

Equality and Human Rights Commission

Annual Report and Accounts

1 April 2011–31 March 2012

Equality and Human Rights Commission Annual Report and Accounts 1 April 2011–31 March 2012

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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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Contents

Foreword from the Chair and Chief Executive	1
About the Equality and Human Rights Commission	6
Delivering our strategic priorities in 2011/12	17
Management commentary	22
Remuneration report	27
Sustainability report	37
Statement of Accounts 1 April 2011–31 March 2012	45
Statement of Accounting Officer's responsibilities	46
Accounting Officer's governance statement	47
The certificate and report of the Comptroller and Auditor General to the Houses of Parliament	60
Statement of Comprehensive Net Expenditure for the year ended 31 March 2012	63
Statement of Financial Position as at 31 March 2012	64
Statement of Cash Flows for the year ended 31 March 2012	65
Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012	66
Notes to the financial statements for the year ended 31 March 2012	67

Foreword from the Chair and Chief Executive

This has been a year of achievement for the Commission as we successfully delivered numerous projects to promote and protect equality and human rights while helping individuals and organisations better understand and work with the changing legal and economic environment. Our activities in 2011/12 included three major inquiries, high profile legal actions and a groundbreaking review of the processes behind the spending decisions taken by the UK government.

During the year, the Commission operated in a legal and economic environment which continued to change. These changes included the ongoing implementation of the 2010 Equality Act and new public sector equality duty, which came into effect in April 2011. Alongside these legal changes, the government's austerity measures and the localism and big society agendas are changing the face of the public sector and the way public services are delivered by a range of organisations.

As a reaction to these changes, the Commission began to refocus its activities towards a more enabling role which maximises our value to the public. This included using our expertise and influence, in co-operation with other regulators, to support the development of policies and services that promote equality of opportunity and safeguard fundamental human rights.

The work we delivered in 2011/12 reflects this change in focus, which we will continue to develop through the next three years. This includes promoting fairness and equality of opportunity in Britain's future economy; promoting fair access to public services, and autonomy and dignity in service delivery; and promoting dignity and respect, while safeguarding people's safety.

During the year, the Commission produced three major inquiries, which generated significant public debate about equality and human rights

issues. Our inquiry into the home care system in England revealed disturbing evidence that the poor treatment of many older people is breaching their human rights and too many are struggling to voice their concerns about their care or be listened to about what kind of support they want.

Alongside our inquiry, the Commission joined forces with the Care Quality Commission (CQC) to produce equality and human rights guidance for care inspectors. This enables CQC inspectors to clearly link effective equality and human rights compliance with high quality, safe services and sets out exactly what they have to look for when monitoring a care provider and what to do if they suspect a human rights violation or find a breach in standards.

Our groundbreaking inquiry into disability-related harassment revealed that hundreds of thousands of disabled people regularly experience harassment or abuse, but a culture of disbelief is preventing public authorities from tackling it effectively. In Wales, the Commission's report led to a National Assembly Committee Inquiry into the issue and the Welsh Government has since committed to taking forward the Commission's and the Committee's recommendations.

The Commission's inquiry into human trafficking in Scotland led to a series of 10 findings and recommendations designed to make Scotland a more hostile environment for traffickers. As a consequence of our inquiry, the Scottish Government has already held a parliamentary debate on trafficking, and will be hosting a summit which will bring together bodies and agencies that deal with trafficking issues to develop a multi-agency strategy. The Scottish Government also supports the inquiry's recommendation that a service standard should be developed for supporting victims of human trafficking and is now reviewing its approach to future care standards and to the commissioning of support services.

To help support public authorities meet the requirements of the Equality Act and public sector equality duty (PSED), the Commission published a set of practical guidance, prepared Codes of Practice on Further and Higher Education, and prepared and consulted on the Code of Practice for Schools. Working with Equality Exchange Networks we provided tailored guidance for smaller businesses to help them create fairer, more inclusive work places.

In 2012, the Commission finalised its Section 31 Assessment of HM Treasury and the Scottish Government, which looked at the practical implications of compliance with the public sector equality duty and the impact of spending decisions on protected groups. We also agreed to work with Somerset and Gloucestershire County Councils to review their decision-making systems after a judge's ruling overturned changes to library services on the grounds that they had not fully complied with the PSED.

Alongside the economic rationale for reshaping the public sector, technology is changing the way public services are accessed, with many transactions now taking place online. During the year, the Commission, working with BCS (The Chartered Institute for IT) developed and launched accessibility guidelines for people who own, create or maintain websites and those who train website designers. This work should help companies create more accessible and commercially beneficial websites which increase business from disabled customers, as well as ensuring vulnerable groups do not lose out as a result.

The Commission in Wales worked with employers in the private and public sectors to develop workplace policies covering mental health and domestic abuse. NHS Wales and the Welsh Local Government Association are taking these policies into the public sector workplace. In the private sector, organisations such as HSBC, Jobcentre Plus, Admiral Insurance and AA Insurance are using our guidance to improve their equality policies.

Our legal work included several landmark actions, including the Supreme Court case of *HJ and HT v Secretary of State for the Home Department* where we successfully argued that gay asylum seekers should be granted refugee status if going back to their homeland would result in them being forced to conceal their sexuality or face persecution for living openly as a gay person.

The Commission also challenged the UK government's guidance setting out the approach that British intelligence officers should take in seeking information from people held by authorities overseas. The guidance was published following evidence that UK security and intelligence officers involved in counter-terrorism operations may have been complicit in the torture of detainees by foreign governments. We argued that the guidance would not be consistent with either domestic or international law and risked leaving officers in the field with the mistaken and unintended expectation that they would be protected from personal criminal liability in situations where they may, unwittingly, be liable for crimes.

As a National Human Rights Institution (NHRI), we published the second of our landmark triennial reviews – this time covering the state of human rights in England and Wales and the UK's compliance with its international obligations. We continued to monitor the UK government's compliance with the United Nations human rights treaties and submitted an initial response to its Bill of Rights consultation. Our promotional work included producing 'Equal Rights, Equal Respect' a set of teaching resources aimed at key stage three students and designed to improve attitudes to human rights and equality issues.

Alongside our overall programme of reforming the Commission, we continued to strengthen our financial and management procedures to reflect on issues raised by the Comptroller and Auditor General in previous reports. We are therefore pleased that the National Audit Office will again be able to give an unqualified audit opinion on our 2011/12

accounts. The Board remains committed to taking further measures to strengthen our financial management.

Since the end of the financial year, the Government has announced the results of its public consultation on our powers and duties. The Government has confirmed that it will be taking over the delivery of some of the frontline services the Commission previously provided, including our helpline and grants programmes. The Commission has reflected these changes in its programme of organisational reform announced in June 2012.

The Commission continues to face uncertainty. Our resources, like those of other public bodies, are being reduced and our staff numbers cut as a result. But, by increasing our flexibility and adapting to the changing nature of the society around us, we believe the Commission is ideally placed to play a vital role in protecting and promoting human rights, supporting economic recovery and providing the maximum value for taxpayers' money.

The Commission's achievements would not have been possible without the commitment and hard work of our staff and on behalf of the Board we would like to thank them all for their efforts.

Trevor Phillips OBE, Chair

Mark Hammond, Chief Executive Officer

About the Equality and Human Rights Commission

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

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

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

Duties and powers

We have unique duties and powers under the Equality Acts 2006 and 2010 to help us fulfil our mandate. These include duties and powers to:

- uphold the rights of individuals and tackle instances of discrimination
- use our influence and authority to ensure equality and human rights are at the top of agendas for government, employers, media and society
- campaign for social change and justice
- provide information, guidance and advice on discrimination and rights in specific settings to businesses, the voluntary and public sectors, and individuals

- stimulate debate and reform on equality and human rights by fostering partnerships at local, regional and national levels
- develop an evidence-based understanding of the causes and effects of inequality for people across Britain, and
- act directly to enforce legislation.

Further information about the Commission's duties and powers can be found on our website:

<http://www.equalityhumanrights.com/about-us/vision-and-mission/our-strategic-plan/our-duties-and-powers/>

The Commission has specific responsibilities and requirements under the United Nations Paris Principles and the European Union Equality Directives to ensure we maintain our status as a National Human Rights Institution (NHRI) and European Equality Body.

We are an independent public body and are also fully committed to complying with HM Treasury's 'Managing Public Money' and the Cabinet Office's requirements for non-departmental public bodies. These include specific requirements about what we do.

Until 31 March 2011 the Commission's sponsor department was the Government Equalities Office (GEO). On 1 April 2011 GEO ceased to be a department in its own right and moved into the Home Office, which became the Commission's sponsor department. From 1 April 2011 GEO is the group within Home Office with sponsorship responsibility for the Commission.

Accounting Officer

The Home Secretary and Minister for Women and Equalities appointed Mark Hammond as a Commissioner and Accounting Officer in June 2011. His responsibilities as the Accounting Officer are set out on page 46. As Accounting Officer he is also responsible for maintaining a sound system of internal control. The Governance Statement from pages 47 to

59 sets out how this responsibility has been discharged in the year to 31 March 2012.

Governance

Within the framework of its duties and responsibilities generally, including those prescribed by statute and regulation, the Board of Commissioners, led by the Chair, Trevor Phillips, is responsible for approving the strategic plan, monitoring the Commission's performance against the plan and ensuring that the Commission has in place appropriate systems of governance, accountability and control.

The Chief Executive, Mark Hammond, is responsible for developing and implementing strategy, fulfilling the Commission's statutory objectives, the management and staffing of the Commission, reporting the results of his work to the Board of Commissioners and acting as the Commission's designated Accounting Officer.

The Commission has three statutory decision-making Committees (Disability, Scotland and Wales) with wide powers and responsibilities delegated by Parliament. These powers and responsibilities are set out in the Equality Act 2006 ('the Act').

There are also three non-statutory decision-making Committees covering Regulation, Remuneration and Resources and a fourth non-statutory Committee, the Audit and Risk Committee (ARC), with advisory responsibilities.

Further information about the Commission's governance arrangements can be found in the Governance Statement on pages 47 to 59.

Board of Commissioners

Below is a list of Commissioners who served as non-executive members of the Board between 1 April 2011 and 31 March 2012:

- Trevor Phillips OBE (Chair)

- Baroness Margaret Prosser of Battersea OBE (Deputy Chair)
- Stephen Alambritis
- Sarah Anderson CBE (from 11 July 2011)
- Ann Beynon OBE
- Kay Carberry CBE
- Baroness Meral Hussein Ece OBE
- Baroness Sally Greengross OBE
- Dr Jean Irvine OBE
- Kaliani Lyle
- Angela Mason CBE
- Michael (Mike) Smith
- Professor Geraldine Van Bueren, and
- Simon Woolley.

The executive members were:

- Helen Hughes (interim Chief Executive until 19 June 2011), and
- Mark Hammond (Chief Executive from 20 June 2011).

Biographies for non-executive members can be found at www.equalityhumanrights.com/about-us/the-commissioners/.

Appointments are for a three year term with the option to extend for a further three years as specified in the terms of the member's appointment.

Disability Committee

The Disability Committee is chaired by Mike Smith and met seven times during the course of the year. Subject to the provisions of the Act, the Committee is made up of between seven and nine members, at least half of which will be or will have been disabled persons.

The Act sets out the functions of the Commission which are delegated to the Disability Committee so far as they relate to 'disability matters'. Such delegation does not prevent the Commission from exercising a power, or

fulfilling a duty, by taking action which relates partly to disability matters and partly to other matters.

The Committee use their powers and responsibilities to support and shape the Commission's work on the development and implementation of statutory and case law that affects disabled people and embedding the rights of disabled people in the programme of work driven by the Commission's three-year strategy.

Further information about members and the work of the Committee can be found at www.equalityhumanrights.com/about-us/the-commissioners/disability-committee/.

Scotland Committee

The Scotland Committee is chaired by Kaliani Lyle and met four times during 2011/12.

The Committee exercises the Commission's general powers in respect of activities listed in the Act and gives advice to the Scottish Parliament in respect of laws, including the likely effect of proposed changes to laws, which in the opinion of the Commission, affect only Scotland. This is subject to the exclusions set out in the Act relating to disability matters delegated to the Disability Committee and the provision of advice or guidance on a Great Britain-wide basis by the Commission.

Additional information about the Committee and its work can be found at www.equalityhumanrights.com/scotland/the-commission-in-scotland/.

Wales Committee

The Wales Committee is chaired by Ann Beynon OBE and met five times during the 2011/12.

The purpose of the Committee is to exercise the Commission's general powers in respect of activities listed in the Act and give advice to the

Welsh Government and National Assembly for Wales in respect of laws, including the likely effect of proposed changes to laws, which in the opinion of the Commission, affects Wales. This is subject to the exclusions set out in the Act relating to disability matters delegated to the Disability Committee and the provision of advice or guidance on a Great Britain-wide basis by the Commission.

Information about the Wales Committee and its work can be found at www.equalityhumanrights.com/wales/the-commission-in-wales/.

A full explanation of the statutory functions of the Disability, Scotland and Wales Committees can be found at www.equalityhumanrights.com/uploaded_files/equality_act_2006.pdf.

Regulatory Committee

The Regulatory Committee is chaired by Kay Carberry CBE and met 10 times in the year to 31 March 2012. It consists solely of non-executive members and reports to the Board.

The primary role of the Regulatory Committee is to oversee the effective implementation of the Commission's regulatory functions, in line with the strategic directions of the Board, in the discharge of the general duty of the Commission as set out in Section 3 of the Act. In discharging its responsibilities, the Committee will have due regard to the functions delegated to the Statutory Committees under the Act, and also satisfy itself that the Commission's procedures for consulting the Statutory Committees as required by the Act, and other Committees (as appropriate) have been adhered to by officers. Commission staff and external speakers, at the request of the Committee, may be asked to attend meetings as necessary.

Remuneration Committee

The Remuneration Committee is chaired by Baroness Margaret Prosser of Battersea OBE and met twice during the year to discharge its duties.

It comprises three non-executives and an independent member and reports to the Board.

The Committee considers and recommends to the Board the remuneration package and terms of service for the Chief Executive subject to any necessary consents or approvals of the Sponsor Department, Treasury or the Secretary of State. The Committee also reviews the performance appraisal of the Chief Executive recommending any performance pay award to the Board for approval.

The Remuneration Committee scrutinises and approves the Commission's industrial and employee relations strategy and the overall pay and reward strategy including salary, bonuses, incentive payments, pension arrangements and terms of employment, within the overall reward strategy agreed by the sponsor department.

Resources Committee

The Resources Committee is chaired by Baroness Margaret Prosser of Battersea OBE and met seven times during the year. It consists solely of non-executive members and reports to the Board.

The Committee considers and approves the effective use of the Commission's resources. In carrying out this role the Committee provides assurance to the Board of the Commission's effectiveness of delivery against performance targets and outcomes. The Committee may require staff to attend meetings as necessary.

Audit and Risk Committee

The Audit and Risk Committee (ARC) is chaired by Dr Jean Irvine OBE and met six times during the year ending 31 March 2012. The Committee reports to the Board and consists of three non-executive and two independent members.

The ARC is advisory and assists the Board by reviewing the comprehensiveness, reliability and integrity of the Commission's internal controls, risk management processes and governance arrangements and the quality and reliability of financial reporting within the Commission.

The Committee advises the Board on the appointment of internal auditors and then works closely with internal audit, approving the internal audit strategy and work plan, and ensuring that internal audit assurance provides an appropriate level of comfort to the Accounting Officer and the Board. The Committee considers the NAO audit strategy and reviews the annual report and associated management letter and any recommendations that the NAO identify during their audit work. The Chief Executive, representatives of internal and external audit and Commission staff, as necessary, attend Committee meetings. The sponsor department attends Committee meetings in an observer role.

Senior Management Team

The role of the Senior Management Team (SMT) is to help the Chief Executive develop and implement strategy, provide leadership for staff, set work priorities, monitor performance and manage risk.

Further information about SMT members can be found in the Remuneration Report on pages 27 to 36.

Commission staff

As at 31 March 2012 368 individuals were directly employed by the Commission on a permanent or fixed-term basis. In addition the Commission engaged a small number of staff who are support workers, are on a secondment or loan from within the civil service, or are engaged on an interim or agency basis. The Commission runs an intern scheme which provides paid employment opportunities for up to six months for a small number of successful candidates each year.

The average number of full-time equivalent employees (FTEs) in post during the year 2011/12 was 392 including seconded, loan or agency staff (note 3a to the financial statements).

Code of Conduct

The Commission has a clear set of core values which guide the actions and behaviour of the Commission's employees. A set of behavioural indicators has also been published which, although not exhaustive, is intended to assist employees to understand expectations and managers to objectively assess compliance with the behaviours expected.

Copies of our core values and the behavioural indicators are available upon request.

Staff consultation and engagement

The Commission is committed to communicating and consulting with its entire workforce. Regular team meetings, planning days and monthly briefings from the Chief Executive take place, complemented by additional 'open meetings' on an as-needed basis.

The Commission recognises unions and aims to work in partnership with the Public and Commercial Services Union (PCS) and Unite. Joint Negotiation and Consultation Committee (JNCC) meetings are held quarterly with the trades unions.

Staff development

During 2011/12, over 77 per cent of the Commission's employees attended centrally managed training programmes which complemented a range of individually targeted learning interventions.

Further development was achieved by facilitating loans and secondments both in to and out of the Commission from across the Civil Service and other non-departmental public bodies (NDPBs). In addition a number of staff members were able to fulfil a variety of

temporary internal secondment opportunities across the organisation, which included both lateral and promotional development opportunities.

Sickness absence

In 2011/12 the average number of days lost to illness per full-time equivalent employees was 9.21 per employee. This is a significant reduction of 1.71 days lost to illness per full time equivalent employee from 2010/11 when the level was 10.92 per employee. Reducing the overall level of sickness absence has been a key target for the Commission and this has been achieved by line managers, supported by the People Team, monitoring the application of the sickness absence policy and ensuring that sickness is managed appropriately. The public sector average is 9.1 days per employee for 2011/12 (data source: CIPD Absence Management report 2011: Absence Management).

Meeting our public sector equality duty requirements

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

Our three-year equality scheme, published in April 2009, describes how the Commission meets those requirements and fulfils its moral, social and legal obligations to put equality at the heart of everything we do. The scheme has also been extended to include the areas of age, religion or belief, carers and sexual orientation, as well as human rights.

Detailed breakdown of employment data

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

Copies of the report are available at:

<http://www.equalityhumanrights.com/hafan/amdanom-ni/equality-and-diversity/our-equality-and-diversity-workforce-reports/>.

Delivering our strategic priorities in 2011/12

This has been a transitional year for the Commission. We have been developing a new strategic plan for 2012/15 and continuing the process of reforming ourselves to become a significantly leaner, more effective organisation.

Our business plan for 2011/12 took account of the resources we needed to devote to the Commission's reform. It also balanced our regulatory work with our other responsibilities particularly in relation to human rights, reflecting our role and responsibilities as an 'A' status NHRI.

Within our business plan we identified six key objectives for 2011/12 based on an analysis of the key equality and human rights challenges that we set out in our Triennial Review, and the current economic and social context.

A brief summary of our major achievements against each of our objectives and under-pinning deliverables is set out below.

Making the Equality Act easier to embrace and understand

- We have published practical guidance to help public authorities meet the requirements of the new public sector equality duty, which came into force in April 2011, with over 37,000 downloads of our guidance to date.
- We have prepared Codes of Practice on Further and Higher Education, and prepared and consulted on the Code of Practice for Schools.
- With the help of our Equality Exchange Networks we continued to support business to create fairer, more inclusive work-places, hosting a series of events for SMEs and developing tailored guidance based on a survey of over 40,000 organisations.

Improving equality and human rights outcomes

- We have undertaken several landmark legal actions, including the Supreme Court case of *HJ and HT v Secretary of State for Home Department* where we successfully argued that gay asylum seekers should be granted refugee status if going back to their homeland would result in them being forced to conceal their sexuality or face persecution for living openly as a gay person.
- We were also successful in the defence of the appeal at the Court of Appeal in the case of *Preddy and Hall v Bull and Bull* and in intervention in the EAT case of *Bivonas LLP v Bennett* which upheld that Bivonas discriminated against lawyer Mr Bennett on the basis of sexual orientation.
- We also funded the first age discrimination cases heard at the Supreme Court. The cases of *Homer v Chief Constable of West Yorkshire* and *Seldon v Clarkson, Wright and Jakes*.
- We took 76 pre-enforcement actions and referred 51 cases for mediation to the Equality Mediation Service, of which 69 per cent reached full and final settlement.
- We launched the findings and recommendations of three major inquiries to significant positive national media attention covering disability-related harassment, human rights of older people receiving home care in England and human trafficking in Scotland.
- Close to Home – our inquiry into the human rights of older people, produced substantive evidence of failure to protect the human rights of older people and proposed changes to the way in which care at home is provided and commissioned to address these.
- Hidden in Plain Sight – our inquiry into the harassment of disabled people highlighted the widespread harassment experienced by disabled people on a daily basis and showed how public rights have failed to protect their human rights.
- Our inquiry into Human Trafficking in Scotland revealed significant issues relating to the failure of public authorities in Scotland to respond effectively to human trafficking and proposed a more

integrated approach to address these, placing trafficked people as victims of crime rather than an immigration issue.

- We conducted follow up reviews to our previous inquiries to ensure improvements in relevant industries and sectors. They included reviews of the recommendations made in relation to financial services, construction service and the meat and poultry processing sector inquiries.
- We entered into a binding agreement with Thames Valley Police and Leicestershire Constabulary, regarding their disproportionate use of stop and search powers. By early 2012 their overall use of stop and search powers had halved and race disproportionality in Thames Valley had reduced by a modest extent.

Promoting human rights and raising awareness

- We submitted our response to the Government's consultation on a Bill of Rights which states the Commission's position that should a Bill of Rights be developed it should only build on the rights and mechanisms contained in the Human Rights Act.
- We continued to monitor the UK government's compliance with the United Nations Human Rights treaties and submitted a shadow report on the UK's compliance with ICERD for the UK's examination whose concluding observations reflected the majority of our recommendations.
- We presented our Universal Periodic Review to the United Nations Office of the High Commissioner for Human Rights in advance of the State examination in May 2012.
- We hosted 'Fairness, Justice and Human Rights', a human rights symposium in partnership with Just Fair, Law Society of England and Wales and the Human Rights Centre at the University of Essex.
- We marked international Human Rights day with the launch of a national debate around human rights perceptions and what needs to be done to increase human rights protection.

- We produced ‘Equal Rights, Equal Respect’ a set of teaching resources aimed at key stage three students designed to improve attitudes to human rights and equality issues.

Building the evidence base for effective regulation

- We published our Human Rights Review on the state of human rights in England and Wales and the UK’s compliance with its international obligations. This showed that whilst Britain has a strong performance on human rights there are areas where public authorities needed to do more to use the Human Rights Act to protect those in the care of the state or who are victims of crime.
- We continued to finalise and populate our measurement frameworks for equality, human rights and good relations and published our Human Rights Measurement Framework, commissioned in partnership with the Scottish Human Rights Commission.
- We published a report on equality and diversity in careers education and guidance which shows an ‘aspiration gap’ for some young people particularly disabled people, women and ethnic minorities.
- We completed research on how the previous gender, race and disability equality duties have helped schools in England and Wales to improve educational outcomes including better access to facilities, developing higher aspirations and narrowing gaps in performance.
- We published research on the performance of Strategic Health Authorities and Primary Care Trusts in England in relation to the previous gender, race and disability equality duties which includes recommendations for delivering identifiable changes to health outcomes for different groups.
- We began the first large scale review of the extent to which public bodies in England have published relevant and accessible equality information to meet the requirements of the new public sector equality duty, with over 1000 assessments undertaken to date.
- We established a new regulatory decision system to provide a clear and transparent approach for all our regulatory decisions.

A fair and equal economic recovery

- We continued our Section 31 assessments of HM Treasury and the Scottish Government, which looked at the practical implications of compliance with the public sector equality duty and the impact of spending decisions on the protected groups.
- We established partnerships with regulators and inspectorates to monitor and support the implementation of the new equality duty.
- We published our report, Sex and Power 2011, highlighting the continued under-representation of women in senior public and private appointments.

Reforming the Commission

- We published our new strategic plan for 2012-15, following stakeholder consultation and engagement, setting out the strategic direction for the Commission over the next three years.
- We continued implementation of our change programme with completion of the first stage of the senior level restructuring and voluntary exit scheme resulting in 36 staff leaving the Commission during 2011/12 and a further 48 planned to leave by September 2012.
- We completed major milestones on our estates rationalisation including ending the leases on the 4th and 5th floors of Arndale House, Manchester and notice given on lease breaks for properties in Glasgow and Cardiff.

Management commentary

The statement of accounts on the following pages reports the results of the Commission for the period to 31 March 2012. It was prepared on an accruals basis and in accordance with the accounts direction issued by the secretary of state in accordance with the Equality Act 2006.

Principal activities

The Commission's duties and powers have been described in the earlier chapter, About the Equality and Human Rights Commission.

Register of Members' Interests

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

Corporate governance

Information about our corporate governance structure can be found in the chapter About the Equality and Human Rights Commission, while the effectiveness of the system of governance, risk and control processes across the Commission is described in the Accounting Officer's Governance Statement beginning on page 47.

Internal audit

Deloitte 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. Deloitte LLP has been appointed as internal auditors for a three-year term which commenced in May 2010.

Auditing of accounts

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 2011/12 financial statements is expected to be £89,500.

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

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

Risks and uncertainties

The Commission manages the risk to achieving its objectives by:

- clearly aligning both operational and strategic risks with its strategy
- communicating a clear allocation of roles and responsibilities for risk management
- continuous efforts to embed risk management in all of its work
- operating control mechanisms that are continually reviewed, and
- regular monitoring of risk status through reports to the SMT and Audit and Risk Committee.

Steps have been taken during the year to further improve the understanding and management of risk within the organisation. Additional information about the risk management framework and issues of significance has been provided in the Governance Statement on pages 56 to 58.

Financial review

The annual statement of accounts for the period to 31 March 2012 is set out on the following pages. The notes contained within these accounts also form an integral part of the accounts.

The comprehensive net expenditure for the year taken to taxpayers' equity was £42.9m (2011: £48.1m). The most significant reasons for the reduction in comprehensive net expenditure being:

- A reduction in staff costs of £2.2m comprising the net effect of:
 - a reduction in staff costs of £1.7m with a corresponding decrease in the average number of full time equivalent staff employed of 51 (notes 3a and 3b). The cost of agency and seconded staff fell by £2.4m; the average number of agency and seconded staff fell by 22.
 - costs incurred in 2011/12 in relation to the staff exit scheme increased by £1.9m (notes 3c and 12) as numbers taking up the scheme rose from 45 to 84.
- Depreciation has increased by £0.2m due to the write down of the fit out of the premises at Glasgow and Cardiff which the Commission will vacate in 2012/13.
- Running costs decreased by £0.4m. The main elements within this were a reduction in spend on travel and subsistence of £0.2m and on consultancy services of £0.3m.
- Consistent with the reduction in budget, programme expenditure fell by £3.4m.

The Commission, along with all of the public sector, has responded to the need to reduce public spending wherever we can be more efficient. For example we have reduced our spending on consultancy services by £0.3m (69.3 per cent); travel and subsistence by £0.2m (27.7 per cent) and office overheads by £0.1m (37.9 per cent).

The Commission has continuously reviewed its expenditure and managed its budget to deliver best value and ensure all spending is

effective. In a small number of instances we have reduced work and spending in the light of that continuous commitment to value for money.

Resources

The capital structure of the Commission is shown by way of taxpayers' equity which is funded by the annual resource allocation from our sponsor department, the Home Office. The statements of financial position and changes in taxpayers' equity for the year provide more information. The deficit value of taxpayers' equity as at 31 March 2012 is £9.5m (2011: £2.6m).

Future developments and events after the reporting period

Developments that will impact upon the future of the Commission and events after the reporting period have been disclosed in note 20 to the financial statements.

Financial instruments

The Commission's approach to risk management and policies in relation to financial instruments are disclosed in note 8 to the financial statements.

Treatment of pension liabilities

The Commission's approach towards the treatment of pensions liabilities have been disclosed in accounting policy 10 and note 13 to the financial statements.

Payment of creditors

The Commission is committed to the Better Payment Practice Code (<http://www.payontime.co.uk>) and aims to pay all undisputed invoices within 30 days if there is no specific provision in the contract. Against this measure 99.7 per cent of undisputed invoices were paid within the policy target (2010/11: 99.4 per cent).

The Commission is also committed to support SME businesses by aiming to achieve payment of undisputed supplier invoices within 10 days. Against this measure the Commission paid undisputed invoices on average within three days (2010/11: four days).

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

Donations

No charitable or political donations were made in the period to 31 March 2012.

Community and social responsibility

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

Information on the Commission's approach to sustainability and performance over time in support of this agenda has been provided in the Sustainability Report beginning on page 37.

Remuneration report

Remuneration policy

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

From 1 October 2010 Helen Hughes, Group Director Corporate Management at the Commission, was appointed as interim Chief Executive until Mark Hammond became permanent Chief Executive on 20 June 2011.

The Remuneration Committee reviews the annual reward package of the Chief Executive and members of the SMT. Further information about the members and the duties of the Committee can be found in the chapter About the Equality and Human Rights Commission.

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

The trades unions are consulted on pay and conditions of service that apply to all staff including, where relevant and appropriate, those applying to senior managers.

Commission members' remuneration**

a) Chair:

Trevor Phillips OBE was Chair throughout the period. Trevor's first term of office ended on 10 September 2009; he was reappointed for a second three year term from 11 September 2009. The Chair is classed as an office holder and is not a member of the Principal Civil Service Pension Scheme (PCSPS). Provision has been made in the accounts for a

pension provision broadly by analogy to that provided by PCSPS. The provision is included in note 13 in the financial statements.

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

	2011/12	2010/11
	£'000	£'000
Salary	112	112
Employer's National Insurance contribution (NIC)	13	12
Employer's pension contribution	22	21
	147	145
Expenses	1	1

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

	31 March 2012
	£'000
Real increase in accrued pension	0.00 - 2.5
Real increase in accrued lump sum	-
Accrued pension as at 31 March 2012	15 - 20
Accrued lump sum as at 31 March 2012	-
CETV at 31 March 2011	266
Real increase in CETV funded by employer	24
CETV as at 31 March 2012	315

The actuarial factors used to calculate CETVs have changed since 31/03/2011. For consistency the CETVs at 31/03/2011 and 31/03/2012 have both been calculated using the new factors. The CETV at 31/03/2011 therefore differs from the corresponding figure in last year end's report which was calculated using the previous factors.

b) The cost of Commission members' emoluments was:

	2011/12	2010/11
	£	£
Commissioners' salaries and fees	253,358	246,675
Commissioners' employer's NIC	22,884	22,371
Statutory committee and advisory group members' fees	79,241	90,383
Statutory committee and advisory group members' employer's NIC	1,263	3,378
	356,746	362,807

Total Commissioners' costs included at note 3e 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
	£	£
Stephen Alambritis Appointed for three year term from 4 December 2009	15,000	369
Sarah Anderson Appointed for three year term from 11 July 2011	10,808	180
Ann Beynon OBE Appointed for three year term from 4 December 2009	15,000	1,203
Kay Carberry CBE Re-appointed for three year term from 4 December 2009	15,000	22
Baroness Meral Hussein Ece OBE Appointed for three year term from 4 December 2009	15,000	-

Commission member	Fees £	Expenses £
Baroness Sally Greengross OBE Re-appointed for three year term from 4 December 2009	15,000	33
Jean Irvine OBE Appointed for three year term from 4 December 2009	15,000	-
Kaliani Lyle Appointed for three year term from 29 March 2010	15,000	1,260
Angela Mason CBE Appointed for three year term from 4 December 2009	15,000	-
Baroness Margaret Prosser OBE (Deputy Chair) Re-appointed for three year term from 4 December 2009	65,800	855
Michael Smith Appointed for three year term from 4 December 2009	26,750	-
Geraldine Van Bueren Appointed for three year term from 4 December 2009	15,000	1,032
Simon Woolley Appointed for three year term from 4 December 2009	15,000	-

Commission member appointments are not pensionable.

Fees paid to Mike Smith include £11,750 for work as Chair of the inquiry into disability-related harassment.

Fees and expenses paid to independent members of the Audit and Risk Committee were in total £6,446.

Chief Executive**

Interim Chief Executive

The annual salary of the interim Chief Executive Helen Hughes for the year ended 31 March 2012 was £130,000.

Total actual emoluments from 1 April 2011 to 19 June 2011 were £38,408 including employer's contributions of £6,844 to the PCSPS. Employer's NIC amounted to a further £3,397. The interim Chief Executive is an ordinary member of the PCSPS, with the Commission's contribution to the scheme amounting to the equivalent of 24.3 per cent of salary.

Chief Executive

The annual salary of the Chief Executive Mark Hammond for the year ended 31 March 2012 was £130,000.

Total actual emoluments from 20 June 2011 to 31 March 2012 were £139,166 including employer's contributions of £24,786 to the PCSPS. Employer's NIC amounted to a further £12,380. The Chief Executive is an ordinary member of the PCSPS, with the Commission's contribution to the scheme amounting to the equivalent of 24.3 per cent of salary.

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 officers of the Commission for the period ended 31 March 2012. '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.

Some senior members of the Commission included in the table below were in post for part of the year. To aid comparability the full year salaries were: M. Hammond £130,000, J. Anderson £99,570 and S. Kumar (2010/11) £105,000.

Salary **	Salary £	Benefits in kind (rounded to nearest £100)	Flexible benefits (rounded to nearest £100)	Bonus
Mark Hammond Chief Executive (from 20/06/11)	102,000 (2010/11 nil)	Nil (2010/11 nil)	Nil (2010/11 nil)	Nil (2010/11 nil)
Julie Anderson Interim Group Director Corporate Management (to 31/12/11)	74,678 (2010/11 41,488)	Nil (2010/11 nil)	Nil (2010/11 nil)	Nil (2010/11 nil)
Kate Bennett National Director for Wales	74,712 (2010/11 75,000)	Nil (2010/11 nil)	Nil (2010/11 nil)	Nil (2010/11 nil)
Helen Hughes Interim Chief Executive (to 19/06/11) Group Director Corporate Management (from 20/06/11)	130,000 (2010/11 130,000)	Nil (2010/11 nil)	Nil (2010/11 nil)	Nil (2010/11 nil)
Sheila Kumar Interim Group Director Regulation	105,000 (2010/11 97,351)	Nil (2010/11 nil)	Nil (2010/11 nil)	Nil (2010/11 nil)
Ros Micklem National Director for Scotland	#102,987 (2010/11 79,733)	Nil (2010/11 nil)	Nil (2010/11 nil)	Nil (2010/11 nil)
John Wadham Group Director Legal	119,538 (2010/11 120,000)	Nil (2010/11 nil)	Nil (2010/11 nil)	Nil (2010/11 nil)
Highest paid Director's total remuneration			177,905 (2010/11 177,905)	
Median total remuneration			34,225 (2010/11 34,225)	
Ratio			5.2 (2010/11 5.2)	

Includes £24,320 compensation in lieu of notice.

Pension entitlements**	Real increase in pension and related lump sum (£2.5k bands)	Pension at 31/03/12 and related lump sum (£5k bands)	CETV at 31/03/11 (£'000)	CETV at 31/03/12 (£'000)	Real increase in CETV as funded by employer (£'000)
Mark Hammond Chief Executive (from 20/06/11)	0–2.5	0–5	-	20	16
Julie Anderson Interim Group Director Corporate Management (to 31/12/11)	2.5–5 plus 7.5–10 lump sum	30–35 plus 90–95 lump sum	488	576	55
Kate Bennett National Director for Wales	0–2.5 plus 0–2.5 lump sum	15–20 plus 50–55 lump sum	321	350	1
Helen Hughes Interim Chief Executive (to 19/06/11) Group Director Corporate Management (from 20/06/11)	2.5–5	5–10	53	83	21
Sheila Kumar Interim Group Director Regulation	0–2.5 plus 0–2.5 lump sum	30–35 plus 100– 105 lump sum	507	562	6
Ros Micklem National Director for Scotland	0–2.5	5–10	68	90	14
John Wadham Group Director Legal	2.5–5	45–50	746	873	20

The actuarial factors used to calculate CETVs were changed in 2011/12. For consistency the CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors. Therefore the CETV at 31/3/11 may differ from the corresponding value in last year's report which was calculated using the previous factors.

- a) The Commission has developed an objective setting system and is in the process of implementing a performance management system.
- b) Currently pay progression is not linked to the performance management system.
- c) Sheila Kumar is on loan to the Commission from her employer. Termination of the loan agreement is subject to one month's notice. Julie Anderson was on loan to the Commission from her employer.
- d) All other group and national directors are on permanent employment contracts with a three-month notice period.
- e) The Group Director Communications, Richard Emmott, is an interim appointment supplied by Veredus Interim Management. During 2011/12 £272,136 (inclusive of VAT) was payable to Veredus.**
- f) From 9 January 2012 the Interim Executive Director of Change and Corporate Services, Lesley Ottery, is an interim appointment supplied by Veredus Interim Management. During 2011/12 £56,517 (inclusive of VAT) was payable to Veredus.**
- g) Ros Micklem left under voluntary exit terms on 31 March 2012. She received a compensation payment of £67,609 and compensation in lieu of notice of £24,320.**
- h) There are no elements of the remuneration package that are not cash.**

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

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The remuneration of the highest-paid director in the Commission in the financial year 2011/12 was in the range £175,000 to £180,000 (2010/11: £175,000 to £180,000). This was 5.2 times (2010/11: 5.2) the median remuneration of the workforce, which was £34,225 (2010/11: £34,225). In both years the highest paid director was an interim member of staff. The annual equivalent remuneration paid to interim directors has been estimated

as this information is not available. The estimate is based on 260 days at the interim's agency day rate net of VAT less 30% to cover agency fees and employers national insurance contributions.

In 2011/12 and 2010/11, no permanent employee received remuneration in excess of the highest-paid director. In 2011/12 one interim member of staff (2010/11: one) received remuneration in excess of the highest-paid director. Remuneration ranged from £15,500 to £181,090 (2010/11: £12,973 to £181,090).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

From 2010/11 to 2011/12 there was no change to the pay ratio. The number of staff fell between the two years but this did not result in a change to the median salary.

Pensions

Pension benefits are provided through the Civil Service pension arrangements. 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.

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 <http://www.civilservice.gov.uk/pensions/>.

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 which the member 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 worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is 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.

Mark Hammond

Chief Executive Officer

9 July 2012

Sustainability report

The sustainability report on the following pages provides information which highlights the Commission's approach to sustainability within the context of our functions, duties and powers, drawing attention to our performance over time in support of this agenda, our performance targets in support of the Greening Government Commitments (GGC) and our future strategy to improve performance.

The report conforms to the requirements of the Treasury guidance Sustainability Reporting in the Public Sector and the 2011/12 Financial Reporting Manual (FReM).

About our data

Although the Commission adopted an environmental policy in 2009 setting out our commitment to sustainable development and the four key objectives in support of this activity, this is the first occasion on which we have reported publicly in accordance with guidance in issue.

Our reporting has concentrated on the environmental challenges that most affect our estate and official business travel. Biodiversity and the natural environment, sustainable construction and sustainable procurement are either not relevant to the Commission's performance or not a significant consideration and we do not undertake data collection on these aspects of sustainability.

There are limitations to the accuracy and availability of our financial and non-financial sustainability data, particularly where energy, waste management and water use consumption has in the past been incorporated into the landlord's service charge and not been paid directly by the Commission. These limitations mean that the base year for target setting and the initial reporting year for each of the following are:

- Energy consumption – 2010/11

- Business related travel – 2009/10
- Waste management – 2012/13, and
- Water use – 2012/13.

We have been working with our various landlords to remedy this situation and improve the transparency and availability of sustainability data. The particular issues associated with the collection of data for both water and waste management are summarised later in this report.

Formal internal or external assurance and verification of reported figures will be addressed in future years. Any amendments to data will be retrospectively applied as appropriate in Annual Report and Accounts.

Future strategy

The Commission's sustainability aim is to significantly reduce the impact we have on our environment by reducing our carbon emissions, cutting waste and bringing down our water usage.

The targets we set ourselves are based on the GGC. We have agreed that to reduce our environmental impact, by 2015 the Commission will:

- reduce our greenhouse gas (GHG) emissions by at least 25 per cent:
 - from a 2010/11 baseline for the whole of our estate, and
 - from a 2009/10 baseline for business related travel
- reduce the amount of waste we generate by at least 25 per cent from a 2012/13 baseline, and
- reduce water consumption from a 2012/13 baseline, and report on water use against best practice benchmarks.

We have referred to the availability of sustainability data, particularly in relation to energy consumption, waste management and water usage in a previous section of this report and commented upon the work we are doing to improve the availability and accuracy of this data. The availability of data has also impacted upon the choice of base year for the purpose of target setting.

The targets will be subject to review to ensure that they remain sufficiently challenging following completion of a phased transformation process which will enable the Commission to move toward a size and structure that is appropriate in our future key role as a regulator i.e. reduced staff numbers and a rationalised estate.

Our strategy to reduce energy consumption will be to consider investment in energy saving infrastructure as opportunities present themselves, tighter controls on heating, cooling and lighting, printer rationalisation and to review the options for a further reduction in our estate.

We will continue to take steps to reduce our emissions from official business travel by making the best possible use of appropriate technologies and improved ways of working to minimise the kilometres travelled by staff on official business.

Summary of performance

Summary	Emissions (kg CO ₂ e) 2011/12	Units 2011/12	Expenditure 2011/12	Performance v's 2010/11
Buildings	430,618	725,337 kWh	£ 105,040	Improved
Business travel related	216,289	2,842,969 km	£ 352,433	Improved
Total	646,907	-	£ 457,473	Improved

In the current year over 66 per cent of our reported emissions (kgCO₂e) arise as a consequence of our consumption of electricity in buildings. In comparison to the 2010/11 baseline for estates, the emissions reported for buildings have fallen by 10 per cent.

Emissions from business related travel have fallen for the second successive year and by 69 per cent against the 2009/10 baseline, whilst our combined emissions have fallen by 22 per cent in comparison to 2010/11, the baseline year for energy consumption and the earliest year we are able to report combined performance.

As noted elsewhere within this report our reduction in emissions has in part been driven by a rationalisation of our estate and a reduction in employee numbers. To improve our ability to gauge performance and provide a more meaningful year on year comparison, the following table provides a further summary of our performance per full time equivalent (FTE) against all the sustainability performance measures.

Normalised Performance			
Measure	2009/10	2010/11	2011/12
	per FTE	per FTE	per FTE
kg CO2e - Energy	-	1,137	1,158
kg CO2e - Business travel	1,562	812	581
kg CO2e - Combined	1,562	1,949	1,739
Energy - kWh	-	1,914	1,950
Official business - km	20,025	10,288	7,642

Combined emissions have fallen by 11 per cent per FTE in comparison to 2010/11, the first year for which emissions data is available for both building and business related travel.

The underlying factors driving our improving emissions performance are given in the following section of this report.

We are on track to meet our targets for reducing GHG emissions for both buildings and business related travel. It is likely that the downward trend for reported emissions will continue into 2012/13 as the Commission continues the transformation process to reform itself in order to concentrate on its key role as a regulator, further reducing both the number of buildings within its estates portfolio and its staffing numbers to a projected 180 FTE.

With the above in mind, by September 2012 we will review and restate our GHG emissions targets for 2015 against each of the baseline years to ensure that they remain relevant and appropriately challenging.

GHG emissions

The following table provides a more detailed summary of our performance in reducing GHG emissions.

	Greenhouse Gas (GHG) Emissions	2009/10	2010/11	2011/12	Graphical Analysis
Gross Emissions (kg CO2e)	Scope 2: Indirect	-	480,763	430,618	<p>Gross Emissions (kg CO2e) 2011/12</p> <ul style="list-style-type: none"> Scope 2: Indirect Scope 3: Business Travel
	Scope 3: Business Travel	691,904	343,512	216,289	
	Total	691,904	824,275	646,907	
	Total kg CO2e emissions per FTE	1,562	1,949	1,739	
Related Consumption Data	Electricity - kWh	-	809,802	725,337	<p>Expenditure on business travel</p> <p>£'000</p> <ul style="list-style-type: none"> Air travel Car hire Private vehicle Taxis Rail
	Gas - kWh	-	-	-	
	Oil - kWh	-	-	-	
	Total kWh	-	809,802	725,337	
	kWh per FTE	-	1,914	1,950	
	Official business; km travelled per FTE	20,025	10,288	7,642	
Financial Indicators	Total energy expenditure	£ 141,938	£ 78,137	£ 105,040	
	Air travel	£ 75,983	£ 43,119	£ 20,067	
	Car hire	£ 128,109	£ 24,195	£ 1,282	
	Private vehicle	£ 24,548	£ 15,067	£ 10,332	
	Taxis	£ 69,579	£ 36,370	£ 20,794	
	Rail	£ 854,410	£ 416,102	£ 299,957	
	Expenditure on business travel	£ 1,152,630	£ 534,853	£ 352,433	

Energy consumed from our buildings has decreased by 10 per cent when compared to consumption in 2010/11. This is due to:

- investment in energy saving infrastructure as part of a refurbishment programme of the Commission's offices in Manchester
- the disposal of property formerly occupied by legacy Commissions but not used by the Commission, and
- implementation of actions contained within the Green IT action plan and the Green Group action plan across the estate.

Our expenditure on energy has increased by £27k in comparison to the prior year reflecting general increases in the cost of energy and the tariffs charged the Commission.

Emissions from official business travel have been significantly reduced in comparison to the 2009/10 baseline as a consequence of a review of the Commission's travel policies for staff, action to encourage staff to use the most effective methods of travel for their journey, improved ways of working which have reduced the frequency of travel and consideration of the alternatives to travel i.e. video conferencing, etc.

Expenditure on business travel fell from £1,153k in 2009/10 to £353k in 2011/12. This is a saving of £800k or 69% with a corresponding fall in GHG emissions.

During the period the number of staff employed with a permanent UK employment contract reduced by 12 per cent (note 3a to the Statements of Account).

Waste management

Cost data associated with the management and disposal of waste are incorporated into the landlords service charges in all property currently occupied by the Commission and have not been paid directly. The service charge does not separately identify those costs attributable to waste management.

Our landlords, at this time, do not currently collect either cost or consumption data for waste that can be reliably attributed to the Commission within any of the property we presently lease. As a consequence we are unable to provide performance information for the management of waste for 2011/12 and the preceding two financial years.

We are currently working with our landlords to discuss how reliable data can be provided in the future and the options for providing this information retrospectively where possible. The limitations in the availability of waste management information have been referred to elsewhere in this report.

Water use

Cost data associated with our use of water are incorporated into the landlords service charges in all property currently occupied by the Commission and have not been paid directly. The service charge does not separately identify those costs attributable to water use.

Our landlords, at this time, do not currently collect data for water use that can be reliably attributed to the Commission within any of the property we presently lease. As a consequence we are unable to provide performance information for our use of water for 2011/12 and the preceding two financial years.

We are currently working with our landlords to discuss how reliable data can be provided in the future and the options for providing this information retrospectively where possible. The limitations in the availability of waste management information have been referred to elsewhere in this report.

Governance

The sustainability agenda is governed by the Commission's Senior Management Team (SMT) under the direction of the Chief Executive. The work of the SMT is supplemented by a working-level delivery group, the Green Group, led by a senior management team member, focusing on communications, engagement across the Commission, implementing initiatives, behaviour change and reporting.

Energy related data is obtained from our energy bills where the Commission pays suppliers directly or, where possible, from data obtained from our landlords where the cost is incorporated into service charges. Travel data is produced through interrogation of the Commission's internal financial systems. We have referred to issues related to the formal internal or external assurance and verification of reported figures and our intention to put into place appropriate mechanisms to address this issue elsewhere in this report.

It is our intention to consider how the Commission may improve the reporting of sustainability measures in terms of both the frequency of reporting and

potential incorporation into the monthly performance scorecard reporting to SMT and the Board.

Notes

1. Scope 2 – Energy Indirect Emissions are from the usage of purchased electricity. Conversion to kg CO₂e has been calculated using Defra/DECC's GHG conversion factors for company reporting (August 2011).
2. We have only reported energy use in buildings where the Commission is either directly billed and responsible for payment or, where our landlord has incorporated energy use into the service charge payable and has been able to clearly and reliably identify both energy consumption and cost. We have reported on five sites in 2011/12 out of a total of eight, one of which is a property formerly occupied by a legacy Commission but not used by the Commission. The property has since been disposed of (further information is disclosed in note 12 to the financial statements) and has not been included in the reporting of sustainability measures within this report.
3. Scope 3 – Other Indirect Emissions are a consequence of our actions but occur at sources which are not owned or controlled directly by us and are not classed as Scope 2 emissions. In this report these are only from business related travel using public transport, car hire, taxis, private cars and commercial airlines. Travel data includes travel by all staff regardless of location. For hire cars conversion factors to kg CO₂ are based on a medium sized diesel car and for private cars conversion factors are based on an average medium sized car of unknown fuel. Conversion to kg CO₂e has been calculated using Defra/DECC's GHG conversion factors for company reporting (August 2011).

Statement of Accounts

1 April 2011–31 March 2012

Equality and Human Rights Commission

Statement of Accounting Officer's responsibilities

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

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

The Home Secretary and Minister for Women and Equalities appointed the Chief Executive of the Commission as Accounting Officer of the Commission on 22 June 2011. 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 published by the Treasury.

The Equality and Human Rights Commission's Accounting Officer's governance statement

Scope

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

The systems in place are 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.

Governance, internal control and risk management

Governance

Within the framework of its duties and responsibilities generally, including those prescribed by statute and regulation, the Board of Commissioners is responsible for approving the strategic plan, monitoring the Commission's performance against the plan and ensuring that the Commission has in place appropriate systems of governance, accountability and control.

The Commission has three statutory decision-making committees (Disability, Scotland and Wales) with wide powers and responsibilities delegated by Parliament. These powers and responsibilities are set out in the Equality Act 2006.

There are also three non-statutory decision-making committees covering Regulation, Remuneration and Resources with authority, devolved by the Board, to make decisions on regulation and resourcing issues.

In addition the Board has established a fourth non-statutory Committee, the Audit and Risk Committee (ARC), with advisory responsibilities. The Committee is responsible for providing independent advice and constructive challenge and for reviewing the establishment and maintenance of an effective system of governance, risk and financial and other control processes across the Commission that supports the Commission's objectives. The Committee considers the NAO audit strategy and reviews the annual report and associated management letter and any recommendations that the NAO identify during their audit work.

Further information about the Commission's sub-committees, beginning on page 9, has been provided in the earlier chapter About the Equality and Human Rights Commission.

The Commission's Board Governance Framework incorporates the responsibilities of the Board and its Committees and standards of behaviour for members. This Code of Practice and Conduct (referred to as the Commission's Board Governance Framework) has been prepared in line with the Cabinet Office 'Code of Best Practice for Board Members of Public Bodies' taking account of the nature of the Commission's business. It also reflects the principles set out in corporate governance in central government departments, the Combined Code on Corporate Governance, the HMT Audit Committee Handbook, good governance principles developed by the Independent Commission on Good Governance and current best practice principles in corporate governance.

During the period a review of Board effectiveness, its committees and support arrangements has been undertaken and improvements are being put into place. The Governance Framework will be reviewed by the Board in the light of the government's decisions on the reform of the Commission. It was last reviewed in April 2010.

During February and March 2012 the Commission's internal auditors undertook advisory work to aid the Commission to improve the effectiveness of executive and non-executive governance processes by improving decision-

making and providing greater transparency, accountability and value for money. The results of this review will inform future improvements to the governance process.

A copy of the current Governance Framework can be found at: www.equalityhumanrights.com/about-us/the-commissioners/.

The table below shows attendance at Board and Committee meetings held during 2011/12.

Members	Board Meetings (8 in year)	Regulatory Committee (10 in year)	Resources Committee (7 in year)	Audit and Risk Committee (6 in year)	Remuneration Committee (2 in year)
Trevor Phillips (Chair)	8	*	*	*	2
Margaret Prosser (Deputy Chair)	8	*	7	*	2
Mark Hammond (Chief Executive) (from 20 June 2011)	7 ¹	*	*	*	*
Helen Hughes (Chief Executive) (to 19 June 2011)	1 ²	*	*	*	*
Stephen Alambritis	4	*	5	4	*
Sarah Anderson (from 11 July 2011)	6 ¹	*	1 ²	*	*
Ann Beynon OBE	8	*	*	5	*
Kay Carberry CBE	6	8	*	*	*
Baroness Meral Hussein Ece OBE	6	*	3	*	*
Baroness Sally Greengross OBE	6	7	*	*	*
Jean Irvine OBE	8	*	*	1	2
Kaliani Lyle	6	*	7	*	*
Angela Mason CBE	7	9	*	*	*
Michael Smith	6	8	*	*	*
Geraldine van Bueren	7	5	*	*	*
Simon Wooley	7	9	*	*	*

* Not a member of the committee

¹ From a possible seven meetings

² From a possible one meeting

Michael Smith chairs the Disability Committee; he attended six of the seven meetings held during 2011/12.

Kaliani Lyle chairs the Scotland Committee, she attended all of the four meetings held during 2011/12.

Ann Beynon chairs the Wales Committee, she attended all of the five meetings held during 2011/12.

Internal control

As Accounting Officer, I am responsible for reviewing the effectiveness of the systems of internal control. This review is informed by the Senior Management Team (SMT) and by directors and managers within the Commission who have responsibility for the development and maintenance of the internal control framework, the work of the internal auditors, comments made by the Comptroller and Auditor General (C&AG) in his reports on the Commission's accounts and by the National Audit Office in its management letters and in other reports.

Policy and decision making

In discharging our statutory powers and duties as set out in the Equality Act 2006, the Commission's Board Governance Framework provides details of the policy and decision making processes and responsibilities for the Commission. Papers and minutes from Board meetings are also made available for public scrutiny.

The Commission has identified strategic priorities that we will work towards as an organisation. All the work we do will relate to one or more of our strategic priorities or to a statutory responsibility we must deliver. These set out the overall objectives for the work programmes and projects that are undertaken.

In developing the strategic priorities we have taken an evidence based approach to understanding the causes and effects of inequalities for people across Britain. Our strategic plan is developed in conjunction with stakeholders and partners following extensive consultation.

Details of our current strategic plan covering the period 2009-12, the consultation on our plan for 2012-15, minutes and papers from Board meetings and examples of the evidence based assessment of inequalities can be found on our corporate website.

Performance management

The Commission produces an annual business plan setting out what we will do and the key performance measures for the year. The business plan has been informed by the objectives within the 2009/12 strategic plan, evidence from the triennial review, legislative requirements and taking into account our existing commitments such as the follow-up to previous inquiries and assessments. The Commission has in place an impact assessment framework and process which is used to systematically consider the equality implications of all our policies, programmes and decisions on different people. An Equality Impact Assessment of our 2009/12 Strategic Plan and annual business plan has been undertaken. The business plan is formally agreed by the Board.

Underpinning the business plan are detailed work plans, which set out what we will deliver during the year, our planned outcomes and how we will measure each of our activities.

The Commission has developed a performance management framework to support the delivery of outcomes outlined in the business plan; setting, monitoring and reporting on progress against targets through the provision of data, analyses and training.

The reporting of performance against strategic and business plan targets is carried out on a monthly, quarterly and annual basis as an integral part of the performance and management review (PMR) process. The reports are presented to the appropriate managers, SMT, the Resources Committee, the Board and sponsor department. Risks and issues considered by SMT are escalated to the Resources Committee and the Board with agreed management action where appropriate.

Financial management

In 2011/12 the Commission operated in a manner consistent with the Framework Document agreed between the Commission and the Government Equalities Office (GEO), then its sponsor team prior to the move to the Home Office, and the requirements of the Treasury guidance contained in Managing

Public Money. The Framework Document set out accountabilities and responsibilities and the financial delegations given to me as the Accounting Officer of the Commission.

Since the transfer of the GEO to the Home Office on 1 April 2011, we have been engaged in a dialogue with the GEO to agree how our Framework Document should be amended. During 2011/12 we continued to operate under the provisions of the document in place prior to 1 April 2011. A revised Framework Document between the Commission and the Home Office has been agreed and is now in place. A copy of the Framework Document is available at:

http://www.equalityhumanrights.com/uploaded_files/aboutus/ehrc__framework_agreement__april__2012.pdf

I have put into place a clear system and hierarchy of corporate financial delegations for budget holders and managers which underpin those given to the Commission.

Policy and guidance notes covering all areas of financial management have been produced and made available to all staff on the corporate intranet. The policy and guidance notes are subject to regular review.

Budgetary control of both revenue and capital expenditure is carried out on a monthly basis with reports covering the major areas of expenditure and income being presented to the appropriate managers and the SMT. The reports detail current and future variations based upon actual and forecast performance and provide details of any management action to be taken where appropriate. Summarised versions of the reports are presented to the Resources Committee and the Board highlighting agreed management action where necessary.

Where the Commission makes payments to recipients of either strategic or legal grants in support of its strategic and business plan objectives, they are made in compliance with the Grant Funding Agreements in place with each of

the respective organisations. Reports from grant recipients are reviewed to ensure compliance with the funding agreements before funds are released.

Procurement

A corporate procurement policy and guidance notes covering all areas of procurement, including contract management, have been produced and made available to all staff on the corporate intranet. The policy and guidance notes are subject to regular review. Compliance with the procurement policy is monitored by the Head of Procurement who is a professionally qualified specialist.

A report is submitted to SMT on a monthly basis drawing attention to significant procurement issues and risk, action taken to mitigate risk and instances of non-compliance with procurement policy and process. The report is also submitted to the Audit and Risk Committee (ARC) as part of the assurance process to ensure that management action is both proportionate and appropriate. The ARC reports on procurement issues to the Board.

I have maintained tight controls over procurement in 2011/12 and am confident that current activity is properly managed. I have also made clear to my senior managers and budget holders that non-compliance with processes and internal controls will be dealt with seriously and cause financial delegations to be withdrawn.

The Commission is currently working with the Home Office and in particular the Procurement Centre of Excellence (PCoE) to explore the use of Home Office contracts and the on-boarding of the Commission's procurement to the PCoE where it will provide a monetary saving and does not prejudice the Commission's statutory independence.

People management

To ensure that we recruit and appoint suitably qualified staff, all posts within the Commission have a detailed job description and person specification clearly identifying the duties and responsibilities of the post holder and the

attributes and experience we would expect the individual to have in order to perform the job fully and well. In 2012 the Commission undertook a senior management restructure. Appointments to the senior management team and senior leadership team were made using a competency based assessment centre and final panel interview.

We have recently introduced a competency framework which clearly sets out the skills, knowledge and behaviours that staff will require to perform effectively in their jobs; the framework will support recruitment, performance management and learning and development.

The Commission's Appraisal Process identifies individual progress and performance against agreed personal objectives through six month and annual appraisal reviews. The process also provides an opportunity to identify skills gaps which can then be addressed through an individual's learning and development plan. This process ensures that the Commission has in post individuals who are equipped to carry out their function with due regard to law, policy, regulation and best practice.

The Commission also has in place a comprehensive range of policies to safeguard the interests of its employees. Policies and guidance are available to all staff on the corporate intranet and are subject to regular review.

Reports highlighting issues associated with workforce planning and providing information on a range of employee metrics are provided to SMT on a regular basis.

Information management

Corporate security and the protection of assets holding sensitive information continue to be a priority. The Commission had previously implemented a programme of work to improve security management processes in line with the Security Policy Framework and the Information Assurance Maturity Model.

New security policies have been developed and training has been provided for all staff. The next phase of security improvements were delivered during 2011/12 and focussed on information assurance, classification schemes and business continuity.

During the period the Commission has recorded one information security breach which has been categorised as 'High' because of its potential to create a major loss of confidence, heightened media interest or to potentially prejudice legal casework. It has been reported to both our sponsor department and the Senior Information Risk Officer (SIRO) at the Home Office. An investigation was conducted with our sponsor department to identify where and how the breach occurred.

There have been no further information security incidents reported to Government.

Programme and project management

The Commission has adopted common Programme and Project Management (PPM) procedures and disciplines for the management of those programmes and projects supporting the business plan deliverables.

Guidance notes, templates and procedures have been produced and made available to all staff on the corporate intranet.

The Commission has in place programme and project boards which are appropriate for the scale and complexity of the work being undertaken. The boards monitor the delivery of outcomes and financial performance using information captured as part of the corporate performance management review process. Programme and project managers produce monthly progress reports which are used to inform the consolidated monthly Resource, Performance and Risk Reports which are considered by SMT. SMT identify risks and issues to be presented to the Resources Committee and the Board.

Risk management

The Board of the Commission is responsible for ensuring that effective arrangements are in place to provide assurance on the strategic management of risk. The Board regularly reviews the strategic risk register and provides advice and challenge on the actions being taken to mitigate risk. The Board is supported by the ARC, whose Chair provides a report on the work of the Committee to each meeting of the Board.

The Regulatory and Resources Committees consider the risks to the Commission arising in the area for which they have responsibility. The SMT agree and implement the actions to be taken to manage risks. The Chair of the ARC regularly attends the SMT's reviews of strategic risks, reporting back on progress to the ARC and the Board.

Programme boards take forward the Business Plan objectives of the Commission and risk management is a key part of their role. Each programme board is chaired by a senior Director who is accountable to me for managing programme risks.

Monthly performance, finance and risk reports are reviewed by the SMT to monitor corporate performance. The SMT also reviews reports on procurement and human resources to review compliance with the Commission's procedures and delegations. The Strategic Risk Register is reviewed by the ARC and the Board. The Board receives the Monthly Resource, Performance and Risk Reports.

The Commission has also begun to use the cross government initiative Managing Risk of Financial Loss (MRoFL) as a framework to embed a systematic approach to assessing the risk of financial loss arising from the operation of financial processes. The over-arching purpose of the initiative is to review processes to identify areas of weakness, assess the relative risks, and put in actions to address any weaknesses, using a risk based approach.

Issues of significance

The issues below have been identified from the numerous assessments of the Commission's governance, internal control and risk management arrangements during the course of the 12 months ending March 2012. They are of sufficient significance to warrant separate disclosure within this statement.

Issue	Action
Reliance on interim staff in a number of key senior roles.	I have addressed this risk and substantially reduced the remaining number of interim staff by filling vacancies on a permanent or fixed term basis as required. Interim numbers have been reduced from an average of 44 FTEs in post during 2010/11 to an average 21 FTEs in post during 2011/12. As at 1 April 2012 16 interims were in post.
<p>The implementation in full of the actions to address the three priority one internal audit recommendations that remain outstanding and were identified during the course of the following audits:</p> <ul style="list-style-type: none"> • legal grants (2010/11) • managing Freedom of Information requests (2011/12), and • risk management (2011/12). 	With the support of the SMT and with due scrutiny by the ARC, I will ensure that all the priority one recommendations are addressed within the anticipated timescales.
During the year we have made progress in embedding risk management, particularly at a strategic level. Further work is	We will work collaboratively with the Home Office to continue to develop our corporate risk culture and align the Commission's risk

Issue	Action
required to develop an appropriate approach that links operational and strategic risk management.	management processes with those of the Home Office.

Internal audit

The ARC agrees an annual internal audit plan which is designed to provide assurance on the internal controls in place in the Commission. The Internal Auditors report to the ARC on the results of their work, recommending improvements as appropriate.

Internal Audit has considered the control weaknesses identified in their reports and the progress made by the Commission in developing the organisation’s risk and control framework during the year. Due to the weaknesses identified and the ongoing development of the Commission’s control framework they consider the systems over risk management, control and governance to provide limited assurance regarding the effective and efficient achievement of the Equality and Human Rights Commission’s objectives.

The circumstances giving rise to the limited assurance have been reported to the ARC, as have the action plans to address assurance issues and mitigate risk. The action plans are regularly reviewed by the SMT and progress is reported at each meeting of the ARC.

Assurance assessment

In my opinion and with due regard to the information at my disposal, I am able to provide assurance in respect of the system of governance, internal control and risk management.

I have made this assessment after concluding that the strengths in the control, governance, risk and information management systems in place outweigh weaknesses. Although there is a need for improvement in specific areas, systems generally operate effectively. Whilst risks are generally well

managed, material errors and failures which arise are detected and rectified promptly and effectively.

I will continue to work with my colleagues and managers throughout the organisation to ensure that we have a fully effective system of internal control. In particular I intend to take the following actions to improve the assurance I am able to provide in future.

- To continue work to address the issues of significance identified within this statement.
- While considerable improvements have been made in controls over procurement, we have in the past experienced a significant number of instances where purchase orders are not raised until after an invoice for goods and services has been received. This shortcoming was recognised by internal audit in their review of procurement which, as a result, concluded with limited assurance of the adequacy of controls in place. Since then and as a consequence of management action, this has been reduced; for the period April 2011 to March 2012, 18 per cent by value were raised late compared with 35 per cent for the prior year. I intend to ensure that this downward trend continues and have made it clear that non-compliance with processes will be taken seriously and that in cases of repeated non-compliance, delegations will be withdrawn.
- With the Commission's Board and SMT I will continue the work begun previously to address any residual culture of non-compliance with regard to financial and administrative controls reported in the past. I will continue to be clear and unequivocal in my expectations that staff will comply with the laid down financial procedures and the consequences of non-compliance.

Mark Hammond

Accounting Officer

9 July 2012

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

I certify that I have audited the financial statements of the Equality and Human Rights Commission (the Commission) for the year ended 31 March 2012 under the Equality Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Equality Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of

any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Equality Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Equality Act 2006; and
- the information given in "About the Equality and Human Rights Commission", "Delivering our Strategic Priorities in 2011/12" and "Management Commentary" for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
10 July 2012

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Note	2011/12		2010/11	
		£'000	£'000	£'000	£'000
Expenditure					
<i>Staff costs</i>					
Staff costs	3b & e	21,830		25,945	
Staff exit scheme packages	3c & 12	2,894		968	
Early retirement and severance costs	12	<u>84</u>		<u>22</u>	
			24,808		26,935
<i>Depreciation and amortisation</i>	4		2,098		1,922
<i>Other expenditure</i>					
Other expenditure	4	16,250		19,986	
Loss on disposal on property, plant and equipment	4	1		5	
			<u>16,251</u>		<u>19,991</u>
Total expenditure			<u>43,157</u>		<u>48,848</u>
Income					
Income from activities	5		(208)		(339)
Other income - access to work	1m		(215)		(295)
Total income			<u>(423)</u>		<u>(634)</u>
Net expenditure			42,734		48,214
Interest cost on pension scheme liabilities	13		75		65
Net expenditure after interest			<u>42,809</u>		<u>48,279</u>
Other comprehensive expenditure					
Actuarial (gain)/loss on pensions provision	13		81		(70)
Net (gain)/loss on revaluation of property, plant and equipment	6		(20)		(67)
Total comprehensive expenditure for the year			<u>42,870</u> *		<u>48,142</u> *

The notes on pages 67 to 95 form part of these accounts.

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

Statement of Financial Position as at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	6	1,404		1,930	
Intangible assets	7	<u>41</u>		<u>223</u>	
Total non-current assets			1,445		2,153
Current assets					
Trade and other receivables	9a	964		1,464	
Cash and cash equivalents	10	<u>1,063</u>		<u>5,487</u>	
Total current assets			2,027		6,951
Total assets			<u>3,472</u>		<u>9,104</u>
Current liabilities					
Trade and other payables	11a	(8,075)		(6,392)	
Provisions	12	<u>(2,639)</u>		<u>(1,742)</u>	
Total current liabilities			(10,714)		(8,134)
Total assets less current liabilities			<u>(7,242)</u>		<u>970</u>
Non-current liabilities					
Provisions	12	(694)		(1,850)	
Pension liabilities	13	(1,470)		(1,444)	
Trade and other payables	11a	<u>(60)</u>		<u>(247)</u>	
Total non-current liabilities			(2,224)		(3,541)
Assets less liabilities			<u>(9,466)</u>		<u>(2,571)</u>
Taxpayers' equity					
Revaluation reserve			195		175
General reserve			(9,661)		(2,746)
			<u>(9,466)</u>		<u>(2,571)</u>

The notes on pages 67 to 95 form part of these accounts.

The financial statements on pages 63 to 66 were approved by the Audit and Risk Committee on 5 July 2012, as delegated by the Board, and were signed on its behalf by:

Mark Hammond

Chief Executive Officer

9 July 2012

Statement of Cash Flows for the year ended 31 March 2012

	Note	2011/12 £'000	2010/11 £'000
Cash flows from operating activities			
Net deficit after interest		(42,809)	(48,279)
(Increase)/Decrease in trade and other receivables	9a	500	418
Increase/(Decrease) in trade and other payables	11a	1,496	(2,875)
Depreciation, amortisation and impairment	4	2,098	1,922
Loss on disposal of property, plant and equipment	4	-	5
Increase in provisions	12	2,334	439
Use of provisions	12	(2,162)	(1,528)
Provisions not required/written back	12	(431)	(318)
Difference between movement on pension liabilities and amounts recognised in the net expenditure account	13	(55)	(110)
Net cash outflow from operating activities		<u>(39,029)</u>	<u>(50,326)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,370)	(118)
Purchase of intangible assets	7	-	(18)
(Costs)/Proceeds of disposal of property, plant and equipment		-	12
Net cash outflow from investing activities		<u>(1,370)</u>	<u>(124)</u>
Cash flows from financing activities			
Grant in aid received from parent department		35,975	50,774
Net increase/(decrease) in cash and cash equivalents in the year		<u>(4,424)</u>	<u>324</u>
Cash and cash equivalents at the beginning of the financial year	10	5,487	5,163
Cash and cash equivalents at the end of the financial year	10	<u>1,063</u>	<u>5,487</u>

The notes on pages 67 to 95 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

2010/11				
	Note	Revaluation Reserve £'000	General Reserve £'000	Total £'000
Balance at 31 March 2010		108	(5,311)	(5,203)
Changes in taxpayers' equity 2010/11				
Net expenditure after interest for the year		-	(48,279)	(48,279)
Net expenditure recognised directly in equity for the year:				
-Actuarial gain (loss)	13	-	70	70
-Revaluation of property, plant and equipment	6	67	-	67
Total recognised income and expense for the year		67	(48,209)	(48,142)
Grant in aid received from sponsor Department		-	50,774	50,774
Balance at 31 March 2011		175	(2,746)	(2,571)

2011/12				
	Note	Revaluation Reserve £'000	General Reserve £'000	Total £'000
Balance at 31 March 2011		175	(2,746)	(2,571)
Changes in taxpayers' equity 2011/12				
Net expenditure after interest for the year		-	(42,809)	(42,809)
Net expenditure recognised directly in equity for the year:				
-Actuarial gain (loss)	13	-	(81)	(81)
-Charge to revaluation reserve	6	20	-	20
Total recognised income and expense for the year		20	(42,890)	(42,870)
Grant in aid received from sponsor Department		-	35,975	35,975
Balance at 31 March 2012		195	(9,661)	(9,466)

The notes on pages 67 to 95 form part of these accounts.

Notes to the financial statements for the year ended 31 March 2012

1. Statement of accounting policies

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

In addition the financial statements have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) as issued by HM Treasury. The accounting policies described in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1a. Accounting convention

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

1b. Going concern

Grant-in-aid, unlike other income, is treated as financing and taken straight into taxpayers' equity. Cash grant-in-aid for the period to 31 March 2013, taking into account the amounts required to meet the Commission's liabilities falling due in that period, has already been included in the Home Office'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.

1c. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Commission's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or, in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

- valuation of property, plant and equipment (see accounting policy 1e below and note 6)
- recognition criteria for intangible assets (see accounting policy 1g below and note 7).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty, at the statement of financial position date, that have a significant risk of causing a

material adjustment to the carrying amounts of the assets and liabilities in the next financial year:

- useful lives of items of property, plant and equipment for depreciation calculations (see accounting policy 1e and 1f below and note 6)
- useful lives of intangible assets and amortisation (see accounting policy 1g and 1h below and note 7)
- provisions (see accounting policy 1j and note 12)
- pension liabilities (see accounting policy 1o and note 13).

Changes in accounting estimates

There has been a change in accounting estimate with regard to depreciation for fit out costs in relation to the Commission premises in Cardiff and Glasgow. This acceleration of depreciation is as a consequence of the Commission exercising its option to terminate leases at the break point.

1d. Grant-in-aid

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

1e. Property, plant and equipment

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

Property, plant and equipment are carried at fair value. Where individual assets have a short useful economic life of four years or

less and/or where assets have a low cost, then depreciated historic cost is used as a proxy for fair value.

In all other cases, when ascertaining fair value, asset values are updated annually using price index numbers for current cost accounting as published by the Office for National Statistics which the Commission deems to be the most appropriate valuation methodology available. Any gain on revaluation is credited to the revaluation reserve. Any loss is debited to the revaluation reserve to the extent that a gain has previously been recorded, and otherwise to the Statement of Comprehensive Net Expenditure.

1f. Depreciation of property, plant and equipment

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

Fit out costs for premises lease	the life of the lease
Office furniture	4 years
ICT and telephony hardware	4 years

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

The lease on the Commission premises at 3 More London expires in February 2013. The assets held at these premises are fully written down at 31 March 2012. The Commission exercised its option to terminate leases at the break point for the premises in Cardiff and Glasgow. The assets held at these premises are fully written down at 31 March 2012.

1g. Intangible assets

Intangible assets comprise acquired computer software licences and certain costs incurred in the development phase of internal computer software projects.

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

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

Where computer software development costs are capitalised these are amortised in accordance with the amortisation policy. Other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

1h. Amortisation of intangible assets

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

Software costs	4 years
----------------	---------

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

1i. Impairment of assets

IAS 36 Impairment of assets has been adapted in the FReM so that impairments that are due to a clear consumption of economic benefit should be recognised in the Statement of Comprehensive Net Expenditure, rather than set against an available Revaluation Reserve.

Where asset revaluations give rise to impairment, the Commission will assess whether the impairment is due to consumption of economic benefit and should, therefore, be recognised in the Statement of Comprehensive Net Expenditure.

1j. Provisions

A provision is recognised in the statement of financial position when the Commission has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows by the Treasury Real Discount Rate of 2.2 per cent. Where the provision relates to voluntary early retirement under pension scheme rules (see note 12), then the provision will be discounted at the pensions rate as published by the Treasury and not the Treasury Real Discount Rate. The pensions rate for 2011/12 is 2.8 per cent (2010/11: 2.9 per cent).

1k. Cash and cash equivalents

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

1l. Income recognition

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

1m. 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 is treated as income.

1n. 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:

- | | |
|--|--|
| Staff with a permanent (UK) employment contract | - Comprises staff who are directly employed by the Commission. |
| Agency staff | - Contracted staff employed on a short term basis. |
| Seconded staff | - Staff who have been seconded into or out of the Commission. |

1o. Pension policy

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

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

Note 13 to these financial statements details the provision on the By Analogy Pension Liability.

1p. Operating leases

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

1q. Value added tax (VAT)

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

1r. Grants

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

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

1s. Segmental Reporting

The 2011/12 FReM requires all reporting entities to apply IFRS 8 Segmental Reporting (2009) in full. Since segmental information for total assets and liabilities are not regularly reported to the chief operating decision maker and in compliance with the FReM, they have not been produced in the accounts.

1t. Future IFRS amendments and early adoption

The Commission applies new or amended IFRSs in line with their adoption by the FReM.

As at 31 March 2012 there were no new standards issued for 2011/12 and not applied, which would materially affect the Commission's financial statements. The Commission has not adopted any standards early.

2. Segmental reporting

The Commission's primary reporting format in 2011/12 is by directorate with six directorates and a Commissioners' Office. Segmental results are highlighted below:

Directorate	2011/12			2010/11		
	Income £'000	Expenditure £'000	Total £'000	Income £'000	Expenditure £'000	Total £'000
Commissioners' Office	-	1,261	1,261	-	1,403	1,403
Communications	-	5,368	5,368	-	6,786	6,786
Corporate Management and Operational	(241)	23,325	23,084	(390)	20,957	20,567
Legal	(45)	4,816	4,771	(111)	10,361	10,250
Scotland	(137)	1,594	1,457	(125)	1,781	1,656
Strategy	-	5,620	5,620	(8)	6,311	6,303
Wales	-	1,248	1,248	-	1,314	1,314
Net expenditure after interest	(423)	43,232	42,809	(634)	48,913	48,279

Segmental information for total assets and liabilities are not regularly reported to the chief operating decision maker and have not therefore been produced in the accounts (see accounting policy 1s).

3. Staff numbers and related costs

3a. Staff numbers

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

	2011/12	2010/11
Staff with a (UK) employment contract	372	423
<i>Other</i>		
Seconded staff (net of inward and outward secondments)	(1)	(2)
Agency staff	21	44
Total	<u>392</u>	<u>465</u>

3b. Staff costs comprise:

	2011/12 £'000	Restated 2010/11 £'000
Staff with a (UK) employment contract		
Wages and salaries	13,649	15,170
Social security costs	1,274	1,242
Other pension costs	2,709	2,957
<i>Other</i>		
Seconded staff (net of inward and outward secondments)	(70)	(199)
Agency staff	3,764	6,267
Total	<u>21,326</u>	<u>25,437</u>

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office

allowances and any other allowances to the extent that it is subject to UK taxation.

Pension arrangements

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.gov.uk/my-civil-service/pensions).

For 2011/12, employers' contributions of £2,686,437 were payable to the PCSPS (2010/11: £2,979,826) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011/12 to be paid when the member retires, and not the benefits paid during the year to existing pensioners.

New employees automatically join the PCSPS *nuvos* scheme (a defined benefit pension scheme) or can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,896 (2010/11 £11,132) were payable to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £488 (2010/11 £847), 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 or ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £409 (2010/11 £912). Contributions prepaid at that date were £nil (2010/11 £nil).

No individuals retired early on ill-health grounds: the total additional accrued pension liabilities in the year amounted to £nil (2010/11 £2,419).

3c. Staff exit package costs

The Commission launched a scheme in November 2011 that allowed volunteers to leave under voluntary terms approved by the Cabinet Office.

The following terms were offered:

- Employees below their normal pension age – 1 month's pay for every year of pensionable service up to a maximum of 21 months pay. Employees close to retirement age will have their compensation tapered.
- Employees above their normal pension age – 1 month's pay for every year of pensionable service up to a maximum of 6 months pay.
- Employees who have reached their minimum pension age will be able to choose whether to buy out the actuarial reduction on their pension using their compensation payment. Where the compensation payment does not meet the full cost of the buy-out and the member of staff has a minimum of 2 years qualifying service, the Commission may add the necessary top up payment to provide an unreduced pension provided that the full compensation payment is surrendered.
- Employees earning less than £23,000 will be deemed to be earning that amount for the purposes of calculating their compensation payment.

In addition the following employees were not eligible to be considered for voluntary exit:

- employees with less than 2 years current qualifying service

- agency staff or contractors
- seconded employees of any description
- employees who have already tendered their resignations or been notified of their retirement, transfer or dismissal
- employees on loan will be considered under any scheme run by their own home department, who may be expecting them to return and take up posts.

Total costs incurred comprise:

Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	6 (10)	6 (10)
£10,000 - £25,000	38 (21)	38 (21)
£25,000 - £50,000	25 (12)	25 (12)
£50,000 - £100,000	13 (1)	13 (1)
£100,000 - £150,000	2 (1)	2 (1)
£150,000 - £200,000	- (-)	- (-)
Total number of exit packages by type	<u>84 (45)</u>	<u>84 (45)</u>
Total resource cost (£'000)	<u>2,848 (949)</u>	<u>2,848 (949)</u>

Prior year figures for 2010/11 are shown in brackets.

The £2,894k (2010/11 £968k) recognised in the Statement of Comprehensive Net Expenditure comprises £2,848k (2010/11 £949k) for exit costs; £11k (2010/11 £0) for financing charged by the Department of Work and Pensions (DWP) in support of the 2011 voluntary exit scheme (all employee costs were accrued in 2010/11) and a further £35k (2010/11 £19k) for employee legal costs.

3d. Commissioner numbers

The average number of Commissioners in post during the year was as follows:

	2011/12	2010/11
Commissioners	<u>14</u>	<u>14</u>

3e. Commissioners' costs comprise

	2011/12 £'000	Restated 2010/11 £'000
Commissioners' fees	366	359
Commissioners' social security costs	36	35
Chair pension costs	22	21
Statutory committee fees	79	90
Statutory committee social security costs	1	3
Total	<u>504</u>	<u>508</u>

In 2010/11 the Chair pension costs were reported in other pension costs at note 3b. In 2011/12 these are reported in note 3e. The 2010/11 comparative figures have been restated to reflect this change.

4. Other expenditure

	2011/12 £'000	2010/11 £'000
Running costs		
Staff support, recruitment and training	627	624
Staff and Commissioners' travel and subsistence	505	699
Rentals under operating leases for equipment	36	38
Rentals under operating leases for premises	1,674	2,123
Premises costs (non-lease)	2,467	1,749
Support and office services	503	839
IT and telecommunications cost	898	955
Access to work	181	223
Auditors remuneration	90	90
Programme		
Helpline and advisory services	50	180
Legal and mediation services	1,678	2,278
Grants given	5,683	7,234
Publication and information	1,099	1,513
Research and policy development	759	1,441
Total Other operating charges	16,250	19,986
Non-cash items		
Depreciation of property, plant and equipment	Note 6 1,916	1,502
Amortisation of intangible assets	Note 7 182	420
(Profit)/Loss on disposal of property, plant and equipment	1	5
Total other expenditure	18,349	21,913

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

5. Income from activities

	2011/12 £'000	2010/11 £'000
Other government grants	181	169
Sponsorship income	-	7
Miscellaneous income	27	163
	208	339

6. Property, plant and equipment

2011/12				
	Fixtures and fittings £'000	IT and Telecomms Equipment £'000	Furniture £'000	Total £'000
Cost or valuation				
At 1 April 2011	3,886	2,313	1,093	7,292
Additions in year	1,367	-	3	1,370
Revaluations	79	-	-	79
At 31 March 2012	<u>5,332</u>	<u>2,313</u>	<u>1,096</u>	<u>8,741</u>
Depreciation				
At 1 April 2011	2,138	2,159	1,065	5,362
Depreciation for the year	1,756	133	27	1,916
Revaluations	59	-	-	59
At 31 March 2012	<u>3,953</u>	<u>2,292</u>	<u>1,092</u>	<u>7,337</u>
Net Book Value				
At 31 March 2012	<u>1,379</u>	<u>21</u>	<u>4</u>	<u>1,404</u>
2010/11				
	Fixtures and fittings £'000	IT and Telecomms Equipment £'000	Furniture £'000	Total £'000
Cost or valuation				
At 1 April 2010	4,786	2,297	1,094	8,177
Additions in year	94	24	-	118
Disposals	(1,143)	(8)	(1)	(1,152)
Revaluations	149	-	-	149
At 31 March 2011	<u>3,886</u>	<u>2,313</u>	<u>1,093</u>	<u>7,292</u>
Depreciation				
At 1 April 2010	2,440	1,608	862	4,910
Depreciation for the year	744	554	204	1,502
Disposals	(1,128)	(3)	(1)	(1,132)
Revaluations	82	-	-	82
At 31 March 2011	<u>2,138</u>	<u>2,159</u>	<u>1,065</u>	<u>5,362</u>
Net Book Value				
At 31 March 2011	<u>1,748</u>	<u>154</u>	<u>28</u>	<u>1,930</u>
At 31 March 2010	<u>2,346</u>	<u>689</u>	<u>232</u>	<u>3,267</u>

7. Intangible assets

2011/12	Software licences £'000
Cost or valuation	
At 1 April 2011	1,866
At 31 March 2012	1,866
Amortisation	
At 1 April 2011	1,643
Charged in the year	182
At 31 March 2012	1,825
Net Book Value	
At 31 March 2012	41
2010/11	Software licences £'000
Cost or valuation	
At 1 April 2010	1,848
Additions	18
At 31 March 2011	1,866
Amortisation	
At 1 April 2010	1,223
Charged in the year	420
At 31 March 2011	1,643
Net Book Value	
At 31 March 2011	223
At 31 March 2010	625

8. Financial instruments

As the cash requirements of the Commission are met through grant-in-aid by our sponsor department the Home Office, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

IAS 39, 32 and IFRS 7 require disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. The Commission holds financial instruments only to the extent that they are necessary to meet its normal operational activities. The majority of financial instruments held by the Commission relate to contracts to buy non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk. The risks and how they are managed are explained below.

Liquidity risk

As the cash requirements of the Commission are met through grant-in-aid provided by the Home Office, the Commission is not exposed to significant liquidity risks.

Interest rate risk

The Commission's financial assets and liabilities are predominately non-interest bearing. The interest rate risk is not considered material in the context of the overall activity of the Commission.

Credit risk

The Commission is exposed to credit risk to the extent of non-performance by its counterparties in respect of financial assets receivable. However the majority of those financial assets that are receivable are provided by other forms of grant income received from other public sector organisations. The Commission is not, therefore, exposed to significant credit risk.

9a. Trade and other receivables

	31 March 2012 £'000	31 March 2011 £'000
Amounts falling due within one year		
Trade receivables	88	53
Prepayments and accrued income	800	1,298
Other receivables-		
- Access to work	59	86
- Other	17	27
	<u>964</u>	<u>1,464</u>

9b. Trade and other receivables: Intra-government balances

	31 March 2012 £'000	31 March 2011 £'000
Amounts falling due within one year		
Balances with-		
Other central government bodies	142	103
Local authorities	288	574
Balances with bodies external to government	<u>534</u>	<u>787</u>
	<u>964</u>	<u>1,464</u>

10. Cash and cash equivalents

	31 March 2012 £'000	31 March 2011 £'000
At 1 April	5,487	5,163
Net change in cash and cash equivalent balances	(4,424)	324
Balance at 31 March	<u>1,063</u>	<u>5,487</u>
The balances at 31 March were held at:		
Government Banking Service	1,063	5,487
	<u>1,063</u>	<u>5,487</u>

11a. Trade payables and other current liabilities

	31 March 2012 £'000	31 March 2011 £'000
Amounts falling due within one year:		
Trade payables	257	30
Other payables	475	368
VAT	4	10
Other taxes and social security	385	411
Accruals	6,954	5,573
	<u>8,075</u>	<u>6,392</u>

	31 March 2012 £'000	31 March 2011 £'000
Amounts falling due after more than one year:		
Premises rent free period	<u>60</u>	<u>247</u>

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

11b. Trade and other payables: Intra-government balances

	31 March 2012 £'000	31 March 2011 £'000
Amounts falling due within one year:		
Balances with -		
Other central government bodies	1,908	917
Local authorities	-	7
Balances with bodies external to government	<u>6,167</u>	<u>5,468</u>
	<u>8,075</u>	<u>6,392</u>

12. Provisions

2011/12	Early retirement £'000	Dilapidations £'000	Other £'000	Property disposal £'000	Total £'000
Balance at 1 April 2011	1,243	-	597	1,752	3,592
Provided in year	46	607	1,525	68	2,246
Utilised in year	(318)	-	(168)	(1,676)	(2,162)
Provisions not required/written back	-	-	(295)	(136)	(431)
Unwinding of discount	28	-	-	60	88
Balance at 31 March 2012	<u>999</u>	<u>607</u>	<u>1,659</u>	<u>68</u>	<u>3,333</u>
Disclosed within non-current liabilities	694	-	-	-	694
Disclosed within current liabilities	305	607	1,659	68	2,639
	<u>999</u>	<u>607</u>	<u>1,659</u>	<u>68</u>	<u>3,333</u>

Analysis of expected timing of discounted flows:

	Early retirement £'000	Dilapidations £'000	Other £'000	Property disposal £'000	Total £'000
Not later than one year	305	607	1,659	68	2,639
Later than one year and not later than five years	683	-	-	-	683
Later than five years	11	-	-	-	11
	<u>999</u>	<u>607</u>	<u>1,659</u>	<u>68</u>	<u>3,333</u>

2010/11	Early retirement £'000	Dilapidations £'000	Other £'000	Property disposal £'000	Total £'000
Balance at 1 April 2010	1,615	138	422	2,824	4,999
Provided in year	-	-	327	3	330
Utilised in year	(377)	(72)	(119)	(960)	(1,528)
Provisions not required/written back	(6)	(66)	(33)	(213)	(318)
Unwinding of discount	11	-	-	98	109
Balance at 31 March 2011	<u>1,243</u>	<u>-</u>	<u>597</u>	<u>1,752</u>	<u>3,592</u>
Disclosed within non-current liabilities	925	-	-	925	1,850
Disclosed within current liabilities	<u>318</u>	<u>-</u>	<u>597</u>	<u>827</u>	<u>1,742</u>
	<u>1,243</u>	<u>-</u>	<u>597</u>	<u>1,752</u>	<u>3,592</u>

Early retirement

The Commission meets the additional cost of benefits beyond the normal PCSPS entitlement in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and retirement date. A provision has been made that represents the total future liabilities to the former employees.

The sum of £84k declared in the Statement of Comprehensive Net Expenditure for Early Retirement and Severance Costs is made up of £28k for unwinding of discount, £46k covers the increase in pensions in payment and £10k represents the difference between actual sums paid and the 2010/11 provision release.

Dilapidations and property disposal

Provision has been made for the costs associated with operating the break clause on the lease for the Glasgow premises in 2012/13.

During 2012/13 the Commission will vacate its premises in London, Glasgow and Cardiff. Provision has been made for dilapidations costs arising.

Other provisions

The Commission has made a number of other provisions for the following purposes.

Legal

Provision has been made for £557k arising from future liabilities associated with litigation that the Commission has ongoing at 31 March 2012. These liabilities are of uncertain timing and amount. Provision is made on the best estimate of expenditure required to settle the obligation. Where litigation is decided in the Commission's favour there is potential for recovery of costs.

Voluntary exit scheme

The Commission launched a scheme in November 2011 that allowed volunteers to leave under voluntary terms approved by the Cabinet Office. A provision has, therefore, been made for £968k arising from future liabilities associated with the voluntary exit scheme. An explanation of the terms offered to employees has been provided in note 3c.

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.

13. Pension liabilities

The pension liabilities comprise pension benefits for the current Chair of the Commission and former Chairs of legacy Commissions which are provided under a scheme broadly by analogy (BBA) with the 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 2012	31 March 2011	31 March 2010
Rate of inflation RPI			2.75%
Rate of inflation CPI	2.00%	2.65%	2.00%
Rate of increase in salaries	4.25%	4.90%	4.29%
Rate of increase for pensions in payment and deferred pensions	2.00%	2.65%	2.75%
Rate used to discount scheme liabilities	4.85%	5.60%	4.60%

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
The liabilities associated with ex Chairs holding BBA pensions are as follows:					
Active members (past service)	354	295	326	238	187
Deferred pensioners	80	154	169	120	130
Current pensioners	1,036	995	1,129	950	770
Net present value of scheme liabilities	<u>1,470</u>	<u>1,444</u>	<u>1,624</u>	<u>1,308</u>	<u>1,087</u>

	£'000	£'000	£'000
The movement on the provision during the year is as follows:			
Balance at 1 April	1,444	1,624	1,308
Current service cost	27	30	27
Past service cost	-	(133)	-
Employee contributions	3	3	3
Interest cost on scheme liabilities	75	65	78
Total actuarial (gains)/losses	81	(70)	202
Transfer value	(81)	-	81
Less benefits paid	(79)	(75)	(75)
Present value of scheme liabilities	<u>1,470</u>	<u>1,444</u>	<u>1,624</u>

	2012 £'000	2011 £'000	2010 £'000
The amounts recognised in the Net Expenditure Account are as follows-			
Current service cost	27	30	27
Past service cost	-	(133)	-
Interest cost on scheme liabilities	75	65	78
	<u>102</u>	<u>(38)</u>	<u>105</u>
Actuarial (gains)/losses recognised directly in Taxpayers' Equity	<u>81</u>	<u>(70)</u>	<u>202</u>
Cumulative actuarial losses recognised directly in Taxpayers' Equity	<u>447</u>	<u>366</u>	<u>436</u>

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
History of experience losses/(gains)					
Experience loss/(gain) arising on the scheme liabilities	63	18	(63)	280	39
Percentage of scheme liabilities at the year end	4.3%	1.3%	-4.1%	21.4%	3.6%

The last actuarial valuation of the scheme took place on 25 April 2012. Changes in the demographic and financial assumptions underlying the valuation of the scheme have resulted in a loss to

the scheme of £18k (2011: £88k gain) or 1.2 per cent (2011: 6.5 per cent) of the statement of financial position valuation of the scheme liabilities. Experience loss on the scheme arising because actual movement in liabilities were not in line with previous assumptions made amounted to £63k (2011: £18k loss) or 4.3 per cent (2011: 1.3 per cent) of the statement of financial position valuation of the scheme liabilities. The total actuarial loss was £81k (2011: £70k gain) or 5.5 per cent (2011: 5.2 per cent) of the statement of financial position valuation of the scheme liabilities.

The longevity assumptions used in the valuation of the scheme are:

Life expectancy at retirement	Exact Age	31 March 2012		31 March 2011	
		Men Years	Women Years	Men Years	Women Years
Current pensioners	60	29.0	32.4	29.2	32.5
Current pensioners	65	24.0	27.3	24.1	27.3
Future pensioners*	60	31.5	35.0	31.1	34.6
Future pensioners*	65	26.9	30.4	26.5	29.9

* Illustrative life expectancies for future pensioners as at 31/3/2011 and 31/03/2012 are based on members aged 40 at these dates.

It is estimated that the value of benefits falling due and guaranteed by the Commission in the reporting period 2012/13 will be £81k. The estimated contributions payable in 2012/13 are: employee £6k; employer £27k.

14. Capital commitments

Contracted capital commitments at 31 March 2012, not otherwise included in these financial statements were as follows:

	31 March 2012 £'000	31 March 2011 £'000
Property, plant and equipment	33	38
	<u>33</u>	<u>38</u>

15. Commitments under leases

15a. Operating leases

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

Obligations under operating leases comprise:	31 March 2012 £'000	31 March 2011 £'000
Buildings-		
Not later than one year	1,673	2,065
Later than one year and not later than five years	1,042	2,457
Later than five years	-	237
	<u>2,715</u>	<u>4,759</u>
Other-		
Not later than one year	24	35
Later than one year and not later than five years	-	6
	<u>24</u>	<u>41</u>
	<u>2,739</u>	<u>4,800</u>

15b. Finance leases

There were no obligations under finance leases.

16. Contingent liabilities

Legal costs and recoveries relating to supported cases in progress as at 31 March 2012 are not treated as a contingent liability but as an ongoing expense.

A contingent liability exists regarding pension provision for the Chair of a legacy commission. If the Commission does have a liability the financial impact will be low as the term of office giving rise to the liability was 11 months.

17. Contingent assets

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

18. Related party transactions

The Commission is a non-departmental public body under the sponsorship of the Home Office. The Home Office is regarded as a related party. During the year the Commission received £35,975k grant-in-aid from the Home Office of which £34,527k was revenue and £1,448k capital (2010/11: £50,774k; £50,638k revenue and £136k capital). No other significant transactions have taken place between the two bodies.

During the year the Commission was not involved in any other related party transactions.

The Commission maintains a Register of Members' Interests which is available for review on the Commission's website.

19. Losses and special payments

19a. Fruitless payment

In March 2012 the Commission cancelled, at late notice, a training day. Due to the late cancellation the course fee was still payable. As the Commission did not derive any benefit from the payment the cost of £1,218 is classed as a fruitless payment.
(2010/11: £49k)

19b. Write off

In 2011/12 the Commission took the decision to waive the costs of £34k awarded after the successful defence in the case of *Peter and Hazelmary Bull v Steven Preddy and Martyn Hall*. Costs were waived as it was not in the public interest to pursue recovery and as the Commission wishes to enhance its relationship with Christian stakeholders and to promote good relations between different groups.

(2010/11: £0k)

19c. Ex-gratia payment

During the financial years 2008/09 to 2011/12 the Commission supported a limited amount of cases under EC Regulation 1107/2006 re Air Travel cases believing that it had this power under s28 of the Equality Act 2006.

The Commission subsequently received counsel's advice that it did not have the power to provide support to these cases. On receipt of this advice the Commission ceased expenditure.

The expenditure on these cases amounting to £56k is classed as an ex-gratia payment. The payments were reported to the sponsor department and to HM Treasury. The Treasury noted that the support resulting in the ex-gratia payments had ceased and retrospectively approved the payments.

20. Events after the reporting period

Public bodies review

In May 2012 the Government published its response to the consultation on the proposals to reform the Commission. The response Building a fairer Britain: reform of the Equality and Human Rights Commission is available from the Home Office website:

<http://www.homeoffice.gov.uk/publications/equalities/government-equality/EHRC-consultation-response>

Spending review

Because of concerns expressed about the reach, effectiveness and value for money of the Commission's provision of equality information, advice and support, which are delivered through a helpline for individuals and strategic and legal grants programmes, a separate review of these activities was carried out by GEO to inform the Spending Review. In light of that review, the Government has decided to stop funding the Commission's grants programmes from 31 March 2012 – when the existing grants programmes are due to come to a natural end. The Home Office is also taking responsibility for the Helpline, together with the associated funding, and is commissioning a new Equality and Advisory Support Service from the private sector. This is due to launch during 2012.

Voluntary exit scheme

In November 2011 the Commission launched a scheme that allowed volunteers to leave under voluntary terms approved by the Cabinet Office. The Commission released 36 employees in 2011/12 and will release a further 48 during 2012/13. The voluntary exit scheme is part of an ongoing process to move the Commission to a size and structure that is appropriate to its future role.

Authorised for issue

The Commission's financial statements are laid before the Houses of Parliament by the Secretary of State for the Home Office. IAS10 requires the Commission to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the accounts are certified by the Comptroller and Auditor General.



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