

Annual Report and Accounts

1 April 2008 –
31 March 2009



**Equality and
Human Rights**
Commission

Annual Report and Accounts

1 April 2008–31 March 2009



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

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to the Equality Act 2006

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Foreword from the Chair and the Director General

The financial year 2008/9 brought significant challenges for the Equality and Human Rights Commission (the Commission). In common with all public and private organisations, we were facing up to the effects of major economic and social change. International markets were in turmoil, unemployment rose and households across the country faced uncertainty about the future.

Against this background the Commission's role was more important than ever, arguing that equality and human rights were neither a burden nor a luxury that can be dispensed with when budgets are tight.

Despite the challenging context, 2008/9 was a year of significant achievements for the Commission. Among other things we:

- protected individuals from unfair treatment by dealing with over 300 legal cases
- promoted equality and human rights by channelling £10.7m of funding direct to grassroots groups
- carried out a major inquiry into the impact of the Human Rights Act 1998
- launched three formal inquiries to shed light on why so many employees get a rough deal in the construction, financial services and meat processing industries
- published widely praised guidance helping disabled airline passengers understand their rights, and
- launched the first Working Better report, highlighting the case for reform of the workplace to better reflect the needs and aspirations of modern parents and carers.

At the same time, the Commission, an organisation formed from the merger of three previous equality bodies, reached an important stage in its own development. We sought to increase the effectiveness of the services we provide direct to the public by carrying out a review of our helpline. We examined how best we could fulfil our role as a regulator,

finding the right balance between the use of our different legal powers in the light of high-quality, impartial evidence.

Yet the year also contained significant lessons to learn. The National Audit Office (NAO) has examined the Commission's record in 2008/9 and underlined the need for rapid improvement in the Commission's financial management, noting shortcomings in the way the Commission handled the re-engagement of staff, its pay remit, its grants programme and the use of competitive tendering. The NAO has qualified these accounts, and we regret this. A report from the Public Accounts Committee also highlighted the need for better internal control and management.

The Commission takes these issues seriously. Since the financial year 2008/9, we have taken steps to improve our internal controls, financial management and regulatory approach. We have, for example, reduced the number of interim staff, introduced a more rigorous system of establishment control to monitor staff numbers more effectively, appointed a new director of finance, and established a tighter risk management process. A new Board has brought fresh skills and perspectives to the organisation. This has enabled us to make significant progress, but there is no room for complacency, especially at a time of tight public finances. We are constantly aiming to improve the way in which we work and strive to offer the best possible value for money.

The lessons and achievements of 2008/9 have given us a firmer base to build on today. We continue to work towards the vision on which the Commission was founded, and one which remains as valid and pertinent as ever: a society built on fairness and respect, confident in all aspects of its diversity.

Trevor Phillips OBE, Chair
Neil Kinghan, Director General

About the Equality and Human Rights Commission

Our mission

As the independent advocate for equality and human rights in Britain, the Equality and Human Rights Commission (the Commission) aims to reduce inequality, eliminate discrimination, strengthen good relations between people, and promote and protect human rights.

The Commission is a non-departmental public body established under the provisions of the Equality Act 2006 with new powers to enforce legislation and to encourage and promote equality for all. It opened for business on 1 October 2007.

As an integrated and independent single body with new powers, it brings together the Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission, and also takes on responsibility for protection against discrimination on the grounds of age, religion or belief, sexual orientation and gender reassignment, and for the promotion of human rights.

The Commission challenges prejudice and disadvantage, and promotes the importance of human rights.

The Commission enforces equality legislation on age, disability, gender, gender reassignment, race, religion or belief, and sexual orientation, and works in compliance with the Human Rights Act.

The Commission uses its influence and authority to make sure that equality and human rights remain at the top of agendas for the government and employers, the media and society as a whole. We will campaign for social change and justice.

The Commission stimulates debate on equality and human rights by acting directly and by fostering partnerships at local, regional and

national levels. The Commission gives advice and guidance to businesses, the voluntary and public sectors, and also to individuals.

Through developing an evidence-based understanding of the causes and effects of inequality for people across Britain, the Commission will be an authoritative voice for reform.

Our management structure

In the financial year 2008/9:

- The Board of Commissioners, led by the Chair, Trevor Phillips, was responsible for setting the strategic direction of the Commission.
- The Accounting Officer, Nicola Brewer, was responsible for business delivery and for advising the Board on emerging strategic priorities.
- The Commission's three statutory committees for Disability, Scotland and Wales were each chaired by: Alun Davies (Deputy Chair of the Disability Committee), Commissioner Morag Alexander (Scotland) and Commissioner Dr Neil Wooding (Wales).

Achievements and events in 2008/9

Our strategic priorities

The theme of the business plan for 2008/9 was 'bringing people together': working with others to narrow equality gaps, breaking down barriers between communities and tackling the root causes of prejudice and intolerance.

It set out four priorities for 2008/9:

- analyse, define and target key equality and human rights challenges
- change policy and organisational practice to provide better public services alongside an efficient and dynamic economy
- engage, involve and empower the public, especially people from disadvantaged communities and areas, and
- anticipate social change, develop new narratives and reach new audiences in ways that strengthen equality and human rights.

These were underpinned by 12 key delivery targets. Annex 3 summarises the targets, and shows how we have delivered against them. The following section gives more detail about what we did in pursuit of these targets, and what happened as a result.

Defining and targeting equality and human rights challenges

As a first step towards our overall aim of creating a fairer, stronger society, we needed to identify and prioritise the challenges ahead of us. We began to build up a sound base of knowledge and evidence to inform our policy work and enforce the law.

Our strategic plan 2009–12

We carried out extensive consultation with staff and stakeholders to develop a three-year strategic plan. We received over 400 contributions online and welcomed over 750 participants to events across England, Scotland and Wales. Their contribution helped us understand what people considered the most serious challenges in the field of equality

and human rights, and in which broad areas the Commission should be focusing its efforts. The final plan was signed off by the Board in March 2009. It sets out five priorities for the next three years:

- secure and implement an effective legislative and regulatory framework for equality and human rights
- create a fairer Britain, with equal life chances and access to services for all
- build a society without prejudice, promote good relations and foster a vibrant equality and human rights culture
- promote understanding and awareness of rights and duties, and
- build an authoritative and responsive organisation.

The Equality Bill

We saw the government's development of a new piece of equality law as an opportunity to ensure that the legislation was an effective tool for challenging the major equality challenges in contemporary society. In the months leading up to the publication of the Equality Bill (today the Equality Act 2010), we worked jointly with the Government Equalities Office (GEO) to develop and influence its content. Priority areas included public service duty, positive action, procurement, citizenship powers and data collection, and the new socio-economic provision.

The Commission recommended to the government that age discrimination should be unlawful in relation to goods, facilities and services, as it is for employment. We communicated our view that mandatory retirement ages should be either abolished outright or employers who refuse requests to work beyond retirement age should provide business justification. We called for a root and branch review of equal pay legislation.

Britain-wide advertising, marketing and communications campaign

Broader public understanding of equality, good relations and human rights is important to the success of our mission. In 2008/9 we launched publications designed to build that understanding. *One Year, Ten Stories*

highlighted the real-life stories of 10 people the Commission has helped. *Ours to Own: Understanding Human Rights*, a plain English guide to the Human Rights Act, looked at how human rights have affected people's everyday lives.

Human Rights Inquiry

To inform our work as an independent public body with a remit to protect and promote human rights, we began a major formal inquiry into the Human Rights Act, how the Act is working in practice, and how it is used by public authorities and other organisations. Dame Nuala O'Loan and Francesca Klug were appointed respectively as Chair and lead commissioner for the inquiry, supported by commissioners Sir Bert Massie and Dr Neil Wooding. After consultation with the Scottish Human Rights Commission, we restricted the inquiry to England and Wales. The inquiry invited evidence through panel hearings and written evidence, conducted polling on attitudes towards human rights, and commissioned original research.

The findings and recommendations of the inquiry, published in June 2009, informed the Commission's human rights strategy published in November 2009.

Changing policy and organisational practice to provide better public services alongside an efficient and dynamic economy

In 2008/9, we took a number of steps to influence the provision of public services and organisational practices for the better.

Strategic legal cases

The judicious use of legal powers can be an effective means of encouraging individuals and organisations to act in a way that respects equality, human rights and good relations. For 2008/9 we set a target to carry out at least 50 actions using our legal powers. In the event, between 1 April 2008 and 31 March 2009 the Commission pursued 330 cases, of which 250 were dealt with by our enforcement team and 80 by our casework team. We resolved many cases at an early stage and

around 80 per cent of cases were resolved without formal enforcement proceedings, saving court time and money, and avoiding lengthy delays. The following cases in particular made a significant impact:

- Our support in *Coleman v Attridge Law* created new rights of ‘associative disability’ for Britain’s six million carers, now reflected in the Equality Act 2010.
- The Commission supported a 17 year-old wheelchair user in *Allen v Royal Bank of Scotland*. In the first ruling of its kind, a judge ordered an injunction to force an organisation to make physical changes to its property so that disabled people can gain the same access as other customers.
- The Commission intervened in *Southall Black Sisters (SBS) v Ealing Council*. We argued that the council had failed to comply with the Race Equality Duty by not carrying out a race equality impact assessment of its decision to change the funding criteria for the domestic violence support group, SBS, and that withdrawing funding could be unlawful. Ealing Council accepted that the Commission was correct during the hearing.

We launched three formal inquiries: into race discrimination in the construction industry, into sex discrimination in the financial services sector, and into employment and recruitment practices in the meat and poultry processing sector.

Working with private and public sector organisations to promote fairness at work and equality of service provision

We launched the Working Better project in July 2008 to develop a new policy framework on the future of work. We published the Working Better phase one report in March 2009, calling for reform in the workplace to better reflect the needs and aspirations of parents and carers. We stated the case for flexible working in the changed economic context. We launched a guide for small businesses, *Managing the Downturn and Preparing for Recovery*. We published the 2008 Sex and Power Index, drawing attention to the fact that progress towards better women’s

representation in many senior public, private and voluntary roles has stalled. We also published the 2008 Sex and Power Index for Scotland, Missing Women, and Who Runs Wales? 2009.

Working together with Grandparents Plus and others, we achieved a landmark breakthrough on 'grandparents' credits' in the 2009 Budget. Alistair Darling announced that: 'Grandparents and other adult family members who care for their grandchildren or other members of their family aged 12 or younger for 20 hours or more a week will be able to gain National Insurance credits toward the basic state pension from April 2011'. We began a joint project with the Department for Work and Pensions (DWP) to assess the impact of the recession on different groups such as women, ethnic minorities, and older and disabled people.

We published Insight: Work fit for all, a report highlighting the barriers that employees with a disability or long-term illness can face in the workplace, and called on government to take these issues into account as it considered welfare reform.

The Commission published guidance on the European regulation on air travel, helping disabled passengers understand their rights.

Promoting and enforcing public sector duties

We began work with the Government Equalities Office (GEO) on developing partnerships with major public sector inspectorates to persuade them to consider compliance with the public sector equality duties as part of their assessments.

We jointly launched the Map of Gaps 2 report with End Violence Against Women. The report provides powerful evidence of a major funding gap for services that help women escape violence and abuse.

Social care

The Commission launched its social care report *From Safety Net to Springboard*, arguing that England needs a radical new approach to care

and support that sees it as a driver of social and economic benefits, rather than a burden.

Engaging, involving and empowering the public

We believe that equality of opportunity is about making sure that everyone has the power to help shape the society they live in. We want to give individuals the chance to participate fully in our local and national democracy, as well as in local communities.

Grant-making and capacity development

In 2008/9 we awarded grants totalling £10.7m to 285 voluntary sector and community-based organisations, covering the funding of priority areas of good relations, legal advice, casework, and promoting equality and human rights. This included small grants for organisations to deliver specific projects, legal casework grants, and funding for capacity to be built into grassroots organisations across the country.

Helpline

Throughout 2008/9 the Equality and Human Rights Commission provided a telephone helpline offering advice to anyone with a query about their rights, or who felt that they had been treated unfairly. Over the year, the helpline took 50,000 calls. Our advice helped people understand equality and human rights law, and in some cases gave them the information they needed to assert their right to fair treatment themselves. In some other cases, complaints received through the helpline led to further Commission involvement. The type and number of calls received enabled the Commission to develop intelligence about the most common concerns and complaints relating to equality and human rights.

Anticipating social change and reaching new audiences

We launched a range of initiatives aimed at moving forward some of the most contentious debates around equality and human rights.

Promoting good relations

To coincide with the tenth anniversary of the Macpherson Report on the murder of Stephen Lawrence, the Commission launched several pieces of work examining race and identity in modern Britain. In a major speech, *Race and Britain: 10 Years on from the Stephen Lawrence Inquiry*, the Chair argued that British institutions have not kept up with a public sea-change on attitudes to race and discrimination following Stephen Lawrence's murder.

We published a report called *Police and Racism: What has been achieved 10 years after the Stephen Lawrence Inquiry?* This highlighted both the progress made in some areas (including improved rates of ethnic minority recruitment) and areas for improvement (including the disproportionate use of stop and search).

We launched a new report on the changing picture of ethnicity and family in the UK. It shows there is growing diversity among young people that makes the very concept of black and white harder to define. We hosted a migration summit in March 2009: *Calibrating Migration for a Global World*. The summit coincided with the launch of two reports jointly produced by the Commission and the Migration Policy Institute on migration and the labour market.

The Commission's *Our Space* project brought together young people from across England, Scotland and Wales in our first summer camp in the Lake District, providing young people with leadership skills and the opportunity to develop their understanding of equality through different activities. We launched the *Young Brits at Art Awards* for young people to use self-portraiture or pictures to tell their own story about equality and belonging.

Working with the Welsh Assembly Government, we supported the *Croeso* project to promote understanding between different communities in Wales.

Social housing inquiry

Working in partnership with the Local Government Association we commissioned the Institute for Public Policy Research to establish whether there is any basis to allegations that migrants get priority in the allocation of social housing. An interim report showed no evidence that social housing allocation favours foreign migrants over UK citizens.

New voices and new audiences

We celebrated the Muslim Women Power List which promoted Muslim women who have achieved success in business, the arts, the media, voluntary and public sectors in Britain. The Commission published *Gypsies and Travellers: Simple Solutions for Living Together*, which highlighted that investment in adequate site provision can generate income for local authorities, improve community relations and provide safe and decent accommodation for Gypsies and Traveller communities.

Building a credible and independent organisation

Finally, in 2008/9, the Commission took important steps to improve its internal management and effectiveness as an organisation.

In its first full year of operation, the Commission carried out a challenging organisational development programme following the completion in September 2008 of the third phase ('take off') of the Commission transition programme. As similar bodies have found, merger is a process not an event. Since the launch in October 2007, against the original planned ceiling of 525 positions, we have recruited 90 new permanent members of staff, transferred 347 members of staff from the former commissions and now have 327 members of staff on the new terms and conditions. We also employed on average 85 interim and agency staff during the year. The number of interim and agency staff ranged between 80 and 160 and were covering sickness, maternity, vacancies and also providing additional skills and capability for the Commission.

A failure of establishment control was identified after the year end, in particular in the monitoring and reporting of the numbers of staff and

interims in post. This resulted in the approved establishment of 525 full-time equivalents (FTE) being exceeded. When this problem was identified the Commission took action to resolve it. As at 10 May 2010 there were 516.65 FTE in post, which is below the permitted level. Building capability and resilience across the organisation has continued to be a priority. We launched the Our DNA programme to focus on this work and to follow up our first colleague engagement survey. We have undertaken a review of our internal capabilities, ways of working and structures to make sure they can deliver the three-year strategy and to develop the principles for our longer-term operating model.

As a regulator we will fulfil our statutory remit and achieve maximum effect. We want to be a trusted guide for individuals to turn to for, working in partnership with providers of advice and support. We will offer organisations authoritative assistance and direction, and use our powers to enforce where necessary. We will work in partnership with regulators, inspectors and other government bodies on common causes. We will also support good relations between and within communities.

Key events since the financial year 2008/9

This report covers the financial year 2008/9. It therefore does not take into account what the Equality and Human Rights Commission has achieved since then. In 2009/10 we have, for example:

- provided briefings to parliamentarians on the landmark Equality Act, and produced initial drafts of practical, clear guidance which will help individuals and organisations understand their rights and responsibilities under the new legislation
- set out our minimum expectations of any debate about the future evolution of human rights law in the UK, making clear that any reform should only improve the level of human rights protection
- called for the government to re-examine its actions where policy proposals may unjustifiably infringe on individuals' human rights, including allegations in relation to the use of torture overseas against people suspected of terrorism, and in relation to the use of body scanners in airports
- taken legal action against organisations we think have acted in breach of the law, including the British National Party, which has been obliged to reconsider its membership criteria in order to comply with the law
- published an inquiry into gender discrimination in the financial services sector, revealing the scale of the gender pay gap in banks, insurance firms and other related companies
- published an inquiry into the meat and poultry processing industry, revealing the extent of mistreatment of migrant workers, and providing clear recommendations and follow-up actions
- published a report, Stop and Think, highlighting that a number of police forces are using stop and search tactics in a way that is disproportionate and possibly discriminatory
- continued to challenge the gender pay gap by setting out a series of recommended measures for firms to describe their gender pay gap, which will highlight areas for improvement and provide a strong incentive for progress

- published research as part of our Working Better initiative on the needs and expectations of older workers, setting out recommendations for reform to make the workplace more accessible to them
- published authoritative guidance on issues such as positive action and flexible working, helping employers turn a concern for equality and diversity into business advantage, and
- carried out and published extensive research into the experiences of lesbian, gay and bisexual people in Britain today, reporting on what needs to be done to tackle the specific forms of discrimination and disadvantage that they face.

This work and more will be reflected in the Commission's Annual Report and Accounts for 2009/10.

Board of Commissioners

The Commissioners listed were board members during 2008/9.

The Board

Trevor Phillips (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.

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.

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.

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.

Baroness Jane Campbell DBE

Jane is an independent health and social care policy adviser. She is Chair of the Office for Disability Issues (ODI) 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.

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.

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 (ELSA) and the New Dynamics of Ageing (NDA). She is vice president of Age Concern England.

Kay Hampton

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

Professor Francesca Klug OBE

Francesca Klug is a professorial research fellow at the London School of Economics 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.

Sir Bert Massie CBE

Bert is the Commissioner (Chair) of the Commission for the Compact and was Chair of the Disability Rights Commission (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 NGOs 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.

Ben Summerskill

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.

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.

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 and sat on the FCO Board. Nicola resigned from the Commission on 13 May 2009.

Annex one

The following Commissioners were committee members during 2008/9.

Committee members

The Commission may co-opt independent members to committees if this is required to bring in specific skills.

Disability Committee

Baroness Jane Campbell (Chair until 30 September 2008; continued as a member of the committee afterwards)

Alun Davies (Deputy Chair from 1 October 2008)

Saghir Alam

Andrew Lee

Diane Mulligan

Liz Sayce

Mike Smith

Baroness Sally Greengross OBE (ex officio)

Bob Benson (ex officio)

Rhian Davies (ex officio)

Wales Committee

Dr Neil Wooding (Chair)

Rhian Davies

Olwen Williams

Elizabeth Withers

Eleanor Williams (to August 2008)

Clifton Robinson

Barry Clarke

Reverend Aled Edwards

Scotland Committee

Morag Alexander OBE (Chair)

Angela O'Hagan

Bob Benson

Christine Crossen
Di Airey
Rajiv Joshi
Rowena Arshad
Alastair Pringle
Ronnie McDonald

Audit and Risk Committee

Ben Summerskill (Chair)
Morag Alexander OBE (from 10 October 2008)
Jeannie Drake CBE (until 9 October 2008 and from 11 March 2009)
Professor Francesca Klug OBE
Jane Earl (co-opted member)
Angie Jezard (co-opted member)

External Affairs Committee

Baroness Margaret Prosser OBE (Chair)
Trevor Phillips OBE
Baroness Jane Campbell DBE
Kay Carberry CBE
Baroness Sally Greengross OBE
Professor Francesca Klug OBE
Professor Ziauddin Sardar
Jeannie Drake CBE (from November 2008)

Legal Committee

Trevor Phillips OBE (Chair)
Kay Carberry CBE
Jeannie Drake CBE
Professor Francesca Klug OBE
Sir Bert Massie CBE
Dr Neil Wooding

Grants Committee

Dr Nicola Brewer CMG (Chair until 15 May 2008)

Baroness Maeve Sherlock OBE (Chair from 15 May 2008 to 18 March 2009)

Morag Alexander OBE (resigned from Committee on 4 Sept 2008)

Professor Kay Hampton (Chair from 18 March 2009 until 30 April 2009)

Zia Sardar

Trevor Phillips OBE (from 18 March 2009)

Dr Neil Wooding (from 24 October 2009)

Remuneration Committee

Trevor Phillips OBE (Chair)

Baroness Margaret Prosser OBE

Ben Summerskill

Helen Alexander (appointed January 2009)

Annex two

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.

As at February 2009, to help us fulfil our objectives, 425 individuals were directly employed by the Commission on a permanent or fixed-term basis (this excludes Commissioners and those who work with us but are engaged as interim or agency employees).

Commission employment statistics

- The 425 employees equate to 399 full-time equivalents.
- The average length of service for employees is 5.6 years.
- The average number of days' sickness per full-time equivalent of employee is nine days per annum.
- The turnover rate for 2008/9 across all employees is 7.41 per cent.
- A detailed breakdown of employment data is provided in Annex five relating to the 425 employees.

In addition to the 425 employees, in February 2009, 119 individuals were engaged as interim or agency employees giving us a total headcount of 544. This equated to full-time equivalent of 518.

Annex three

How we delivered against the 12 key targets

Strategic priority 1 Analyse, define and target key equality and human rights challenges	
Supporting delivery target	Achieved?
<p>Create a three-year strategic plan setting out our long-term priorities.</p> <p>The three-year plan will be supported by an original equality measurement framework.</p>	<p>Target delivered</p> <p>Substantially achieved</p> <p>The launch of the equality measurement framework was replanned for 2009/10. It was delayed so that the indicators could be developed through GB-wide consultation and subject to rigorous testing.</p>
<p>Influence the creation of a landmark Equality Act. We will help to devise a streamlined public sector duty that focuses on achieving practical results, narrowing the gaps between those doing well and those falling behind.</p>	<p>Target delivered</p>
<p>Create a Britain-wide advertising, marketing and communications campaign to promote equality, develop good relations, and support and protect human rights.</p>	<p>Target delivered</p>
<p>Carry out a public inquiry looking at attitudes to human rights and how widely the Human Rights Act is used in public services.</p>	<p>Substantially achieved</p> <p>The launch of the findings of the Human Rights Inquiry was replanned for June 2009 to enable additional inquiry panel hearings to be held and facilitate the publication of the transcripts from the hearings.</p>

Strategic priority 2	
Change policy and organisational practice to provide better public services alongside an efficient and dynamic economy	
Supporting delivery target	Achieved?
Carry out at least 50 actions using our legal powers.	Target delivered
Work with private and public sector organisations to promote fairness at work.	Target delivered
Influence government strategies on the future of social care to promote independence and allow people to combine the demands of caring and work.	Target delivered

Strategic priority 3	
Engage, involve and empower the public, especially people from disadvantaged communities and areas	
Supporting delivery target	Achieved?
Deliver grant-making and capacity development programmes that are open and transparent, and that help to build our relationships with voluntary sector and community-based organisations.	Target delivered
Develop a multimedia digital plan to help reach new audiences and to inform and engage the public about equality, human rights and good relations.	Target delivered

Strategic priority 4	
Anticipate social change, develop new narratives and reach new audiences in ways that strengthen equality and human rights	
Supporting delivery target	Achieved?
Promote good relations between people of different backgrounds by bringing them together through activities such as camps, an arts competition, youth conferences and the Croeso programme in Wales.	Substantially achieved We brought young people of different backgrounds together through a series of projects and events such as Our Space summer camps, youth conferences and the Croeso programme in Wales. The launch of the Young Brits at Art competition was replanned for December 2008 and the award ceremony held in July 2009.
Investigate the impact of social housing allocation on community cohesion and good relations between people from different racial groups.	Partially achieved An interim report was published in April 2008/9. The findings of the second phase published in July 2009/10 showed no evidence that social housing allocation favours foreign migrants over UK citizens.
Carry out a programme to promote 'new voices', reflecting our role of empowering the unheard or marginalised.	Target delivered

Annex four

Statutory committee reports

Disability Committee report

Membership

Baroness Jane Campbell chaired the Disability Committee until September 2008. Alun Davies has taken the role of Deputy Chair since, pending appointment of a new Chair.

The other members of the Committee in 2008/9 were:

Liz Sayce

Andrew Lee

Diane Mulligan

Mike Smith

Saghir Alam

Bob Benson (ex officio) – member of the Equality and Human Rights Commission Scotland Committee

Rhian Davies (ex officio) – member of the Equality and Human Rights Commission Wales Committee

Baroness Sally Greengross OBE (ex officio) – Commissioner

Meetings

The Committee held six formal meetings from March 2008 to April 2009, as well as an away day to discuss its strategic objectives. Formal business has included: feeding into Commission activity, papers, strategies and consultations (including the Commission's social care strategy, the human embryology and fertilisation bill response, and the Commission's right to life strategy); reviewing and contributing to the work of the legal committee where the matters have a disability angle; stakeholder engagement; discussion and provision of advice for the single equality bill, and developing the Committee's work processes and strategic issues sponsor roles.

Individual Committee members have also been allocated specific responsibility for a number of areas each, and have worked with the Committee, and at times directly with the Commission, to advance the work areas detailed below.

Work plan

The Committee's work plan over the year focused on mainstreaming disability priorities into the Commission's first strategic plan, stakeholder engagement, new research and influencing important legislative and policy developments. In 2008/9, the Committee:

- established the Commission as a central part of the UK's promotion and monitoring framework in relation to the UN Convention on the Rights of Persons with Disabilities, and influenced ratification of the Convention by the UK government
- won important concessions in relation to the approach to disability discrimination in the Equality Bill, including in relation to the gap left by the House of Lords' judgment in 'Malcolm' and implemented the Coleman judgment to make sure people are not discriminated against because of their association with a disabled person
- established new insights into disabled people's experiences of targeted violence and hostility, and set out a three-year plan to promote their safety
- followed up the recommendations of the Disability Rights Commission's formal investigation into health inequalities and helped to secure free regular health checks for people with learning disabilities. The Commission responded to the independent inquiry Health Care for All, chaired by Sir Jonathan Michael, which reported in June 2008
- successfully intervened in the case of *FB v Director of Public Prosecutions* in which the high court ruled that the Crown Prosecution Service was wrong to drop a prosecution where the victim had a history of a mental health condition

- supported the case of Allen v Royal Bank of Scotland, the first time a court granted an injunction in a Disability Discrimination Act Part 3 case relating to physical accessibility
- worked with the Centre for Accessible Environments and RADAR to produce a web-based resource that will build the collective capacity of local access groups (voluntary groups who pursue improved accessibility in their local areas)
- launched the British Standard PAS 88 Guidance on accessibility for disabled people in large hotel premises and hotel chains, and
- provided technical support, advice and evidence to support Jackie Baillie MSP's member's bill to make all disabled parking bays legally enforceable under the disabled people's parking bay bill.

Scotland Committee report

Membership

Morag Alexander OBE, Scotland Commissioner, chairs the Scotland Committee.

The other members of the Committee in 2008/9 were:

Alastair Pringle

Angela O'Hagan

Bob Benson

Christine Crossen

Di Airey

Rajiv Joshi

Ronnie McDonald

Rowena Arshad

Meetings

The Committee held eight formal meetings between April 2008 and March 2009. Meetings took place in Aberdeen, Edinburgh and Glasgow. Business has included: developing the Scotland Directorate work plan; responding to the Commission's strategic plan, and driving the agenda on issues such as migration and violence against women.

Work plan

The Committee's work plan has focused on research, policy development and raising the profile of the Commission in Scotland. In 2008/9 the Committee:

- Commissioned research that identifies public attitudes to equality and fairness. This will be used to develop questions for use in future attitude surveys.
- Looked at the status and future of equalities work in a devolved Scotland as part of the Scottish government's 'national conversation'. Reviewed the impact of the Scottish parliament's equal opportunities powers and options for the future.

- Took part in a conference on supporting youth on diversity in Orkney, and partnered with LGBT Youth Scotland and *respectme* in hosting Challenging Homophobia Together; a conference for educational professionals on challenging homophobia in schools.
- Undertook five roadshows targeted at advice agencies and the public.
- Commissioned research into persistent and systematic discrimination in Scotland.
- Hosted the first in a series of topical policy debates that bring people together to share views and consider ways forward.
- Attended and hosted events at the main Scottish party political conferences.
- Began a bold and ambitious programme of work, and worked with MSPs, Scottish Government ministers and officials on key legislation on issues ranging from hate crime and disabled people's parking (as discussed in the Disability Committee report) to sexual offences and additional support for learning.
- Chaired roundtable events covering faith, religion and belief, age, Scottish Gypsies and Travellers, and rural equality issues.
- Pledged to lead the way in winning hearts and minds on lesbian, gay, bisexual and transgender issues by working across public policy areas to eradicate homophobia.
- Delivered over £1m in grants to organisations across Scotland.
- Met with senior members from all Scotland's 32 local authorities to discuss how they can best deliver their public sector duties. Developed a public sector duties plan to make sure the 300 Scottish public authorities covered by the race, disability and gender duties comply with their statutory duties.
- Funded a separate project to assess the removal of ring-fencing from local government funding for domestic abuse services, non-statutory services for disabled people, and the impact of the introduction of single outcome agreements between the government and local authorities.
- Published guidance for public authorities to make sure they are fully aware of their current responsibilities and produced a report,

Capturing the Gains, on the ongoing work to document best practice in equalities work.

- Published *Sex and Power: Who Runs Scotland?* The report looked at the obvious under-representation of women in positions of power and influence.
- Delivered a series of events and workshops across Scotland for employers in the public and private sectors looking at practical support for employers on equality issues.
- Attended party conferences and delivered fringe events on violence against women, migration and the UN Convention on the Rights of Persons with Disabilities, as discussed in the Disability Committee report.
- In partnership with the Scottish Government, established the Independent Living in Scotland project, a new long-term approach to help improve the daily lives of disabled people.

Wales Committee report

Membership

Dr Neil Wooding – Chair

Barry Clarke

Rhian Davies

Reverend Aled Edwards

Clifton Robinson

Eleanor Williams – left the committee in August 2008

Dr Olwen Williams

Liz Withers

Meetings

The Committee held four formal meetings between April 2008 and 31 March 2009 across Wales: in Aberystwyth, Carmarthen, Cwmbran and Llandrindod Wells.

Business has included: developing the Wales directorate work plan; responding to the Commission's three-year strategic plan; studying the effect of the recession on the equality and human rights agenda; consideration of the grants programme; a review of the Committee's work so far and what delivers change, and the promotion of the Human Rights Inquiry.

Work plan

The Committee's work plan over the year focused on research, stakeholder engagement, raising the profile of the Commission and bringing people together for difficult conversations. In 2008/9, the Committee:

- Commissioned the first major survey into attitudes towards discrimination, equality and good relations in Wales in Who Do You See? This provided the Commission with a baseline for understanding attitudes in Wales.

- Travelled around Wales meeting leaders in each area and local people from equality and human rights groups. Worked closely with the Wales Equality Reference Group of 22 organisations and held a reception with Welsh MPs to raise the profile of the Commission.
- Hosted a groundbreaking seminar with people from organisations working in the field of religion and belief and sexual orientation, exploring differences and finding common ground.

Other Wales Committee and directorate achievements

Over the year the Wales Committee and directorate:

- had a major presence at the Eisteddfod, co-hosting a concert headlined by the singer Cerys Matthews to promote human rights to young people
- worked with some of Wales' best writers to produce a series of short stories, Human Writes, to raise awareness of how important human rights are to people's everyday lives
- held a major conference aimed at developing a network of employers committed to equality and encouraging equality practitioners to adopt leadership roles
- sponsored a discrimination law course, with Cardiff and Bangor universities, aimed at trade union representatives and Citizens Advice bureaux staff to raise the advice capacity in Wales
- wrote to all public authorities in Wales about the public duties. The public duties legally oblige all public authorities to pay due regard to the need to take action on race, disability and gender equality. The Committee was encouraged that an overwhelming majority of public authorities were on track with the duties
- produced research, entitled *Who Runs Wales?* highlighting the lack of female representation at the top table of Welsh life. The committee's *Who Runs Wales?* DVD, featuring the first minister Rhodri Morgan and leader of the Welsh Liberal Democrats Kirsty Williams, was shown on the main floor at the respective party conferences

- hosted a 'conversation evening', aimed at new audiences, which brought over 150 strangers together to have stimulating conversations about human rights, and
- co-hosted a major conference on closing the pay gap in Wales, with the aim of convincing public authorities of the merits of settling back-pay claims and introducing fairer pay structures.

Annex five

Management commentary: 1 April 2008–31 March 2009

The statement of accounts on the following pages reports the results of the Commission for the period to 31 March 2009. It was prepared on an accruals basis and in accordance with the accounts direction issued by the Secretary of State for the GEO, the Lord Privy Seal, in accordance with the Equality Act 2006.

History

The Equality and Human Rights Commission is a non-departmental public body established by statute. It is financed by grant-in-aid from the Government Equalities Office (GEO). The Secretary of State for the GEO, the Lord Privy Seal, is answerable to parliament for the Commission and is responsible for making financial provision for its needs.

The Equality Act 2006 provided that the members of the Commission be appointed by the Secretary of State for the relevant department, currently the GEO. The Secretary of State also appointed a Chair with the endorsement of the Prime Minister. The details of the Chair and Commissioners are given in the Board of Commissioners section. The Commission commenced operations on 1 October 2007 and operates from offices in London, Manchester, Birmingham, Cardiff and Glasgow and a number of co-located hub offices employing a small number of staff in Nottingham, Newcastle, Leeds, Guildford, Bristol and Cambridge.

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 on its progress towards identified outcomes with reference to identified indicators. This report will be sent to the Lord Privy Seal, who will lay it before parliament. The report will be an important document in terms of its contribution to and improvement of the government's vision for equality.

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 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 2008/9 financial statements is £86,500. The NAO did not perform any non-audit work for the Commission in this period.

Auditing of accounts

The Commission has an Audit and Risk Committee. The Audit and Risk Committee's 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. Between 1 April 2008 and 31 March 2009, the committee met on five occasions.

During 2008/9 the members of the Audit and Risk Committee were:

Ben Summerskill (Chair)

Morag Alexander OBE (from 14 October 2008)

Jeannie Drake CBE

Professor Francesca Klug OBE

Jane Earl (external co-opted member)

Angie Jezard (external co-opted member)

Results for the year

The annual statement of accounts for the period to 31 March 2009 is set out in this report. The notes contained within these accounts also form an integral part of the accounts.

Grant-in-aid, unlike other income, is treated as financing and taken straight into the balance sheet reserves. Cash grant-in-aid for the period to 31 March 2010, 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. (See note 11 of the accounts for further details.)

The balance sheet shows a deficit on the general reserve of £5.2m. The deficit position on the general reserve is due to the accounting treatment of the Commission's primary source of income, grant-in-aid, which is recognised on a cash basis and cannot be drawn down in advance of need. As explained in the previous paragraph and in note 11 of the accounts, this deficit reserve does not affect the long-term viability of the Commission. The Commission has provided for unfunded pension liabilities amounting to £1.3m.

The income and expenditure account showed a deficit of £62.9m for the period. This deficit arises because the Commission's principal source of

income, grant-in-aid is treated as financing and so does not appear within the income and expenditure account and is recognised on a cash basis.

The income and expenditure account also reflects income of £153k from the Welsh Assembly Government, which comprises £143k for the Croeso Project and £10k for a project to close the gender pay gap. Scottish Executive provided funds of £125k for an independent living project. The Department for Transport contributed £147k to the work on airline accessibility.

As at 31 March 2009 the Commission held provisions of £4.1m for costs associated with the disposal of former commission leasehold properties. Further details can be found in notes 1n and 8a of the financial statements. Details of total provisions made in the year can be found in note 8a to the financial statements.

Pensions and pension liabilities

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). Information about how pension liabilities are managed is given in note 3 of the statement of accounts and in the remuneration report.

Pension benefits for current and former Chairs of the legacy Commissions are provided under a 'broadly by analogy scheme' subject to FRS 17. 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). Note 8b to these financial statements details the provision on the By Analogy Pension Liability.

Payment of creditors

The Commission aims to pay its bills in accordance with the contract or within 30 days if there is no specific provision in the contract. Sample testing during 2008/9 showed that 59 per cent (49 per cent in 2006–8) of invoices were paid within the policy target.

In October 2008 the government made a commitment to speed up the payments process. Public sector organisations should aim to pay suppliers wherever possible within 10 days.

Charitable donations

No charitable donations were made in the period to 31 March 2009.

Environmental policy

The Commission has an active Green Group led by a senior management team member. The Commission is implementing an environmental action plan.

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 all its people.

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

The Commission recognises unions and aims to work in partnership with Public and Commercial Services 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 detailed on-the-job training and development. Staff are also encouraged to take up secondments and temporary positions within the organisation to develop further their skills and expertise.

Post balance sheet events

The Chief Executive, Dr Nicola Brewer, left the Commission on 13 May 2009. Neil Kinghan was appointed as Director General until a permanent appointment is made. The recruitment process for the post is underway.

At the beginning of 2008/9 there were 17 Commissioners including the Chief Executive and the three temporary transition Commissioner positions. Two Commissioners resigned in March 2009. One of these was the Chief Executive who then left the Commission in May 2009. Three Commissioners resigned in July 2009 and the remaining transition Commissioner's term of office ended in September. Of the remaining 12 Commissioners in office in 2008/9 there were eight whose term of office ended in December 2009. Two of these Commissioners were re-appointed for further terms of office. The GEO and the Commission appointed eight new commissioners in November 2009. On 11 October 2009 the Chair was re-appointed for a further term of three years. The Vice-Chair was re-appointed for a further term of three years on 4 December 2009.

Statement on the disclosure of information to auditors

As far as I am aware, there is no relevant audit information of which the Commission's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

Equality scheme

The Commission is committed to full and fair consideration of opportunities for all employees and potential employees and published its Equality Scheme in April 2009.

Sickness absence

Sickness absence data for 2008/9 is not available. In 2009/10 the average number of days lost to illness was 8.98 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.

Detailed breakdown of employment data

We have provided information based on the 425 individuals employed as at February 2009 as per Annex two. This relates to permanent staff and does not include details of the interim or agency staff we have. The data is given at February 2009 as this is the same basis of preparation as that used for the Commission's Equality Scheme report published in April 2009. This ensures consistency of published data.

In addition we will shortly be publishing a full breakdown of our employment data to comply with the race employment monitoring duty and requirements for disability and gender workforce reporting. Progress towards meeting our commitment to extending the analysis of our workforce data by gender, gender reassignment, disability, age, religion or belief, and sexual orientation will also be reported.

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

Employees by pay band

The percentage of employees employed by pay band level breaks down as follows:

Pay band	Percentage of employees (%)
Level 1	12
Level 2	18
Level 3	31
Level 4	19
Level 5	14
Director and above	6

The largest employee group in the Commission is pay band Level 3 at 31 per cent, followed by Level 4 at 19 per cent and Level 2 at 18 per cent. The smallest employee group is Director and above at six per cent.

Ethnicity

Ethnicity of the Commission compared to the population

The following table shows how the ethnic profile of the Commission's employees compares to that of the United Kingdom (UK) population as a whole.

Ethnicity	Per cent of population*	Per cent of Commission workforce
White	92.00%	75.07%
Mixed	1.20%	2.82%
Asian/Asian British	4.00%	7.29%
Black/Black British	2.00%	8.47%
Other ethnic groups	0.80%	2.35%
Not stated	0.00%	4.00%
Total	100.00%	100.00%

**Sourced from Office for National Statistics (ONS) data compiled from the 2001 census results.*

There is a wide ethnic diversity within the Commission. While the largest proportion of Commission employees is from the White ethnic category, at 75.07 per cent, this representation is significantly lower than the UK population as a whole, in which the White ethnic category accounts for 92 per cent. The Commission therefore has a significantly greater representation of all other ethnic categories than the UK population, with the most being Black/Black British at 8.47 percent compared to 1.8 per cent for the UK followed by Asian/Asian British at 7.29 per cent compared to 4 per cent for the UK.

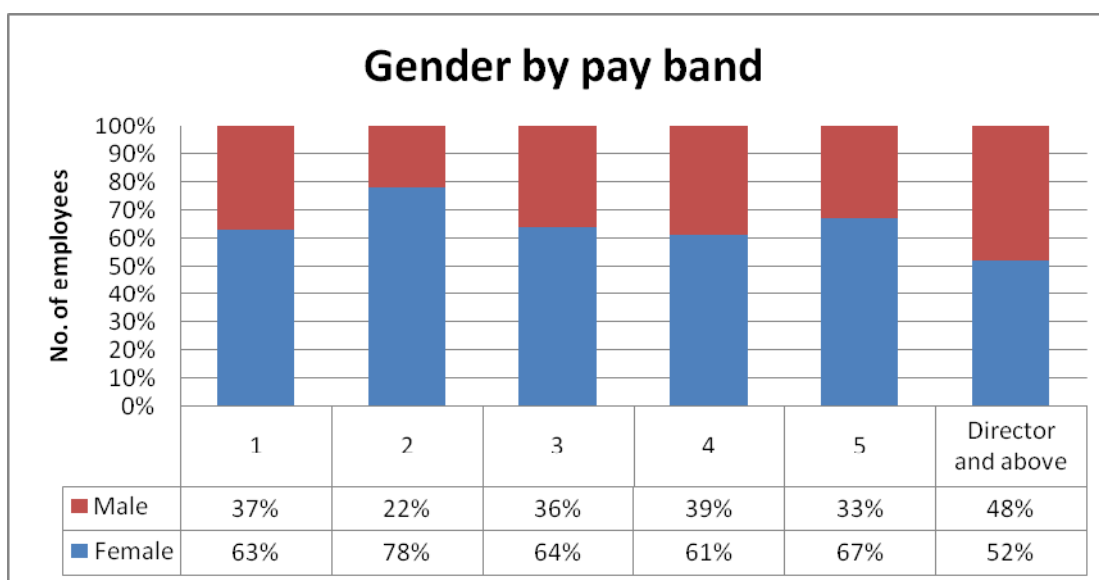
The smallest group representation is for other ethnic groups at 2.35 per cent of the Commission's workforce. This is compared to 0.8 per cent for the UK.

Four per cent of Commission employees have not stated their ethnicity.

Gender

Out of the total workforce, 66 per cent are female and 34 per cent male. No employees have identified themselves as transgender.

The following graph shows the breakdown of employees by pay band and gender.

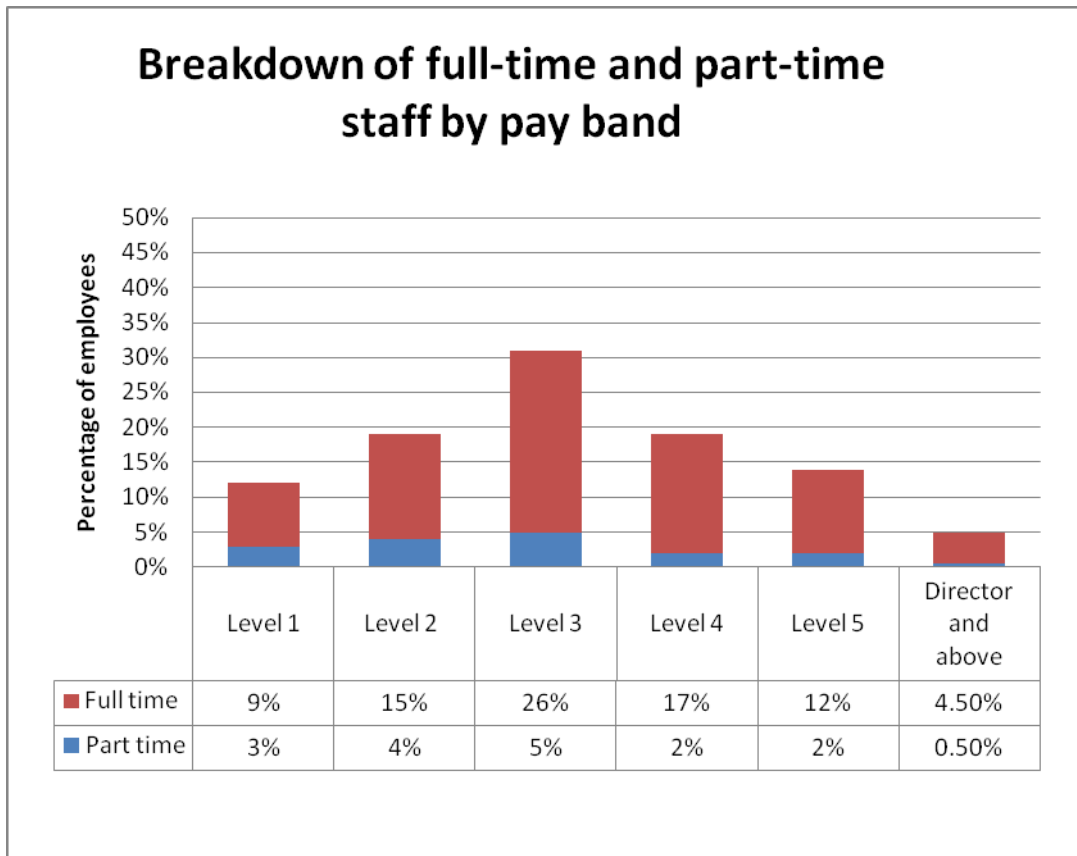


Pay band Level 2 has the highest proportion of female employees at 78 per cent while the pay band for Directors and above has the lowest at 52 per cent.

Working patterns

Across the Commission, 83 per cent of employees work full-time while 17 per cent are employed part-time.

The following graph shows the number of full-time (36 hours) and part-time staff (fewer than 36 hours) within the various pay bands.

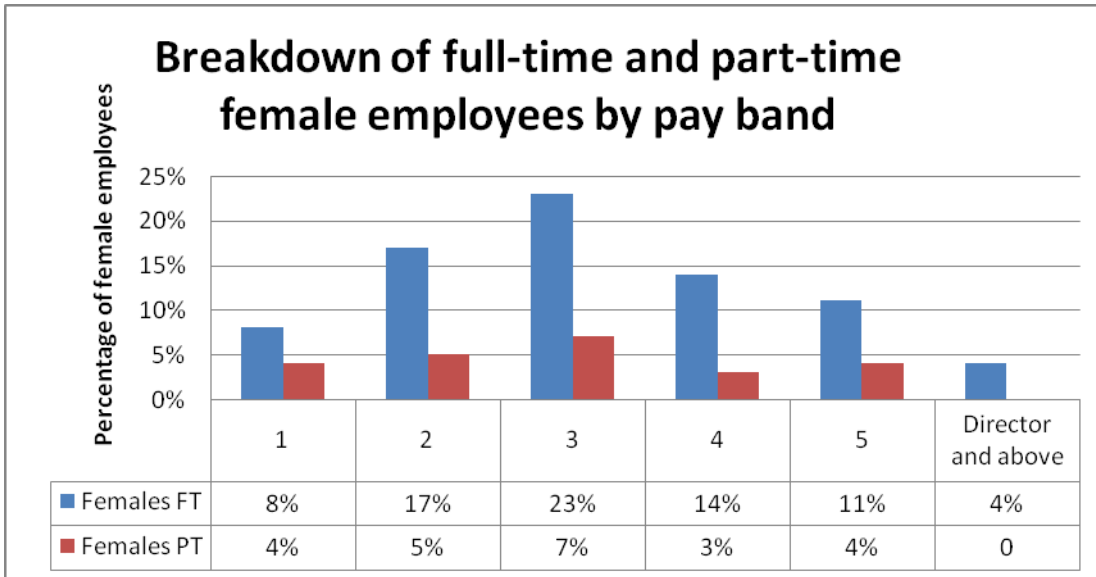


Consistent with the work pattern figures for the Commission generally, significantly more employees work full-time than part-time in every pay band. The pay band with most part-time employees is Level 3 at five per cent.

What these figures do not show is the number of people employed who take advantage of the Commission’s working arrangements that actively promote the opportunity to work flexibly. This provision is made available to all employees irrespective of whether or not they have caring responsibilities, and a number of employees have formally taken the opportunity to work some very different working patterns to the traditional ‘norm’ of office environments.

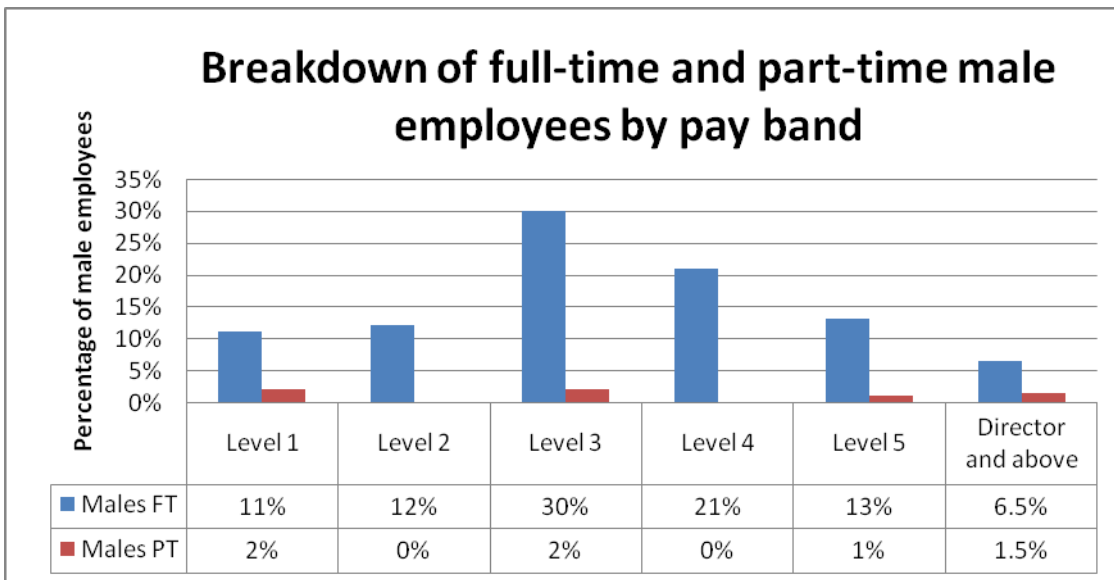
Female full-time and part-time employees by pay band

The following table shows most female part-time employees are in the Level 3 pay band at seven per cent. There are no female part-time employees at the level Director and above.



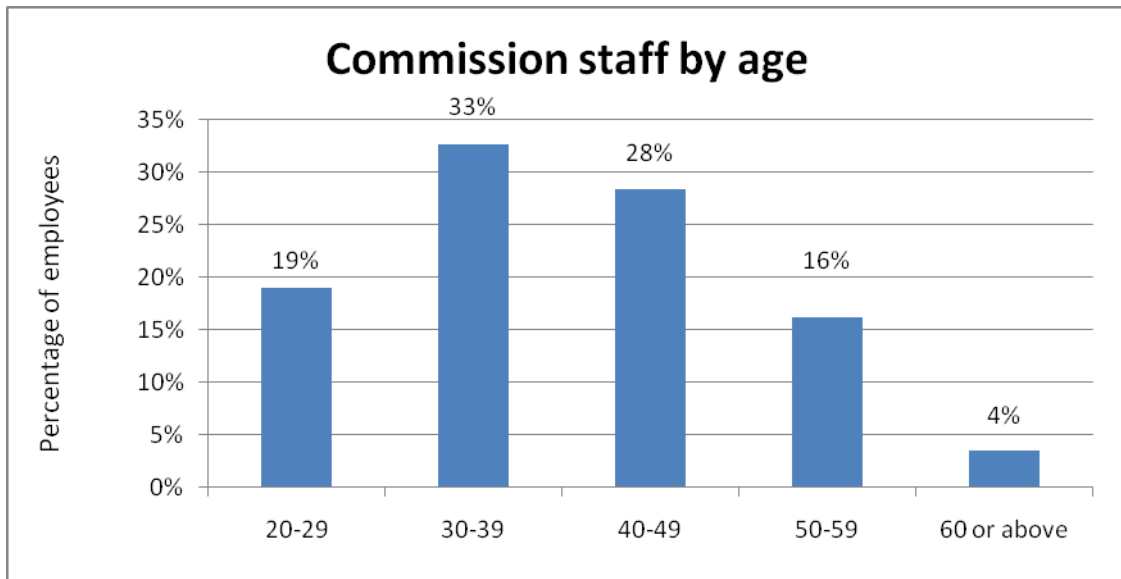
Male full-time and part-time employees by pay band

This table shows that the Directors and above and Level 1 pay bands have the greatest proportion of part-time male employees at 1.5 per cent and two per cent respectively.



Age ranges

The following graph shows how the age profile of the Commission ranges from age 20 to 60 and above (including over 65).

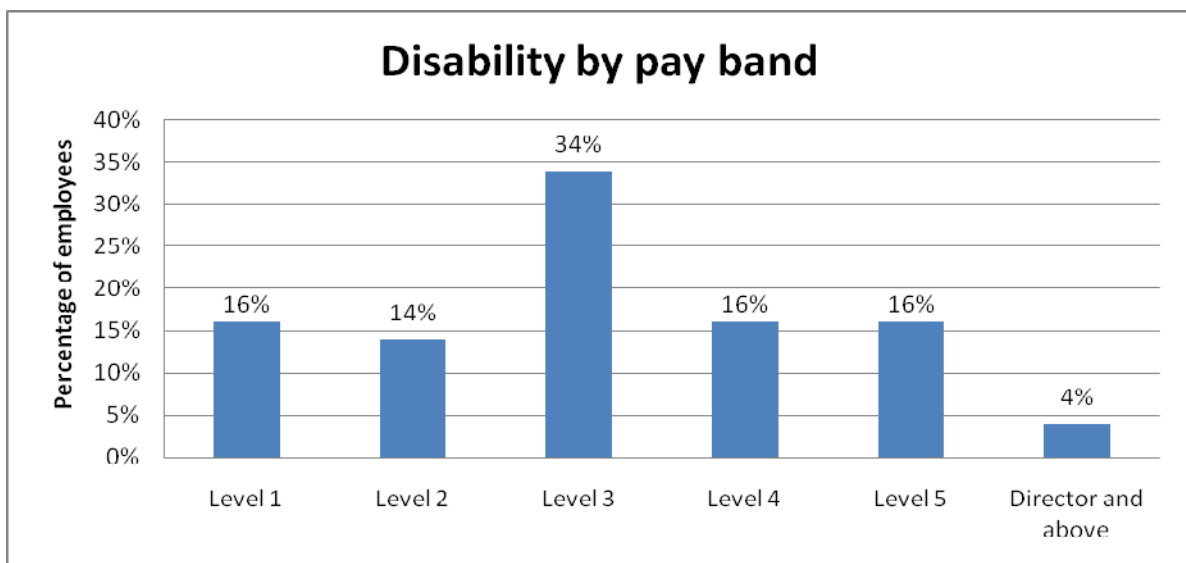


The graph shows a small majority of employees – 52 per cent – are in the combined age groups 20–29 and 30–39. The remaining 48 per cent are age 40 and above.

Disability

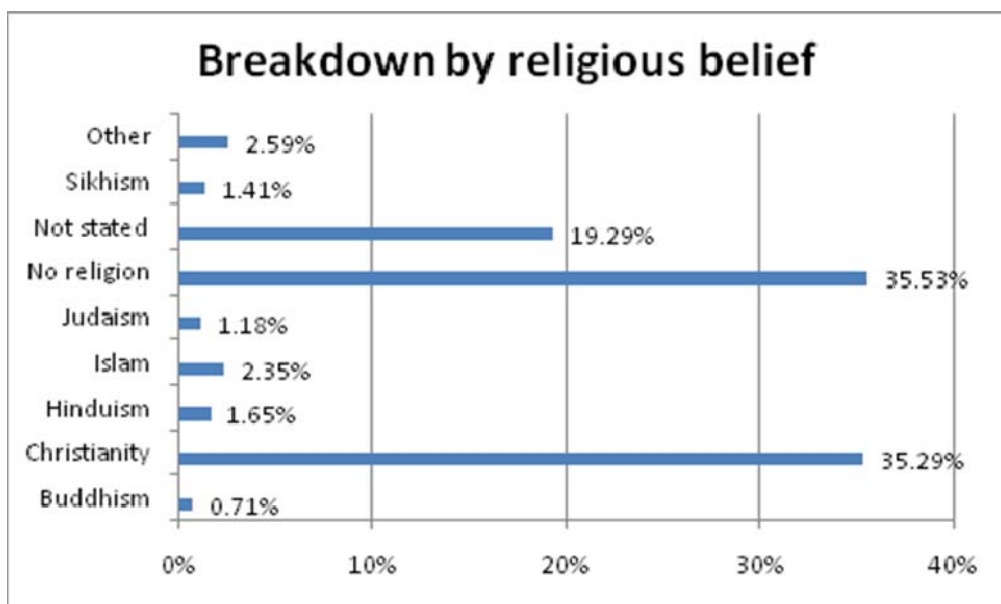
There are 21 per cent of employees who have a stated disability and one per cent of employees who have elected not to state whether or not they are disabled.

The graph below shows how the Commission’s 21 per cent of disabled employees are represented across all the pay bands from job grade1 to director and above.



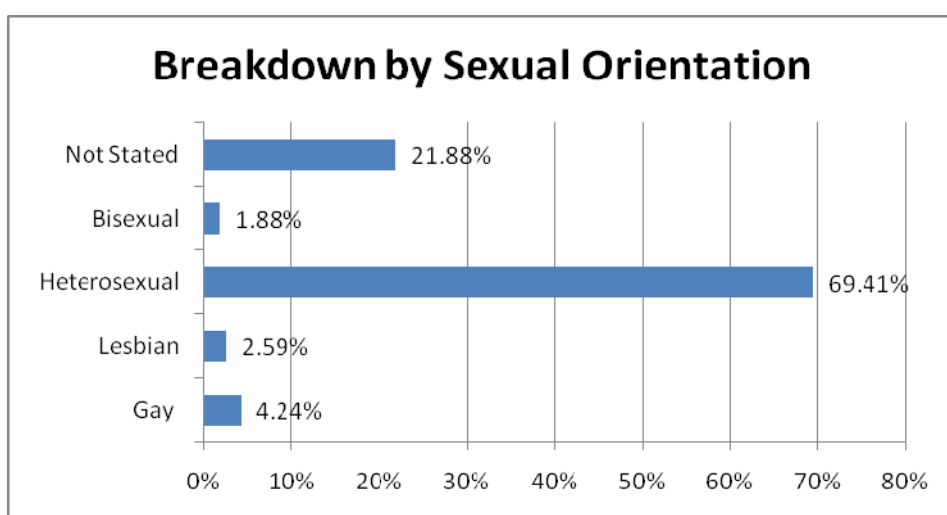
Religious belief

The graph below demonstrates the religious belief profile for all employees across the Commission.



'No religion' at 36 per cent is the largest proportion of employees, closely followed by Christianity at 35 per cent, then by 'not stated' at 19 per cent.

Sexual orientation



The majority of employees are heterosexual at 69 per cent. No staff identified themselves as being transgender.

Annex six

Remuneration report: 1 April 2008–31 March 2009

The Policy on the Remuneration of Senior Managers for the period ended 31 March 2009.

The Commission's most senior managers comprise the Chief Executive Officer (CEO) and the direct reports who constitute the Senior Management Team (SMT).

During 2008/9 the Commission established 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 CEO and members of the SMT.

The members of the Remuneration Committee during 2008/9 were:

Trevor Phillips OBE (Chair)

Baroness Margaret Prosser OBE (Deputy Chair)

Ben Summerskill

Helen Alexander (external member)

The Remuneration Committee had its first meeting on 17 March 2009.

The CEO's total 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 2008/9 the pay award continued 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.

*Commission members' remuneration***

a) Chair:

Trevor Phillips was Chair throughout the period. He 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 8 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 2008/9 the benefit arising is £15,488.

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

	2008/9 £'000	2006-08 (23½ months) £'000
Salary	112	179
Employer's National Insurance contribution (NIC)	12	22
	124	201
Expenses	3	2

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

	31 March 2009 £'000
Real increase in accrued pension	0–2.5
Real increase in accrued lump sum	–
Accrued pension as at 31 March 2009	10–15
Accrued lump sum as at 31 March 2009	–
CETV at 31 March 2008	*165
Real increase in CETV funded by employer	20
CETV as at 31 March 2009	196

*The figure is different from the closing figure in the last period accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

b) The cost of Commission members' emoluments was:

	2008/9 £	2006–8 (23½ months) £
Commissioners' salaries and fees	193,218	225,349
Commissioners' employer's NIC	20,302	20,935
Statutory committee and advisory group members' fees	98,981	45,932
Statutory committee and advisory group members' employer's NIC	5,070	2,937
	317,571	295,153

During 2006–8 the statutory committees held 12 meetings; in 2008/9 this increased to 22.

Total Commissioners' costs included at note 3b 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:

Commission member	Fees £	Expenses £
Morag Alexander OBE	15,400	2,092
Kay Allen	4,000	1,778
Baroness Jane Campbell DBE	10,120	4,110
Kay Carberry CBE	9,750	223
Jeannie Drake CBE	8,000	225
Joel Edwards	6,400	78
Baroness Sally Greengross OBE	10,000	673
Professor Kay Hampton	9,500	2,001
Professor Francesca Klug OBE	14,600	211
Sir Bert Massie CBE	15,200	2,818
Baroness Margaret Prosser OBE (Deputy Chair)	56,400	1,180
Professor Ziauddin Sardar	9,100	23
Baroness Maeve Sherlock OBE	6,200	1,562
Ben Summerskill	4,948	37
Dr Neil Wooding	13,600	2,930

Commission member appointments are not pensionable. Fees and expenses paid to independent members of the Audit and Risk Committee were in total £2k.

*Chief Executive***

The Chief Executive's annual salary for the year ended 31 March 2009 was £185,000.

Total actual emoluments were £253,850 including employer's contributions of £47,175 to the PCSPS. Employer's NIC amounted to a further £21,675. The Chief Executive is an ordinary member of the PCSPS, with the Commission's contribution to the scheme amounting to the equivalent of 25.5 per cent of salary.

*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 2009.

‘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 31/03/09 and related lump sum (£5k bands)	CETV at 31/03/08 (£'000)#	CETV at 31/03/09 (£'000)	Real increase in CETV as funded by employer (£'000)
Dr Nicola Brewer Chief Executive	185,000 (2006–8 189,269)	Nil (2006–8 nil)	Nil (2006–8 nil)	Nil (2006–8 nil)	No increase	55–60 plus 170– 175 lump	992	1,056	No increase
Kamal Ahmed Group Director Communications	129,000 (2006–8 41,940)	Nil (2006–8 nil)	Nil (2006–8 nil)	Nil (2006–8 nil)	2.5–5.0	0–5	9	39	25
Kate Bennett National Director for Wales	75,000 (2006–8 37,949)	Nil (2006–8 nil)	Nil (2006–8 nil)	Nil (2006–8 nil)	0–2.5 plus 2.5–5 lump sum	10–15 plus 40–45 lump sum	229	275	30
Carol Bernard Group Director Corporate Management (to 30/04/08)	10,750 (2006–8 96,603)	Nil (2006–8 nil)	Nil (2006–8 nil)	Nil (2006–8 nil)	0–2.5	0–5	19	22	3
Patrick Diamond Group Director Strategy	95,000 (2006–8 58,540)	Nil (2006–8 nil)	Nil (2006–8 nil)	Nil (2006–8 nil)	2.5–5.0	5–10	10	44	30
Ros Micklem National Director for Scotland	80,000 (2006–8 41,626)	Nil (2006–8 nil)	Nil (2006–8 nil)	Nil (2006–8 nil)	0–2.5	0–5	12	38	23
John Wadham Group Director Legal	120,000 (2006–8 78,548)	Nil (2006–8 nil)	Nil (2006–8 nil)	Nil (2006–8 nil)	2.5–5.0	25–30	452	553	26

#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 all on permanent employment contracts with a three-month notice period.
- d) The Commission has no service contracts for senior managers.
- e) No compensation for loss of office paid or receivable has been made under the terms of an approved compensation scheme.
- f) There are no elements of the remuneration package that are not cash.**
- g) During 2008/9 the Commission paid Odgers Interim a total of £293,190 (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 Civil Service pension 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.

Further details about the Civil Service pension arrangements can be found at the website: www.civilservice-pensions.gov.uk

Cash equivalent transfer values

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, 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.

Neil Kinghan

Director General

2 July 2010

Statement of Accounts

1 April 2008–31 March 2009

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 and expenditure, recognised gains and losses, 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 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 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. 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 aims and business objectives while safeguarding public funds and the Commission's assets for which I am personally responsible, in accordance with the responsibilities defined in Managing Public Money.

Each year the Commission consults with its sponsor department, the Government Equalities Office (GEO), on its budgets and plans. I meet regularly with the Accounting Officer of the GEO and my officials work closely with the GEO's sponsor team to ensure that the Commission's resources are properly managed. The relationship is governed by a Framework Document which is based on HM Treasury guidance and has recently been updated.

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

The system of internal control in place during 2008/9 was developed in the first six months following the creation of the Commission. Since my appointment in May 2009 I have commissioned reviews of the internal

controls over procurement, programme and project management and recruitment. I have also now received the annual report from RSM Tenon, the Commission's internal auditors for 2008/9. From these reviews, the annual internal audit report and reports by the National Audit Office, I have established the extent of the weaknesses in the system of internal control during 2008/9. This statement explains both the system of internal control that was in place during the year and the steps I am taking to ensure that it is improved and developed so that it fully accords with Treasury guidance.

Capacity to handle risk

The Commission has a system of risk management which it uses to assess strategic and operational risks. Since my appointment I have reviewed and improved our risk management arrangements. I have held a series of workshops with senior managers in which we have updated our risk strategy, identified the strategic risks facing the Commission, developed a new strategic risk register and begun to develop operational risk registers.

While the risk management framework is now fully developed, it is still immature and I am working to embed it in the organisation. I am committed to ensuring that this is done.

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, which agrees an annual internal audit plan. The plan 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.

A review of the governance structure of the Commission has addressed the issues noted in the report by the Parliamentary Joint Committee on

Human Rights in March 2010. The Board has established 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 and reports them to the Audit and Risk Committee.

As I have explained above, I have reviewed and improved the risk management framework. The Senior Management Team, which comprises my direct reports, regularly considers the strategic and operational risks to the Commission's aims and objectives and agrees the actions to be taken to manage them.

I have also established programme boards to take forward the strategic objectives of the Commission. Risk management is a key part of the Board's role. Each programme board is chaired by a senior Director who is accountable to me for managing programme risks. Each board maintains a programme risk register and escalates significant risks to the Senior Management Team.

Financial reports are reviewed by the Senior Management Team each month to monitor the performance of the Commission. I have introduced a monthly report on procurement activity to review compliance with the Commission's procedures and delegations.

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

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of the internal auditors and the executive Directors and managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and by comments made by the Comptroller and Auditor General in his reports on the Commission's accounts or by the National Audit Office in their management letters and in other reports. I have also commissioned

additional analysis of the effectiveness of the system of financial control. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee.

In his report on the accounts for the period from 2006 to 2008 and in his Supplementary Memorandum to the Committee of Public Accounts, the Comptroller and Auditor General noted significant weaknesses in the effectiveness of the Commission's system of internal control, arising principally from the manner in which the Commission had been created. The Committee of Public Accounts held a hearing in December 2009, at which it considered these reports, and issued its own report in March 2010. The Committee particularly commented on the errors made in setting up the Commission, the high cost incurred and the lack of oversight by the Board. The Committee observed that at its inception the Commission lacked the people, skills and controls required in a public body. It noted that weaknesses in the system of internal control continued after the period from 2006 to 2008.

The underlying weaknesses in the system of internal control continued in 2008/9, and have resulted in the Commission incurring further irregular expenditure, over and above those made in the period from 2006 to 2008. The irregular payments are reported by the Comptroller and Auditor General in his report on the accounts on pages 70 to 77.

Following on from these reports, I have strengthened the Commission's system of internal control in the following ways:

- I have ensured that proper procurement processes will be followed by the Commission whenever it takes on contractors.
- I have put in place controls to ensure that there will be no further breach of the pay remit.
- I have made improvements to the system of grants administration. I am aware that more needs to be done here to improve controls. I have now established tighter controls over the administration of

grants for the 2010/11 programme. I will ensure that progress reports are regularly received from grant recipients and are properly assessed by officials of the Commission.

- I have addressed the concerns raised by the Comptroller and Auditor General over the procurement practices within the Commission by strengthening the authority of the central procurement function and requiring all expenditure to be authorised by a Director and all expenditure over £5,000 to be approved by the Head of Procurement or the Finance Director, as well as by the relevant Director. I have also taken action to ensure that all staff fully understand and comply with the procurement rules and have provided training to all Directors. I have issued new procurement procedures and will ensure that the Senior Management Team receives and reviews monthly reports on procurement activity. The Commission's internal audit programme will include extensive audit of procurement compliance.
- I am also taking action to improve the accountability of Directors and managers for the expenditure they incur. A key part of this action is to establish timely and accurate reporting of their performance to the Senior Management Team. I will review the performance of Directors and managers and ensure that they comply with good procurement practice. I will strengthen the performance management framework to reinforce accountability for expenditure.

During the year two laptops were lost or stolen. No personal data was put at significant risk. During 2008/9 we evaluated existing arrangements for managing information security. The existing arrangements include:

- IT security policy
- confidentiality agreements
- Data Protection Act and other related regulations
- compliance with IT security recommendations arising from audit reviews, and
- provisions for storing information electronically and also securely for paper archive.

Moving forward the HMG Security Policy Framework has been mandated by the Commission as the corporate standard, as this provides an integrated holistic approach. Our approach to this recognises that arrangements must not just meet legal requirements but go further to protect and ensure the information we use, while being proportional to the risks to be managed. Work has commenced to move this forward appropriately.

Where information is used in structured systems, for example finance systems, then the integrity of that data is assured via initial testing of the system and changes thereto, and then by ongoing review and management of that data by the business areas responsible for the system and its data.

An evaluation is underway by the Information Team to assess what further mechanisms and tools may further support existing standards, to facilitate the storage and retrieval of general business documents and intelligence.

I have made these improvements to the Commission's system of control since my appointment in May 2009. In implementing them I have considered the recommendations made by the National Audit Office as a result of their audits of the 2006-8 and 2008/9 accounts. While I am confident that action is now in train to address weaknesses, some weaknesses in the system of internal control remained in 2009/10. I am committed to addressing all weaknesses in the system of internal control and I am confident that the system of internal control now in place is robust.

Neil Kinghan
Accounting Officer
2 July 2010

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 period ended 31 March 2009 under the Equality Act 2006. 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 Accounting Officer and auditor

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Equality Act 2006 and the Secretary of State's 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 Equality Act 2006 and the Secretary of State's directions made thereunder. I report to you whether, in my opinion, the forewords, the Annual Report and its annexes are 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 forewords, the Annual Report, the annexes to the Annual Report and the unaudited part of the Remuneration Report. 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 misstatement, 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 Equality Act 2006 and directions made thereunder by the Secretary of State, of the state of the Commission's affairs as at 31 March 2009 and of its deficit, recognised gains and losses and cash flows for the period then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Equality Act 2006 and the Secretary of State's directions made thereunder; and
- the foreword, the Annual Report and its annexes are consistent with the financial statements.

Qualified opinion on regularity arising from irregular expenditure

The Commission is required to comply with the authorities laid out for them in statute and other regulation, including the requirements of 'Managing Public Money'. 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 consultants' fees (£30,274), pay costs (£508,000) and procurement of goods and services (£487,937), which I have concluded

is not in conformity with the authorities which govern it, and is therefore irregular.

In addition, the Commission has been unable to provide me with sufficient evidence to support the regularity of grants paid to various local bodies providing equality related activities. The Commission was not able to obtain any assurances over how a small number of recipients had used some £62,800 of grants and as a result I have been unable to conclude on the regularity of the application of these grants.

In my opinion, except for the expenditure on certain consultants' fees, pay costs, grants and procurement of goods and services 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.

Report

My report on pages 70 to 77 provides further detail of the basis for my qualified opinion on regularity.

Amyas C E Morse
Comptroller & Auditor General
National Audit Office
157-197 Buckingham Palace
Victoria
London
SW1W 9SP
8 July 2010

Report of the Comptroller and Auditor General to the House of Commons

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 18 June 2009 to the House of Commons on the accounts of the Commission for Equality and Human Rights (the Commission) for the period ending 31 March 2008, I noted that I had qualified my audit opinion on the accounts. This was because the Commission had re-engaged seven former employees of the former Commission for Racial Equality on short term consultancy contracts, but did so 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 my Report and Supplementary Memorandum at a hearing on 4 December 2009 and issued its report on 4 March 2010.

3. The statement of accounts on the following pages represents the results of the Commission for the period from 1 April 2008 to 31 March 2009. I have qualified my audit opinion on these accounts.

Purpose of Report

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

My obligations as Auditor

5. 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 on Re-engaged Consultants

6. In my report on the 2006-08 accounts, I set out the details of the Commission's re-engagement of staff from the former Commission for Racial Equality as consultants and the fact that this was done without the authority of the Government Equalities Office, as the Commission's sponsor Department, or the Treasury. My report stated that the Commission therefore incurred irregular expenditure of some £308,434 during 2006-08, but that further amounts were paid to the consultants during 2008-09. The amount paid to the re-engaged consultants in 2008-09 was some £30,274, and as the Commission paid these amounts without the appropriate Treasury authority, I have deemed them to be irregular and qualified my audit opinion in this respect.

Irregular Expenditure as a Result of a Breach of Pay Remit

7. In my Supplementary Memorandum to the Committee of Public Accounts of 27 October 2009, I noted that the Commission had breached its pay remits for 2007-08 and 2008-09.

8. 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. The Commission agreed its first pay remit with the Treasury in September 2008, using estimates of the number of permanent staff who were expected to be in post by the end of the remit period. The agreed remit allowed a maximum pay increase of 4.65% for permanent staff in post in the last six months of 2007-08 and a maximum increase of 4.45% for 2008-09, which assumed that the Commission would recruit sufficient permanent staff to fill existing vacancies. The Commission has, however, breached these limits.

9. Following the September 2008 agreement, the Commission and the Government Equalities Office agreed a phased harmonisation of pay within the limits. The Commission made the first backdated pay increase in December 2008 and paid the final element in June 2009. However, in March 2009, the Commission revisited its baseline pay calculations to reflect the actual number of permanent staff in post, rather than the estimated number used in the initial calculations. As the Commission had fewer permanent employees in post during 2007-08 and 2008-09 than it had anticipated when agreeing the pay remit, it actually paid average increases for staff in post of 6.81% for the last six months of 2007-08 and 4.8% for the twelve month period of 2008-09. Whilst the total cash increase paid was in line with the pay remit and phased harmonisation plan, the average percentage increases were above the maximums agreed with the Government Equalities Office and the Treasury. While this breach of the pay remit was not intentional and reflects the unexpected lack of permanent employees referred to earlier, it does mean that the Commission has incurred expenditure on staff pay without proper authority. As a result I am qualifying my audit opinion in respect of this irregular expenditure.

10. I note that the Government Equalities Office and the Treasury have considered what action they should take against the Commission for this breach. The Government Equalities Office agreed the Commission's calculation that the 2008-09 breach was 2.51% of the Commission's total pay bill in that year, and has therefore imposed a financial penalty equal to that. This equates to £508,000. The Government Equalities Office therefore reduced the Grant in Aid that it paid to the Commission by £508,000 for the 2009-10 financial year.

Insufficient Evidence to Support the Regularity of Expenditure on Grants

11. In 2008-09 the Commission operated a programme to provide some £10.7 million of grants to various local bodies providing equality related activities. The Commission had a process of monitoring recipients' use of these grants to ensure that the funds were used for the purposes that they were granted. One of the principal elements of this monitoring was to require grant recipients to provide a year end report setting out how the funds were used. The Commission retained 10% of each grant until it had received these year end reports. The Commission experienced difficulties in getting all these reports in on a timely basis, and the year end reporting process took far longer than was expected.

12. Eventually, the Commission was able to obtain year end reports from the majority of grant recipients and in most cases was able to obtain appropriate assurances that recipients had used the funds for the purposes intended. Where it was not able to gain full assurance over the use of the grants, the Commission did not pay over the retained 10%. In some cases the grant recipients had ceased to exist by the time the Commission finalised the year end monitoring process, and in these small number of cases the Commission was not able to obtain any assurances over how these recipients had used some £62,800 of grants. The lack of assurances over the use of this £62,800 of grant expenditure means I have been unable to conclude on the regularity of the application of these grant payments.

Irregular Expenditure on Single Tender Procurement Actions

13. The Commission, as is common with all non departmental public bodies, has agreed a formal Framework Document with its sponsor Department. The Commission's original Framework Document was agreed in April 2008 and sets out, amongst other things, the financial authorities that the Government Equalities Office has given to the Commission. One of these is that the Commission is required to seek the Government Equalities Office's approval for any Single Tender Procurement Actions (STAs) above £50,000.

14. In November 2009, the Commission initiated a review of its procurement activity for the two years up to October 2009. The review focussed particularly on the Commission's use of STAs, and as a result the Commission identified seven cases where it had entered into STAs for amounts greater than £50,000 without seeking the approval of the Government Equalities Office. The Commission incurred total expenditure of £739,421 on these seven contracts. £487,937 of this amount was incurred in 2008-09, with the remainder being incurred in 2009-10. The Commission has decided not to seek retrospective approval from the Government Equalities Office for these STAs. Consequently, the Commission has incurred this expenditure without obtaining the proper approval from its sponsor department, and I have qualified my audit opinion in respect of the regularity of the £487,937 STA expenditure relating to 2008-09.

15. The Commission designed this procurement review to examine a sample of procurement exercises. As it is a sample, it is not a comprehensive analysis of all possible breaches of the STA delegation, and the Commission cannot be certain that the £487,937 noted above represents all the breaches of the STA delegation in 2008-09.

16. The Commission's procurement review noted many other serious failings in the Commission's management of its procurement activity. Of particular concern are the weaknesses in procurement documentation. The Commission spent over £30 million on the procurement of goods and services in 2008-09, and its procurement procedures make it clear that all key records of the procurement process must be retained on individual project files. However, there were only a limited number of instances where this was done and the review concluded that there were few instances where contracts were procured in full compliance with the laid down procurement procedures. These problems were amplified by the Commission's inability to access comprehensive financial information on contracts entered into and paid for. In many cases the review found different amounts recorded at the project initiation stage, in the purchase order, in the contract and in the final payment, without sufficient explanation of the reason for the differences or evidence of contractual amendments or variations. Furthermore, there have been

frequent examples where the Commission has received goods and services without having first raised a purchase order and where the delivery of goods and services have not been recorded on the Commission's procurement system. These problems reflect concerns that my staff have raised previously with the Commission about the adequacy of its procurement system and the quality of the information recorded on it.

17. The review also identified inadequate processes for planning procurement activity across the Commission. In particular, little thought was given to the procurement route that would be used until too late in the process, leading to rushed procurement actions and an over reliance on urgent procurement routes, such as STAs. The review also found evidence that in some cases suppliers were appointed and work commenced before the procurement process was completed. It also noted a number of failures to comply with internal delegated limits, so that expenditure was approved by people who did not have the appropriate authority to do so.

Furthermore, the review found that the Commission's procurement activity was often inadequately specified or scoped, which has in turn led to contractual disputes. This is linked to concerns about the adequacy of the Commission's monitoring of contractors' activity, as the review found limited evidence of formal reviews of contractors' performance or other post procurement reviews.

18. Many of these problems appear to stem from a basic lack of understanding amongst staff of the Commission's procurement procedures. The Commission does have procurement procedures in place, but there is no comprehensive Procurement Manual, in some cases incorrect information has been made available to staff on procurement processes and there has been an inadequate level of training for staff involved in procurement activity. The Commission does also have central procurement and corporate law teams, but to date their role has been mostly advisory and there has been no requirement for procurement actions to be passed through them. As a result, these central teams have often been unsighted on procurement activity or have been consulted at far too late a stage in the process.

19. The problems outlined above expose the Commission to considerable risks, in terms of its non compliance both with procurement rules and law (including European Union procurement rules) and the Framework Document. Furthermore, the Commission breached the requirement in its Framework Document to notify the Government Equalities Office of any significant operational, finance and personnel issues as soon as they became apparent. This restricted the ability of the Office to properly monitor the activity and expenditure of the Commission.

20. I am concerned that the scale of these systemic weaknesses reflects 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. I welcome the fact that, as a result of this review, the Commission has made immediate and significant changes to its procurement processes. The Commission has now removed delegated authorities to incur expenditure from all staff except Directors and above, has restricted the number of people authorised to raise requisitions to no more than two per cost centre and is now requiring all purchases above £5,000 to be authorised both by the relevant Director, but also by the Director of Finance and the Head of Procurement. This will provide an important additional check that higher value procurements are compliant with procedures and are value for money. Action is also being taken to ensure that all staff within the Commission understand the procurement rules and comply with them, and new procurement procedures have been issued with relevant training being provided to all Directors. The Head of Procurement has also been tasked with providing a monthly report to the Board on procurement activity, which will be supported by the development of a new format for the monthly management accounts that aims to improve accountability for all items of expenditure. I have also suggested that the Commission consider initiating a regular programme of procurement compliance reviews across the organisation to ensure that problems such as those set out above do not recur.

21. I also welcome the steps the Government Equalities Office has taken to strengthen the control environment at the Commission. The

Office has, among other things: agreed with the Treasury a strategy for the improvement of financial and operational management at the Commission; concluded a revised Framework Document with the Commission; and appointed nine new Commissioners, with the recruitment highlighting the importance of Commissioners having governance experience.

22. A number of the weaknesses outlined above are deep seated and longstanding, and it will take time for the Commission to both put in place rigorous controls and to ensure that staff comply with them. I think it likely that these problems may have continued beyond 2008-09, and until it develops fully effective financial and management controls, the Commission will face serious and continuing risks to its ability to manage properly its expenditure. The improvements being made by the Commission and the Government Equalities Office, as set out above, are a good start, but the Commission will need to be vigorous in implementing the changes it has proposed and actively monitor compliance as it goes forward.

Amyas C E Morse
Comptroller & Auditor General
National Audit Office
157-197 Buckingham Palace
Victoria
London
SW1W 9SP
8 July 2010

Income and expenditure account for the year ended 31 March 2009

	Note	2008/9		2006–8 (23 1/2 months)	
		£'000	£'000	£'000	£'000
Income					
Other operating income	2	455		669	
Access to work		145		36	
			600		705
Expenditure					
Staff and commissioners costs – operational	3b	(24,056)		(10,178)	
Staff and commissioners costs – transitional	3b	(176)		(8,944)	
Early retirement and severance costs	1m	(169)		(11,136)	
Depreciation and amounts written off tangible and intangible fixed assets	5	(3,011)		(1,860)	
Other operating charges – operational	4	(32,154)		(12,261)	
Other operating charges – transitional	4	(4,026)		(7,984)	
			(63,592)		(52,363)
Operating (deficit)			(62,992)		(51,658)
Loss on disposal of fixed assets		(232)		(1,396)	
Interest receivable		32		31	
Cost of capital	1i	260		108	
			60		(1,257)
Expenditure for the year			(62,932)*		(52,915)

The notes on pages 82 to 100 form part of these accounts.

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

Statement of recognised gains and losses for the year ended 31 March 2009

	Note	2008/9	2006–8
			(23 1/2 months)
		£'000	£'000
Release from donated asset reserve	1c, 2 & 11	8	300
Actuarial (loss)	8b	(209)	(25)
Recognised gains/(losses) for the year		(201)	275

The notes on pages 82 to 100 form part of these accounts.

Balance sheet as at 31 March 2009

	Note	31 March 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	5a	5,439		6,796	
Intangible	5b	945		1,075	
			6,384		7,871
Current assets					
Debtors	6	1,517		1,779	
Cash at bank and in hand	10	5,066		6,484	
Current liabilities					
Creditors (amounts falling due within one year)	7	(9,568)		(10,941)	
Net current liabilities			(2,985)		(2,678)
Total assets less current liabilities					
			3,399		5,193
Creditors (amounts falling due after more than one year)	7		(376)		(503)
Provisions for liabilities and charges	8a		(8,230)		(5,752)
Net liabilities			(5,207)		(1,062)
Financed by:					
Capital and reserves					
Donated asset reserve	11		-		8
General reserve	11		(5,207)		(1,070)
			(5,207)		(1,062)

Neil Kinghan

Director General

2 July 2010

The notes on pages 82 to 100 form part of these accounts.

Cash flow statement for the year ended 31 March 2009

	Note	2008/9	2006–8 (23 1/2 months)
		£'000	£'000
Net cash (outflow) from operating activities	9	(57,936)	(40,481)
Returns on investments and servicing of finance			
Interest received		32	31
Capital expenditure and financial investment			
Tangible fixed asset additions		(1,590)	(7,333)
Intangible fixed asset additions		(1,190)	(840)
Sale of tangible fixed assets		2	-
Financing			
Transfers from legacy commissions	10	-	4,256
Grant-in-aid	11	59,264	50,851
(Decrease)/increase in cash	10	(1,418)	6,484

The notes on pages 82 to 100 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Commission's financial statements.

1a. Accounting convention

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

The accounts have been prepared in accordance with applicable accounting standards and form directed by the 2008/9 Financial Reporting Manual (FReM). The accounting policies contained in FReM follow the UK's Generally Accepted Accounting Practice (UK GAAP) for companies to the extent that it is meaningful and appropriate in the public sector context. Where the public sector context is such that the application of GAAP would not produce financial statements relevant to its needs, GAAP is adapted.

1b. 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 fixed 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.

1c. Fixed assets

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

The value of donated fixed assets is reflected in a donated asset reserve which is credited with the value of the original donation.

The Commission adopts a depreciated historical cost basis as a proxy for current valuation for all its fixed assets.

1d. Depreciation

Fixed assets 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	15 years
Office furniture	4 years
ICT software and hardware	4 years
Telephony software and hardware	4 years

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

In the case of donated assets an amount equal to the depreciation on donated assets is released from the donated asset reserve to the income and expenditure account.

Purchased computer software licences and software development are capitalised as intangible fixed assets.

The leases on the Commission premises in Manchester and Birmingham expire in June 2010. In line with the policy 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 lease on the Commission's premises at 3 More London expires in March 2013. In line with the policy the depreciation on assets held at these premises has been accelerated so that the assets will be fully written down by 31 March 2013.

1e. Income recognition

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

1f. 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 per cent. The reimbursement by Jobcentre Plus is treated as income but does not reduce the grant allocation from the sponsor department.

1g. Analysis of employees

The analysis of employees at note 3a 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.

1h. Pension policy

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (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 EHRC recognises the contributions payable for the year.

Pension benefits for current and former Chairs of the Commission and the legacy Commissions are provided under a 'broadly by analogy scheme' subject to FRS 17. 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). Note 8b to these financial statements details the provision on the By Analogy Pension Liability.

1i. 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.

1j. 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.

1k. 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.

1l. Going concern

The balance sheet at 31 March 2009 shows net liabilities of £5.2m (2008: £1.1m). This reflects the inclusion of 2008/9 liabilities falling due

in future years which, to the extent that they are not to be met from the Commission's other sources of income, may only be met by future grants or grant-in-aid from the Commission's sponsor department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Cash grant in aid for 2009/10, taking into account the amounts required to meet the Commission's 2008/9 liabilities falling due in that year, has already been included in the department's estimates for that year, which have been approved by Parliament, and 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.

1m. Provisions

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 cost of £169k shown on the income and expenditure account comprises £27k unwinding of provision (see note 8a) and £142k lump sums paid in year.

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.

Provision has been made for potential liabilities arising from litigation that the Commission has ongoing at 31 March 2009. These liabilities are of uncertain timing and amount. Provision is made on the basis of the best estimate of expenditure required to settle the obligation. Where litigation is decided in the Commission's favour there is potential for recovery of costs.

1n. Dilapidations and property provisions

At 31 March 2009 the Commission held leases on three properties formerly occupied by the legacy commissions but not used by the Commission. These premises are being disposed of. In 2008/9 provision of £81k (2006–8 £436k) has been made for dilapidations cost arising when premises are vacated. Provision has also been made for £4,082k (2006–8 £1,574k) of costs arising from property disposals. The figures used are based on the advice of independent property consultants.

1o. Grants

Section 17 of the Equality Act 2006 empowers the Commission to award grant funding. The Commission will fund 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.

The cost of the grant is reflected wholly in the year in which it is allocated except where organisations have requested extensions to the grant period to cover delayed delivery of their programme of work.

1p. Presentation of operational and transitional costs

In the income and expenditure account and associated notes the remaining costs arising from the merger of the three legacy commissions into the Equality and Human Rights Commission are referred to as transitional costs. All other costs are shown as operational.

2. Other operating income

	2008/9 £'000	2006-8 £'000
Scottish Executive – fair for all	-	61
Grant income	425	-
Other income	22	308
Release from donated asset reserve	8	300
	455	669

3. Staff number and costs

3a. Analysis of employees

The full-time equivalent average numbers of employees in post are shown below.

	2008/9			2006-8		
	Operational	Transition	Total	Operational	Transition	Total
Management	85	-	85	72	1	73
Operational staff	216	-	216	221	3	224
Administration and support	95	-	95	96	-	96
Seconded staff	2	-	2	2	14	16
Agency staff	82	3	85	55	65	120
	480	3	483	446	83	529
Commissioners	16	-	16	16	-	16
Total	496	3	499	462	83	545

Post the year end staffing numbers increased and a failure in establishment controls resulted in the approved establishment of 525 full-time equivalents (FTE) being exceeded. When this problem was identified the Commission took action to resolve it. As at 10 May 2010 there were 516.65 FTE in post, which is below the permitted level.

3b. Analysis of staff costs

	2008/9			2006-8		
	Operational £'000	Transition £'000	Total £'000	Operational £'000	Transition £'000	Total £'000
Wages and salaries	13,746	-	13,746	6,403	202	6,605
Social security costs	1,143	-	1,143	520	21	541
Other pension costs	2,737	-	2,737	1,219	28	1,247
Seconded staff	97	-	97	32	1,126	1,158
Agency staff	6,070	176	6,246	1,818	7,306	9,124
Outward secondments	(179)	-	(179)	(69)	-	(69)
Sub-total	23,614	176	23,790	9,923	8,683	18,606
Commissioner costs	442	-	442	255	261	516
Total	24,056	176	24,232	10,178	8,944	19,122

Agency staff costs of £207k relating to software development have been capitalised.

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 allowance to the extent that it is subject to UK taxation.

Pension arrangements

New employees joining are automatically joined in 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).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Commission is unable to

identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008/9, employers' contributions of £2,744,834 were payable to the PCSPS (2006–8 a 23½ month period: £1,166,328) at one of four rates in the range 17.1 per cent to 25.5 per cent of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009/10, the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2008/9 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 £23,055 were paid to one or more of the panel of three appointed stakeholder pension providers (2006–08 £12,450). Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of £1,771, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees (2006–08 £853).

Contributions due to the partnership pension providers at 31 March 2009 were £685 (2008 £612). Contributions prepaid at that date were £nil (2008 £ nil).

Total employers pension contributions for the year payable to pension providers exceed the charge to the income and expenditure account in note 3b due to the release of a prior year accrual relating to pay harmonisation.

4. Other operating charges

	2008/9			2006-8		
	Operational £'000	Transition £'000	Total £'000	Operational £'000	Transition £'000	Total £'000
Running costs						
Staff support, recruitment and training	1,961	30	1,991	561	915	1,476
Staff and Commissioners' travel and subsistence	1,324	-	1,324	659	316	975
Equipment lease costs	60	-	60	2	-	2
Premises lease costs	2,156	214	2,370	1,081	1,513	2,594
Premises costs (non-lease)	1,565	3,432	4,997	2,375	1,181	3,556
Support and office services	3,264	339	3,603	1,041	2,012	3,053
IT and telecomm costs	1,263	-	1,263	888	595	1,483
Access to work	153	-	153	45	-	45
Auditors remuneration	87	-	87	90	-	90
Programme						
Helpline and advisory services	1,656	4	1,660	819	491	1,310
Legal and mediation services	1,282	-	1,282	639	146	785
Grants given	10,701	-	10,701	2,640	-	2,640
Publication and information	4,509	-	4,509	575	491	1,066
Research and policy development	2,173	7	2,180	846	324	1,170
Total	32,154	4,026	36,180	12,261	7,984	20,245

5. Assets

5a. Tangible assets

	Fixtures and fittings	IT and telecoms equipment	Furniture	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
Balance at 1 April 2008	4,265	3,044	989	8,298
Additions	262	794	99	1,155
Disposals	-	(18)	-	(18)
Balance at 31 March 2009	4,527	3,820	1,088	9,435
Depreciation				
Balance at 1 April 2008	288	786	428	1,502
Charge for the year	1,039	1,220	243	2,502
Disposals	-	(8)	-	(8)
Balance at 31 March 2009	1,327	1,998	671	3,996
Net book value at 31 March 2009	3,200	1,822	417	5,439
Net book value at 31 March 2008	3,977	2,258	561	6,796

5b. Intangible assets

	Software £'000
Cost or valuation	
Balance at 1 April 2008	1,433
Additions	603
Disposals	(298)
Balance at 31 March 2009	1,738
Depreciation	
Balance at 1 April 2008	358
Charge for the year	509
Disposals	(74)
Balance at 31 March 2009	793
Net book value at 31 March 2009	945
Net book value at 31 March 2008	1,075

6a. Debtors

Debtors falling due within one year	31 March 2009	31 March 2008
	£'000	£'000
Trade debtors	88	121
Access to work	18	30
Prepayments and accrued income	1,314	1,363
Other	97	265
	1,517	1,779

6b. Debtors: intra-government balances

Debtors falling due within one year	31 March 2009	31 March 2008
	£'000	£'000
Balances with:		
Other central government bodies	211	149
Local authorities	37	409
Bodies external to government	1,269	1,221
	1,517	1,779

7a. Creditors

Creditors falling due within one year	31 March 2009	31 March 2008
	£'000	£'000
Trade creditors	746	2,639
Other creditors	590	800
Taxes and social security	533	604
Accruals	7,699	6,898
	9,568	10,941

7b. Creditors

Creditors falling due after one year	31 March 2009	31 March 2008
	£'000	£'000
Premises rent free period	376	503

7c. Creditors: intra government balances

Creditors falling due within one year	31 March 2009 £'000	31 March 2008 £'000
Balances with:		
Other central government bodies	2,773	2,507
Local authorities	4	76
Public corporations and trading funds	-	277
Bodies external to government	6,791	8,081
	9,568	10,941

Creditors (amounts falling due after one year) is a balance with bodies external to government.

8a. Provisions for liabilities and charges

	Early retirement £'000	Dilapidations £'000	Other £'000	Former and current Chairs' pension £'000	Property disposal £'000	Total £'000
Balance at 1 April 2008	2,328	436	327	1,087	1,574	5,752
Additions in year	71	31	797	293	3,510	4,702
Utilised in year	(464)	(369)	(98)	(72)	(756)	(1,759)
No longer required	-	(17)	(229)	-	(246)	(492)
Unwinding of discount	27	-	-	-	-	27
Balance at 31 March 2009	1,962	81	797	1,308	4,082	8,230

See notes 1h, 1m and 1n for explanations for these provisions.

8b. Broadly by analogy pensions

Pension benefits for the current Chair of the Commission and former Chairs of the Commission for Racial Equality and Equal Opportunities Commission 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 following financial assumptions:

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

The liabilities associated with former Chairs holding BBA pensions are as follows:

	31 March 2009	31 March 2008
	£'000	£'000
Active members (past service)	238	187
Deferred pensioners	120	130
Current pensioners	950	770
Present value of scheme liabilities	1,308	1,087

The movement on the provision is as follows:

	31 March 2009	31 March 2008
	£'000	£'000
Opening balance	1,087	-
Transfers in 1 October 2007	-	1,049
Current service cost	24	18
Employee contributions	3	2
Interest cost	57	22
Total actuarial losses	209	25
Less benefits paid	(72)	(29)
Present value of scheme liabilities at 31 March	1,308	1,087

The last actuarial valuation of the scheme took place on 16 July 2009. Changes in the demographic and financial assumptions underlying the valuation of the scheme have resulted in gains to the scheme of £71k (2008 £14k) or 5.4 per cent (2008 1.3 per cent) of the balance sheet

valuation of the scheme liabilities. Experience losses on the scheme arising because actual movement in liabilities were not in line with previous assumptions made amounted to £280k (2008 £39k) or 21.4 per cent (2008: 3.8per cent) of the balance sheet valuation of the scheme liabilities. The total actuarial loss was £209k (2008 £25k) or 16.0 per cent (2008 2.4 per cent) of the balance sheet valuation of the scheme liabilities.

9. Net cash inflow/(outflow) from operating activities

	2009	2008
	£'000	£'000
Operating (deficit)	(62,992)	(51,658)
Depreciation charges	3,011	1,860
Release of donated asset reserve	(8)	(300)
Decrease/(increase) in debtors	262	(656)
(Decrease)/increase in creditors	(478)	8,294
Increase in provisions	3,944	2,201
Use of provisions	(1,687)	(264)
Increase in pension liability	12	42
Net cash (outflow) from operating activities	(57,936)	(40,481)

10. Analysis of changes in net funds: cash at bank and in hand

	2009			2008		
	OPG	Commercial	Total	OPG	Commercial	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	4,196	2,288	6,484	-	-	-
Transfers in 1 October 2008	-	-	-	2,053	2,203	4,256
Cash flows	(1,482)	64	(1,418)	2,143	85	2,228
Transfers between accounts	1,650	(1,650)	-	-	-	-
Closing balance	4,364	702	5,066	4,196	2,288	6,484

11. Movements on reserves

	2009		2008	
	Donated assets £'000	General reserve £'000	Donated assets £'000	General reserve £'000
Opening balance	8	(1,070)	-	-
Transfers in 1 October 2007	-	-	308	1,127
Grant in aid received for revenue purposes	-	57,535	-	42,528
Grant in aid received for capital purposes	-	1,729	-	8,323
(Deficit) on ordinary activities	-	(62,932)	-	(52,915)
Actuarial loss	-	(209)	-	(25)
Write back cost of capital	-	(260)	-	(108)
Depreciation	(8)	-	(6)	-
Disposals	-	-	(294)	-
Closing balance	-	(5,207)	8	(1,070)

12. Financial instruments

Because of the non-trading nature of its activities and the way in which government departments are financed, the Commission 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 listed companies.

The Commission has no significant exposure to liquidity, currency or interest rate risks.

The Commission has no long-term debt and is not exposed to credit risk.

13. Contingent liabilities

Legal costs and recoveries relating to supported and other cases in progress as at 31 March 2009 are not treated as a contingent liability but as an ongoing expense.

14. 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 complete, it is likely that some funds will be returned to the public purse by Legal and General, but the amount and date of this is uncertain.

15. Capital commitments

At 31 March 2009 the Commission had capital commitments of £29k relating to the purchase of furniture (£10k) and ICT equipment (£19k) (2008 £nil).

16 Operating leases

	2008/9		2006-8	
	£'000		£'000	
	Land and buildings	Other leases	Land and buildings	Other leases
Within one year	45	-	55	4
Between two and five years	1,667	33	1,812	-
After five years	503	-	512	-
Total	2,215	33	2,379	4

17. Performance against key financial targets

The Commission operated within its delegated expenditure limit for the period. The Commission is committed to carrying out its duties to the highest standard while ensuring that the costs of its work are kept to a minimum.

18. Related party transactions

The Commission is a non-departmental public body, which is sponsored by the Government Equalities Office. During the year the Commission has had various material transactions with the department. None of the Commissioners has undertaken any material transactions with the Commission during the year.

A Commissioner during the year, Jeannie Drake, is also a board member of the Personal Accounts Delivery Authority (PADA). During the year the Commission had material transactions with PADA relating to

property lease transfers. Total transactions between PADA and EHRC in the year were £571k.

19. Losses and special payments

19a. Fruitless payments

During the set-up of the Commission the Transition Team purchased 300 Oracle licences and Siebel analytical software in support of the national Helpline. Due to the scaling back of the Helpline operation only 100 of the Oracle licences have been required and the Siebel tool is not used. The Commission took the decision to no longer support the remaining 200 Oracle licences and the Siebel software. As the Commission did not derive any benefit from the purchase of these assets the purchase price of £298k is classed as a fruitless payment.

19b. Write offs

The Commission wrote off laptops with a total net book value of £5k. These laptops were lost and stolen. No personal data was put at significant risk.

The Commission has written off a small number of grant payments since the monitoring process could not give assurance that the grants had been used for the purpose intended and the likelihood of debt recovery has proved negligible.

20. Post balance sheet events

The Chief Executive Dr Nicola Brewer left the Commission on 13 May 2009. Neil Kinghan was appointed as Director General until a permanent appointment is made. The recruitment process for the post is now underway.

As at 31 March 2009 the Commission held provisions for a number of legacy properties to be disposed of, comprising £81k for dilapidations and £4,082k 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 balance sheet date £1,583k of the provision has been expended.

In May 2009 the Commission's website experienced grave technical difficulties. Although many attempts were made to remedy the situation, it could not be restored. As a consequence, the remaining net book value of the development costs of £598k will be written down in 2009/10.

The Equality and Human Rights Commission's financial statements were authorised for issue by the Commission's Accounting Officer on 8 July 2010.



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