practice. A significant number of staff were also trained to identify risks to the achievements of the Commission's objectives, and to measure the impact of those risks. The main training element was a two day course sponsored by the Institute of Risk Management and attended largely by senior managers. The course culminated in an externally marked assessment leading to a certificate issued by the Institute of Risk Management (IRM). This provided a quantifiable measure of the extent of awareness training in risk management across the Commission.

#### **4. The risk and control framework**

The CRE operated a Risk Management Strategic Framework which set out a methodology for calculating inherent and residual risk. The framework incorporated best practice from both the Home Office and Institute of Risk Management guidance. The risks were reviewed by the CRE's Corporate Management Team and in the latter stages a joint risk management framework was established and monitored by the CRE, the Equal Opportunities Commission and the Disability Rights Commission. This process became increasingly more frequent as the closure of the CRE approached. Joint monitoring enabled the risks of merging three commissions to be identified as well as the establishment of the EHRC. From the CRE's perspective, the process was overseen by a Risk Champion to act as the facilitator for risk management and to provide a focal point for the transition to the EHRC.

#### **5. Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and to the point of closure a plan was in place to address weaknesses and ensure continuous improvement of the system took place.

During 2007, the Department for Communities and Local Government provided internal audit services to the Commission. The Commission's Audit Committee agreed the key strands of work for the period from April to September 2007 as being to review progress in addressing the risks inherent in the transition plan, advising on the transition process, key control testing (e.g. expenses, grants, payroll) and following up progress in implementing agreed audit recommendations from 2006/07. Progress was reported regularly to the Commission's Audit Committee up to the point of closure.

Following the closure of the CRE, a control system was established to ensure payments to creditors were for goods and services satisfactorily received and/or delivered prior to 30 September 2007. This consisted of authorisation of goods and services by the former CRE Finance Director as part of the EHRC Transition Team and of payment by the EHRC Transition Team Programme Director. Similarly, a process of audit and review was put in place to ensure the completion and sign-off of the CRE's 2007 accounts for the six months to 30 September 2007. The internal audit reports were issued with a limited assurance on payroll and nil assurance on fixed assets.

Signed on behalf of the Commission for Racial Equality by:

**Maxine Ayton**

Chief Executive and Accounting Officer

5 January 2009

## **Discharging the residual functions of the Commission for Racial Equality**

Following the dissolution of the CRE on 30 September 2007, SI 2602 of 2007 required the Equality and Human Rights Commission to discharge the remaining functions of the CRE in preparing final annual reports and accounts. I, Nicola Brewer (as Accounting Officer of the Equality and Human Rights Commission), therefore inherited responsibility for completing the final annual report and accounts of the CRE and making the necessary arrangements to allow the Secretary of State to lay the annual report and accounts before Parliament. To discharge this responsibility I ensured that:

- with the consent of the NAO, I engaged the services of Maxine Ayton, who was the Accounting Officer for the CRE until 30 September 2007 to sign off the accounts;
- those physical assets of the CRE which transferred to the Equality and Human Rights Commission were duly recorded;
- the outstanding liabilities were discharged and assets collected under the guidance of a former senior manager of the CRE and a professional accounting firm, and the work done was regularly reported on to Maxine Ayton; and
- the National Audit Office were provided with all assistance in the discharge of their auditing duties.

**Nicola Brewer**

Chief Executive, Equality and Human Rights Commission

5 January 2009

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

I certify that I have audited the financial statements of the Commission for Racial Equality for the six months ended 30 September 2007 under the Race Relations Act 1976. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses 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 Commission, Accounting Officer and Auditor

The Commission and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Race Relations Act 1976 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Race Relations Act 1976 and Secretary of State directions made thereunder. I report to you whether, in my opinion, the information, which comprises the management commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all 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.

In addition, I report to you if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material mis-statement, whether caused by fraud or error, and that in all 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Race Relations Act 1976 and directions made thereunder by the Secretary of State for Communities and Local Government, of the state of the Commission's affairs as at 30 September 2007 and of its net expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Race Relations Act 1976 and Secretary of State for Communities and Local Government's directions made thereunder; and
- information, which comprises the management commentary, included within the Annual Report, is consistent with the financial statements.

## **Opinion on regularity**

In my opinion, in all 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.

## **Report**

I have no observations to make on these financial statements.

**T J Burr**  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

14 January 2009

# Income and Expenditure Account

For the period ended 30 September 2007

	Note	6 months to 30 Sep 2007 £	2006/7 £
<b>Operating income</b>			
Income from activities	3a	85,423	289,254
Other operating income	3a	52,050	157,632
<b>Total operating income</b>		<b>137,473</b>	<b>446,886</b>
<b>Operating costs</b>			
Staff costs	4	(4,770,000)	(9,691,111)
Other operating costs	5a	(5,100,618)	(10,923,955)
Loss on revaluation of fixed assets	6, 7	0	(34,469)
Depreciation	6, 7	(172,561)	(377,271)
Notional cost of capital		59,140	44,566
<b>Total operating costs</b>		<b>(9,984,039)</b>	<b>(20,982,240)</b>
<b>Operating deficit</b>		<b>(9,846,566)</b>	<b>(20,535,354)</b>
Income from the EHRC to cover the merger costs	3b	5,667,436	
Merger costs reimbursable from the EHRC	5b	(5,667,436)	
<b>Net expenditure before appropriations</b>		<b>(9,846,566)</b>	<b>(20,535,354)</b>
Notional cost of capital		(59,140)	(44,566)
<b>Net expenditure for the financial year</b>		<b>(9,905,706)</b>	<b>(20,579,920)</b>

All activities were continuing in the periods. On 1 October 2007 the CRE ceased to exist.

Its role has been subsumed into the Equality and Human Rights Commission.

*The notes on pages 28 to 42 form part of these accounts*

# Statement of Recognised Gains and Losses

For the period ended 30 September 2007

	Note	6 months to 30 Sep 2007 £	2006/7 £
Grant-in-Aid	2	10,720,500	19,100,000
Gain on revaluation of tangible fixed assets	6	0	1,235
Actuarial loss	13	(23,000)	(140,900)
<b>Recognised gain for the period</b>		<b>10,697,500</b>	<b>18,960,335</b>

*The notes on pages 28 to 42 form part of these accounts*

# Balance Sheet

As at 30 September 2007

	Note	30 Sep 2007 £	2006/7 £
<b>Fixed assets</b>			
Tangible assets	6	368,009	514,538
Intangible assets	7	25,512	51,544
		<b>393,521</b>	<b>566,082</b>
<b>Current assets</b>			
Stocks	8	0	15,364
Debtors	9	5,852,543	868,355
Cash at bank and in hand	10	1,575,102	357,599
Sub-total current assets		<b>7,427,645</b>	<b>1,241,318</b>
Creditors (amounts falling due within one year)	11	(6,677,370)	(2,832,244)
<b>Net current assets</b>		<b>750,275</b>	<b>(1,590,926)</b>
<b>Total assets less current liabilities</b>		<b>1,143,796</b>	<b>(1,024,844)</b>
Provisions for liabilities and charges	12	(1,453,112)	(92,266)
Pension liability	12	(982,000)	(966,000)
<b>Total</b>		<b>(1,291,316)</b>	<b>(2,083,110)</b>
<b>Capital and reserves</b>			
General reserve	13	(1,291,316)	(2,083,110)
		<b>(1,291,316)</b>	<b>(2,083,110)</b>

Signed on behalf of the Board of Commissioners by:

**Maxine Ayton**  
Chief Executive and Accounting Officer

5 January 2009

*The notes on pages 28 to 42 form part of these accounts*

# Cash Flow Statement

For period ended 30 September 2007

	Note	6 months to 30 Sep 2007 £	2006/7 £
Net cash outflow from operating activities	14	(9,502,997)	(21,059,784)
Capital expenditure on fixed assets	6, 7	0	(236,518)
Net cash outflow before financing		(9,502,997)	(21,296,302)
Financing		10,720,500	19,100,000
<b>Increase/(decrease) in cash in the period</b>		<b>1,217,503</b>	<b>(2,196,302)</b>

*The notes on pages 28 to 42 form part of these accounts*

# Notes to the Accounts

## 1. Accounting policies

### 1a. Basis of accounts

These Financial Statements have been prepared in accordance with the Accounts Direction given by the Secretary of State for Communities and Local Government with the consent of HM Treasury. The accounts have therefore been prepared in accordance with applicable accounting standards and form directed by the 2007/8 Financial Reporting Manual (FRoM). The accounting policies contained in the FRoM follow the UK's Generally Accepted Accounting Practice (UK GAAP) for companies to the extent that it is meaningful and appropriate to the public sector. Where the FRoM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The Commission's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1b. Grants and Grant-in-Aid

Grant-in-Aid and grant received used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party.

Grant relating to capital expenditure used to acquire specific capital items is credited to a government grant reserve. It is released to expenditure over the expected useful life of the asset it has been used to acquire and an equal amount transferred from the government grant reserve is released to income.

### 1c. Accounting conventions

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks.

### 1d. Other income

Other income is accounted for by applying the accruals convention, and is recognised in the period in which services are provided.

### 1e. Fixed assets

Intangible and tangible assets are capitalised when the purchase price is £500 or more. Where fixed assets are acquired utilising Grant-in-Aid funding, they are capitalised and the grant is included in the general reserve.

### 1f. Valuation of fixed assets

Tangible fixed assets are carried at valuation in existing use. Depreciated historical cost is used as a proxy for current value for IT Hardware and Furniture and Fittings, as those assets have short useful economic lives.

Depreciation/amortisation is provided on all fixed assets, evenly over the assets' anticipated life, as follows:

IT hardware	up to four years
Software systems and licences	three years
Furniture and office equipment	five years

### 1g. **Revaluation**

In order to disclose fixed assets in the balance sheet by reference to current costs, the appropriate index has been applied to each asset, where the impact of doing so is material to the accounts. Permanent diminution in the value of fixed assets is charged to the income and expenditure account.

### 1h. **Cost of capital charge**

A charge reflecting the cost of capital used by the Commission is included in the operating costs.

The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities.

### 1i. **Stocks**

Expenditure on consumables and stationery is written off as incurred. Goods for resale are valued at lower of cost or net realisable value.

### 1j. **Pension costs**

Past and present employees of the Commission are covered by the provisions of Superannuation Acts 1965 and 1972 and subsequent amendments. Staff are members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme, and the Commission is unable to identify its share of the underlying assets and liabilities. In accordance with FRS17, the income and expenditure account is charged with contributions made in the year.

Chairs of the Commission are provided with individual defined benefit schemes which are broadly analogous with the PCSPS. This scheme is unfunded and the Commission is liable for future payment of pensions. The cost of benefits accruing during the year is charged against staff costs in the income and expenditure account. The increase in the present value of the scheme's liabilities arising from the passage of time is charged to the income and expenditure account. Actuarial gains and losses are recognised in the statement of recognised gains and losses, and taken directly to reserves. There is also a CRE Pension and Life Assurance Scheme for the employees of the Race Equality Councils which is now closed to new members. This scheme is now being wound up completely.

### 1k. **Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Commission, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the income and expenditure account over the period of the lease at a constant rate in the relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the income and expenditure account on a straight-line basis over the term of the lease.

### 1l. **Provisions**

The Commission provides for legal or constructive obligations including early retirement costs, redundancy costs, and dilapidation costs which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. 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.

### **1m. Value Added Tax**

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 cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### **1n. Dilapidations**

The dilapidations provision relates to leasehold premises. The CRE has fully written down its provisions relating to previous years. A further liability arose in connection with the termination of the leases for the buildings that the CRE occupied as the organisation has ceased to exist on 30 September 2007. The provision has been discounted by the interest rate implicit in the lease.

### **1o. Third party assets**

The Commission does not hold any assets on behalf of third parties. No assets are held by any third parties on behalf of the Commission.

### **1p. Grant income recognition**

Grants received for project work not yet commissioned and the associated bank interest relates to an amount of £456,160 held by the CRE on a bank account and which was received from Treasury several years ago. The CRE has neither spent nor returned this money to the Treasury. Since neither the CRE nor the EHRC has entered into negotiations with Treasury to allow the EHRC to spend this money on a different project, it is considered appropriate that the balance is disclosed as a creditor rather than deferred income.

### **1q. Going concern**

With effect from 1 October 2007, the CRE is becoming part of a new organisation, the Equality and Human Rights Commission (EHRC), along with two other organisations that have also ceased to exist as at 30 September 2007, namely the Equal Opportunities Commission (EOC) and the Disability Rights Commission (DRC). The EHRC will be responsible for the activities previously undertaken by the CRE, the EOC and the DRC.

As the duties and responsibilities of these old bodies were transferred to the EHRC, it has been decided that it is legitimate to prepare the accounts of the CRE on a going concern basis and this is therefore the treatment that has been adopted here.

### **1r. Accounting treatments on the costs/recoveries for the merger**

The costs/recoveries for the merger include the lump sum payment for the early release scheme, the recovery of compensation in lieu of notice costs, the recovery of secondment costs and agency staff and the costs of the party. These costs have been disclosed on the face of the income and expenditure account and classified as Reimbursed and Recoveries Costs from the EHRC.

## 2. Grant-in-Aid

	6 months to 30 Sep 2007 £	2006/7 £
Revenue grant received*	10,720,500	18,863,482
	<b>10,720,500</b>	<b>18,863,482</b>
Capital grant received for the purchase of fixed assets	0	0
Grant-in-Aid received for the purchase of fixed assets	0	236,518
<b>Total grant received</b>	<b>10,720,500</b>	<b>19,100,000</b>

\* The CRE was formerly financed by Grant-in-Aid from the Department of Work and Pensions and the Department for Communities and Local Government for a short period and finally the Government Equalities Office.

### 3a. Other Income

	6 months to 30 Sep 2007 £	2006/7 £
<b>Other operating income</b>		
Sport England grant	0	57,632
Croeso project	52,050	100,000
	<b>52,050</b>	<b>157,632</b>
<b>Income from activities</b>		
Bank interest	33,595	60,275
Publication sales	4,279	30,615
Other sources	47,549	198,364
	<b>85,423</b>	<b>289,254</b>

### 3b. Income from the EHRC to cover the merger costs:

	£
Early retirement and severance costs	5,514,976
Others	152,460
	<b>5,667,436</b>

The income in respect of recoveries for seconded in staff and agency staff from the EHRC, amounting to £437,921, has not been included in this note.

It has been reflected in *Note 4* staff numbers and related costs.

#### 4. Staff numbers and related costs

##### Staff costs comprise

	6 months to 30 Sep 2007					2006/7
	Total	Permanently employed staff	Others	Commissioners	Secondees	Total
Wages and salaries	4,306,130	3,450,062	668,888	114,109	73,071	8,107,133
Social security costs	293,451	289,440	0		4,011	571,294
Other pension costs	608,340	598,745	0	0	9,595	1,327,633
<b>Total costs</b>	<b>5,207,921</b>	<b>4,338,247</b>	<b>668,888</b>	<b>114,109</b>	<b>86,677</b>	<b>10,006,060</b>
Less recoveries in respect of outward secondments and agency staff working on the EHRC set up	(437,921)	(410,228)	(27,693)	0	0	(314,949)
<b>Net costs</b>	<b>4,770,000</b>	<b>3,928,019</b>	<b>641,195</b>	<b>114,109</b>	<b>86,677</b>	<b>9,691,111</b>

The Principal Civil Service Pension Scheme 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 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 period ended 30 September 2007 employers' contributions of £608,340 were payable to the PCSPS (2006/7: £1,215,839) at one of four rates in the range 17.1 to 26.5 per cent of pensionable pay based on salary bands. The schemes actuary reviews employer contributions every four years following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands. The contribution rates reflects benefits as they are accrued and not when costs are actually incurred and reflect past experience of the scheme benefits as they are accrued and not when costs are actually incurred and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account: a stakeholder pension with an employer contribution. No employees of the Commission belong to such a scheme.

**Average number of persons employed**

	6 months to 30 Sep 2007					2006/7
	Total	Permanently employed staff	Others	Commissioners note*	Secondees	Total
Corporate affairs team	27	14	1	12		26
Countries and regions	71	66	2		3	70
Public policy sector	25	24	1			28
Private sector directorate	11	11				12
Finance and support services	18	11	6		1	21
Organisational development	19	16	3			19
Legal and enforcement	44	37	7			47
Communications and information	28	24	4			37
<b>Total</b>	<b>243</b>	<b>203</b>	<b>24</b>	<b>12</b>	<b>4</b>	<b>260</b>

\* Kay Hampton is a commissioner but has not been included within the commissioners' number as she is a full-time member of staff.

**5a. Other administration costs**

	6 months to 30 Sep 2007 £	2006/7 £
Operating leases – land and buildings	510,518	1,035,056
Operating leases – plant and machinery	46,814	85,206
Research and library services	162,054	160,761
Consultancy costs	288,559	191,840
Special commissioners' costs	10,652	105,531
Travel and subsistence	188,701	341,230
Rates	127,602	233,859
Telephone	168,702	312,862
Venue hire	34,513	168,112
Production costs	23,358	257,496
Promotions	37,571	500,872
REC and other grants	1,987,289	4,731,025
Auditors' remuneration	83,000	57,000
Bad debts	61,697	0
Finance lease costs	1,000	1,920
Training	134,958	172,224
Property repair and maintenance, Insurance and service charge	128,345	463,565
Dilapidation	119,379	1,600
Other costs	985,906	2,103,796
<b>Total</b>	<b>5,100,618</b>	<b>10,923,955</b>

All grants were made to charitable organisations.

**5b. Merger costs reimbursable from the EHRC**

The costs are broken down into the following items. They are initially incurred by the CRE and are either paid or to be reimbursed by the EHRC.

	£
Early retirement and severance costs	5,514,976
Other costs	152,460
<b>Total</b>	<b>5,667,436</b>

The costs for the EHRC in respect of staff secondment and agency staff, amounting to £437,921, have not been included in this note. They have been reflected in *Note 4* staff numbers and related costs.

## 6. Tangible fixed assets

	Information technology hardware £	Furniture and fittings £	Total £
Cost or valuation at 1 April 2007	1,147,692	463,314	1,611,006
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
<b>At 30 September 2007</b>	<b>1,147,692</b>	<b>463,314</b>	<b>1,611,006</b>
<b>Depreciation</b>			
At 1 April 2007	754,465	342,003	1,096,468
Charged in year	102,356	44,173	146,529
Disposals	0	0	0
Revaluations	0	0	0
<b>At 30 September 2007</b>	<b>856,821</b>	<b>386,176</b>	<b>1,242,997</b>
<b>Net book value at 30 September 2007</b>	<b>290,871</b>	<b>77,138</b>	<b>368,009</b>
Net book value at 31 March 2007	393,227	121,311	514,538

## 7. Intangible fixed assets – software licences

	30 Sep 2007 £
<b>Cost or valuation</b>	
At 1 April 2007	380,566
Additions	0
Disposals	0
Revaluation	0
<b>At 30 September 2007</b>	<b>380,566</b>
<b>Amortisation</b>	
At 1 April 2007	329,022
Charged in year	26,032
Disposals	0
Revaluation	0
<b>At 30 September 2007</b>	<b>355,054</b>
<b>Net book value at 30 September 2007</b>	<b>25,512</b>
Net book value at 31 March 2007	51,544

## 8. Stocks and work in progress

	30 Sep 2007 £	2006/7 £
Stocks	0	15,364
	<b>0</b>	<b>15,364</b>

### 9a. Debtors

Analysis by type	6 months to 30 Sep 2007 £	2006/7 £
Amounts falling due within one year:		
Trade debtors less than one year	226,318	320,075
	<b>226,318</b>	<b>320,075</b>
Other debtors	78,502	148,709
Prepayments and accrued income	5,547,723	399,571
	<b>5,852,543</b>	<b>868,355</b>

The high values of accrued income relate to the costs initially incurred by the CRE in respect of the lump sum payment for the early release scheme and other costs and recoveries, which are treated as expenses of the EHRC as part of the arrangements for incorporation of the assets and liabilities of the CRE into the EHRC.

### 9b. Debtors: intra-government balances

	Amounts falling due within one year 30 Sep 2007 £	Amounts falling due within one year 2006/7 £
Balances with other non-departmental public bodies	5,688,179	234,618
Balances with public corporation and trading funds	2,768	2,768
<b>Sub total: intra-government balances</b>	<b>5,690,947</b>	<b>237,386</b>
Balances with bodies external to government	161,596	630,969
	<b>5,852,543</b>	<b>868,355</b>

**10. Cash at bank and in hand**

	30 Sep 2007 £	2006/7 £
Balance at 1 April	357,599	2,553,901
Net change in cash balances	1,217,503	(2,196,302)
<b>Balance</b>	<b>1,575,102</b>	<b>357,599</b>
Lloyds TSB and cash-in-hand	1,575,102	357,599
<b>Balance</b>	<b>1,575,102</b>	<b>357,599</b>

**11a. Creditors**

Analysis by type	30 Sep 2007 £	2006/7 £
Amounts falling due within one year		
Other taxation and social security	254,170	195,738
Trade creditors	1,228,964	767,437
Other creditors	179,686	140,333
Accruals and deferred income	5,014,550	1,728,736
	<b>6,677,370</b>	<b>2,832,244</b>
Amounts falling due after more than one year		
Finance leases	0	0
	<b>0</b>	<b>0</b>

The accruals figures have increased due to the accrued lump sum costs under an early severance scheme.

**11b. Creditors: intra-government balances**

	30 Sep 2007 £	2006/7 £
Balances with other central government bodies	1,155,816	336,443
Balances with local authorities	18,661	2,500
Balances with public corporation and trading funds	54,089	81,676
<b>Sub total: intra-government balances</b>	<b>1,228,566</b>	<b>420,619</b>
Balances with bodies external to government	5,448,804	2,411,625
	<b>6,677,370</b>	<b>2,832,244</b>

**12. Provisions for liabilities and charges**

	Early exit scheme provision £	REC pension provision £	By analogy pension liability £	Dilapi- dations provision £	Early depar- ture costs £	Total £
Balance at 1 April 2007	0	0	966,000	32,886	59,380	1,058,266
Provided in the period	1,252,576	0	45,000	92,357	93,306	1,483,239
Provisions not required written back	0	0	0	0	0	0
Provisions utilised in the period	0	0	(29,000)	(32,886)	(44,507)	(106,393)
Unwinding of discount	0	0	0	0	0	0
<b>Balance at 30 September 2007</b>	<b>1,252,576</b>	<b>0</b>	<b>982,000</b>	<b>92,357</b>	<b>108,179</b>	<b>2,435,112</b>

The CRE provides for legal or constructive obligations including early departure costs, by-analogy pension, and dilapidation costs which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

**12a. Early exit scheme and early departure costs**

The Commission meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. These provisions represent the total future liabilities to the former employees. Employees were offered terms under an early severance scheme during the accounting period and payments were made after 30 September 2007. 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. £5,514,976 is expected to be reimbursed from the EHRC.

**12b. By-Analogy Pension Liability**

Pension benefits for current and former Chairs of the Commission were provided under a 'by-analogy scheme' This scheme was an unfunded defined benefit scheme. The fund was managed by the Home Office Pay and Pension Section (HOPPS) and any pensions were administered by them in accordance with the standard rules (by analogy with the PCSPS). The remuneration report details the provision on the By-Analogy Pension Liability.

**12c. Dilapidations**

A liability arose in connection with the termination of the leases for the buildings that the CRE has occupied. Full provision has been made in these accounts.

**13. Reserves**

	General Reserve
	30 Sep 2007 £
Balance at 1 April 2007	(2,083,110)
Net expenditure	(9,905,706)
Grant-in-Aid received towards resource expenditure	10,720,500
Actuarial loss	(23,000)
Grant-in-Aid received towards purchase of fixed assets	0
Arising on revaluation during the year	0
<b>Balance at 30 September 2007</b>	<b>(1,291,316)</b>
	30 Mar 2007 £
Balance at 1 April 2006	(463,525)
Net expenditure	(20,579,920)
Grant-in-Aid received towards resource expenditure	18,863,482
Actuarial loss	(140,900)
Grant-in-Aid received towards purchase of fixed assets	236,518
Arising on revaluation during the year	1,235
<b>Balance at 31 March 2007</b>	<b>(2,083,110)</b>

**14. Note to the cash flow statement****Reconciliation of operating cost to operating cash flows**

	30 Sep 2007 £	2006/7 £
Net operating cost	(9,905,706)	(20,579,920)
Adjustments for non-cash transactions – depreciation	172,561	411,740
(Increase)/decrease in stock	15,364	(1,474)
(Increase)/decrease in debtors	(4,984,188)	(429,966)
Increase/(decrease) in creditors	3,845,126	(152,172)
Increase/(decrease) in provision for other liabilities	1,360,846	(314,992)
Increase/(decrease) in pension liability	(7,000)	7,000
<b>Net cash outflow from operating activities</b>	<b>(9,502,997)</b>	<b>(21,059,784)</b>

## 15. Commitments under leases

### 15a. Operating leases

Obligations under operating leases comprise land and buildings	30 Sep 2007 £	2006/7 £
Expiry within one year	3,250	27,742
Expiry after one year but not more than five years	881,190	787,190
Expiry thereafter	0	94,000
	<b>884,440</b>	<b>908,932</b>

The liability for paying the unexpired leases will be transferred to the EHRC.

### 15b. Finance leases

Obligations under finance leases are as follows	30 Sep 2007 £	2006/7 £
Rentals due within one year	0	16,000
Rentals due after one year but not more than five years	0	9,333
Rentals due thereafter	0	0
Less interest element	0	0
	<b>0</b>	<b>25,333</b>

## 16. Contingencies

Two contingent liabilities existed at 30 September 2007. One liability arose from legal action brought against the CRE which is yet to be resolved. The value of the contingent liability remains at £100,000. The other is a result of a disputed invoice for the introduction of a consultant. The value of that contingent liability was £45,825. Legal and General are currently holding funds relating to the wind up of the CRE 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 complete, it is likely that some funds will be returned by Legal & General, but the amount and date of this is uncertain.

## 17. Deferred income

The balance on the deferred income account is nil. Please refer to the *note 1(p)* for further explanations.

## 18. Capital commitments

The Commission did not have any Capital Commitments contracted at the year end.

## 19. Post balance sheet events

Provisions within the Equality Act 2006 have set up the new Equality and Human Rights Commission (EHRC), which took on the responsibilities of the Commission for Racial Equality on 1 October 2007. These activities including early severance scheme costs and termination of leases have given rise to provisions and actual costs.

During the period, employees were offered terms under an early severance scheme and payments thereunder were made, by the EHRC, in October 2007. 70 employees entered the scheme, costing £5,514,976.

A further liability will arise in connection with the termination of the leases for the buildings that the CRE has occupied. The EHRC Transition Team has asked the CRE to give notice to break leases on their London, Birmingham, Cardiff and Edinburgh offices. The CRE will not, however, give notice on St Dunstan's House, London, as they have found another tenant and the EHRC will sublet these premises to the new leaseholder. Dilapidation provisions have been made for the buildings of Capital Tower in Cardiff and The Old Tun in Edinburgh, but not for St Dunstan's House in London. Dilapidation provision for St Dunstan's House in London will be considered in the EHRC's accounts. The Government Equalities Office was established as a stand-alone government department on 12 October 2007. The financial statements were approved by Maxine Ayton on 5 January 2009 and authorised for issue on 14 January 2009.

## 20. Related party transactions

The Department of Work and Pensions (DWP), the Department for Communities and Local Government (CLG) and the Government Equalities Office (GEO) are considered to be related parties to the Commission. During the six months ended 30 September 2007, they provided the CRE with Grant-in-Aid of £10,720,500.

During the period, the Commission received services from the Kite Consultancy Ltd, a private company owned by Julia Chain, who was also the Commission's Deputy Chair. The company invoiced the CRE a total of £3,450 during the period for consultancy work on a formal investigation. Total payments to Kite Consultancy Ltd during the period (which included amounts owing from 2006/7) were £33,122. No amounts were owed at the balance sheet date. There were no other related party transactions entered into by the CRE, its senior staff or other related parties during the period ended 30 September 2007.

## 21. Financial instruments

FRS 13, Derivatives and other Financial Instruments, requires the disclosure of the role which financial instruments have had in creating or changing the risks the entity faces in undertaking its activities during the period ended 30 September 2007. Because of the largely non-trading nature of its activities and the way it is financed, the CRE is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 applies.

### Liquidity risk

The Commission's liquidity risk is low, as an NDPB it is underwritten by the DWP, CLG and GEO. The levels of capital expenditure are managed from Grant-in-Aid received from those bodies.

### Interest rate risk

There are no interest bearing loans. As an NDPB, the CRE is not allowed to borrow money. Interest received on deposits is generated from cash held in the account and not exposed to any form of interest rate risk.

### **Foreign currency risk**

The Commission has no material exposure to assets, liabilities, income or expenditure denominated in foreign currency.

## **22. Financial targets**

There were no financial targets set for the six month period to 30 September 2007.

## **23. Losses and special payments**

During the period there were no losses or special payments requiring disclosure under Managing Public Money.

# Equality and Human Rights Commission

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On 1 October 2007 the Commission for Racial Equality became part of the Equality and Human Rights Commission.



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