

Presented pursuant to c.74, s.43 (4) of the Race Relations Act 1976

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# Commission for Racial Equality Account 2004-2005

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# Foreword

## Introduction

This statement of accounts reports the results of the Commission for Racial Equality for the year from 1 April 2004 to 31 March 2005. It has been prepared on an accrual basis and in accordance with the Accounts Direction given by the Secretary of State for the Home Office with the consent of the Treasury in accordance with paragraph 17 of the Race Relations Act 1976 (the Act).

## History

The Commission for Racial Equality is a Non Departmental Public Body established by statute. It is financed by Grant in Aid from the Home Office. In accordance with FRS8 the Home Office is a related party to the Commission. The Secretary of State for the Home Office is answerable to Parliament for the Commission and is responsible for making financial provision for its needs.

The Act provides that the Members of the Commission be appointed by the Secretary of State for the Home Office. The Secretary of State also appoints a Chair with the endorsement of the Prime Minister. On the 21 June 2004 CRE appointed Sheila Rogers as the Chief Executive, who also assumed the Accounting Officer role. On 31 March 2005, Sheila Rogers left the Commission and the Commission's Chairman, Trevor Phillips was appointed dual Chair/Chief Executive and Accounting Officer from 1 April 2005. During 2004-2005 the Commission operated from offices in London, Birmingham, Manchester, Cardiff and Edinburgh.

## Principal activities

The functions conferred on the Commission by section 43 (1) of the Act are

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

In pursuit of these functions the Commission

- a gives financial or other assistance through grants and promotional work to any organisation appearing to the Commission to be concerned with the promotion of equality of opportunity and good relations between persons of different racial groups;
- b conducts formal investigations for any purposes connected with carrying out its statutory duties and makes recommendations as a result of those investigations;
- c gives advice and assistance to individuals;
- d undertakes, commissions or supports (financially or otherwise) research and educational activities; and,
- e issues statutory codes of practice containing such practical guidance as the Commission thinks fit for the elimination of discrimination and the promotion of equality of opportunity between different racial groups.

The Commission exists to work for a just society that gives everyone an equal chance to work, learn and live free from discrimination and prejudice and fear from racial harassment and violence. In pursuit of this the Commission has adopted four key strategic aims

- a to enable delivery of the public duty;
- b to promote racial equality in the private sector, through partnership;

- c connecting with all communities on racial equality issues; and
- d modernising the Commission for Racial Equality.

Full details of the Commission's activities for the period 2004-2005 are contained in the Annual Report 2004. These audited accounts should be read with the Annual Report 2004, which highlights the many achievements of the Commission and shows progress against each of the targets set for each of the four corporate objectives.

The Commission has a responsibility for keeping the working of the Race Relations Act under review and has presented three major reviews of legislation to government. The first in 1985, the second in 1992 and the third in 1998. The third review; reinforced by the recommendations of the Stephen Lawrence Inquiry; resulted in the passing of the Race Relations (Amendment) Act 2000. The Commission has produced the code of practice guidance to enable public sector organisations to implement the Act and the new public sector code. More information on the Race Relations (Amendment) Act 2000 is contained in the Annual Report 2001.

## Commission members

Commission members are appointed under the Act for a period of four years. During the year ended 31 March 2005 the Commission Members were

Trevor Phillips (from March 2003)	Chair
Kay Hampton (from April 2003)	Deputy Chair
Sarah Spencer (from April 2003)	Deputy Chair
Kurshid Ahmed	
Ian Barr	
Cherry Short	
Digby Jones	
Julia Chain	
Jagdish Gundara	
Gloria Mills	
Kamaljeet Jandu	
Mohammed Aziz	
Charles Smith	
Sir Dexter Hutt	

Sheila Rogers was appointed as the Chief Executive and the Accounting Officer on an interim basis on the 21 June 2004 until 31 March 2005. Since then, the Commission's Chairman Trevor Phillips was appointed dual Chair/Chief Executive and Accounting Officer.

## Register of Commission Members' Interests

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

## Corporate governance

This Statement of Accounts includes a Statement on Internal Control on pages 9 and 10.

The Commission takes corporate governance and the principles set out in the Turnbull Report seriously and is always actively seeking to achieve compliance.

Operating and financial systems have continued to be developed throughout the year to respond to and satisfy the Commission's needs. The Commission's systems of internal control have been designed to safeguard the Commission's assets against unauthorised use or disposition, to maintain proper accounting records and to communicate reliable financial information for internal use or publication. While no system of internal control can provide absolute assurance against material mis-statement or loss, the Commission's systems are designed to provide the Commission with reasonable assurance that suitable procedures are in place and operating satisfactorily. The Statement on Internal Control (pages 9 and 10) includes an assessment of the effectiveness of internal control as at March 2005 and also the steps that have been taken since then to continue this process.

During 2004-2005 Home Office Audit and Assurance Unit provided the internal audit services to confirm that governance measures are in place throughout the Commission. Home Office Audit and Assurance Unit were paid £32,808 for the internal audit services for 2004-2005.

The external audit is carried out by the Comptroller and Auditor General who is required to examine, certify and Report on the statement of accounts, and to lay copies of it together with his report before each House of Parliament. The fee for the external audit for 2004-2005 was £48,000.

In keeping with the Code of Best Practice for Board Members of Public Bodies, the Commission operates an Audit Committee. This Committee is chaired by a Commission Member and met three times during the year. A list of Committees of the Commission is given in the Annual Report 2004.

The Commission has an annual Business Plan and Budget, which defines the work targets and expenditure limits for the year. The budget is reviewed throughout the year and revised if considered necessary. Management accounts comparing actual against budget are prepared monthly for executive management. The Finance and Modernisation Committee, which meets every two months, considers the financial results for the period and the Commission Members are kept up to date at their meetings.

Commission Members meet at least six times a year and decide upon the Commission's policy, management, operational structure and performance.

## Results for the year

The accounts for the year ending 31 March 2005 are set out on pages 13 to 16. The Notes on pages 17 to 31 form part of the accounts.

In accordance with schedule 1 paragraph 17 of the Act, the Commission's statement of accounts covers the year ending on 31 March 2005. The Commission's statement of accounts is prepared on an accruals basis in accordance with the Accounts Direction issued to the Commission by the Secretary of State for the Home Office with the consent of HM Treasury.

The Commission received £17.361 million in Grant in Aid in the year ending 31 March 2005, consisting of £16.686 million for employment and running expenditure and £675,000 for capital expenditure. In addition a grant of £14.9 million for winding up the REC pension scheme was agreed by the Home Office.

Net operating expenditure during the year ending 31 March 2005 amounted to £33.603 million (including a £14.9 million pension provision), resulting in a retained deficit in the Income and Expenditure account for the year of £963,000.

As mentioned in the Statement on Internal Control the Commission has taken steps to strengthen its financial management, and is exercising tighter control over spending commitments through closer monitoring of Directorates' actual and budgeted monthly spending and carrying out monthly forecasts. This was further reinforced during 2005-2006.

At 31 March 2005 the cumulative deficit was £1.445 million on the Income and Expenditure Account, and the cumulative surplus was £0.637 million on the Government Grant Reserves.

During the year the Commission transferred £0.675 million to the government grant reserve for capital expenditure and transferred out £0.245 million to the profit and loss account to match the depreciation charges.

## Charitable donations

No charitable donations were made in the year ending 31 March 2005.

## Activities in the year

### Legislating for equality

In May the government published its White Paper, *Fairness for All*, outlining its proposals for a Commission for Racial Equality and Human Rights (CEHR) to replace the existing race, disability and sex equality commissions, with additional responsibility for religion or belief, sexual orientation, age and human rights. CRE conducted a widest ever consultation with a broad range of stakeholders. Their views informed the response CRE made to government in July, in which it stated that this was the wrong proposal at the wrong time. The government has confirmed in the Queen's Speech on the 23 November 2004 that it will establish this body. This will be implemented through the Equalities Bill which was published on the 1 May 2005. It is anticipated that this body will come into operation in 2007 and the Commission will join in 2009.

During the year CRE worked with relevant departments: on legislation to prohibit incitement to religious hatred; the extended legislation to protect against discrimination on the grounds of religion or belief to the provision of goods, facilities, and premises, and to suggest ways in which this legislation might be introduced.

CRE also responded to consultation and gave evidence to the Home Affairs Select Committee on the national compulsory identity card scheme.

### Police formal investigation

On the 16 December 2003, the CRE decided to conduct a general formal investigation of three areas of the police service in England and Wales

- a the recruitment, training and management of police officers;
- b monitoring of these areas by the police service and police inspectorates; and
- c how police authorities and forces are meeting the statutory general duty to promote race equality.

The investigation has been divided into two stages; the first stage was about background research into relevant practices and procedures and hearing evidence from police officers and interested bodies. Stage two was to investigate emerging findings more fully, which included investigation of the new police recruit screening process, training, and the management of racist or potentially discriminatory behaviour. The final report was published in March 2005.

### Gypsy and Traveller scrutiny

In April CRE launched Gypsies and Travellers strategy. The key priority is to secure enough suitable accommodation for Gypsies and Travellers. The strategy also covered

- a improving education and health for Gypsies and Travellers;
- b promoting good race relations through advice to public bodies; and work with the media;
- c taking strategic legal enforcement action, and raising awareness about law in this area;
- d improving ethnic monitoring locally and nationally; and
- e including Gypsy and Traveller issues in all areas of our work.

On 18 October a project was launched to establish the extent to which local authorities are meeting their race equality duty in relation to Gypsies and Irish Travellers. The project will lead to detailed practical guidance for local authorities. The outcome of this project will be published in 2005-2006.

## Post balance sheet events

The government published a White Paper '*Fairness for All*' on the 12 May 2004 proposing a Commission for Equality and Human Rights (CEHR), a single equality and human rights body. The new body will take on the responsibilities of the three existing equality Commissions [the Commission for Racial Equality (CRE), the Disability Rights Commission (DRC) and the Equal Opportunities Commission (EOC)]. In addition it will provide institutional support for equality legislation on sexual orientation, religion, belief and age. The new body's remit will also include providing institutional support for the Human Rights Act, and will promote human rights values and standards more generally.

Following the consultation, it was confirmed in the Queen's Speech on 23 November 2004 that the government will establish the CEHR and the Equality Bill was introduced into the House of Lords on 18 May 2005. The CEHR will have a basic remit to

**Promote equality of opportunity.** The CEHR will work to promote a greater understanding that equality and human rights are important for everyone, and are key foundations of a fair, successful and cohesive society. It will also play an important role in widening understanding and appreciation of the benefits that diversity can bring.

**Challenge discrimination.** As a regulatory body, the CEHR will have a duty to work towards eliminating discrimination. It will challenge unlawful discrimination both through the services that it provides directly, and through supporting other organisations that help individuals secure their right to fair treatment. In some instances it will provide legal representation and support to individuals.

**Promote human rights.** The new body will play an important role in promoting a culture of respect for human rights by providing systematic advice and guidance to public bodies. It will also promote human rights as a framework of core values that can underpin cohesive communities.

**Promote citizenship and a cohesive society.** The CEHR will work at community level as well as at national level to support activities that promote common core values, create a shared understanding of citizenship and help build inclusive communities.

The CEHR will become operational from 2007 but the Commission for Racial Equality will join in 2009. However, the Commission is taking part in the steering group as an observer. The steering group was set up in September 2004 to identify and lead the work needed to establish the Commission for Equality and Human Rights as a fully functioning organisation, including exploring options for the new body, its role, functions, priorities, governance arrangements and structure.

## Compliance with Public Sector Payment Policy

The Commission follows the Better Payment Practice Code. The Commission aims to pay suppliers in accordance with either the payment terms negotiated with them or with suppliers' standard terms, provided that the relevant invoice is properly presented and is not subject to dispute. During 2004-2005 analysis shows that 79 per cent of invoices sampled were paid within 30 days (2003-2004: 92%). This poor performance was due to the transition between accounting systems during the period. The Commission is aware of the need to improve on the number of invoices settled within agreed payment terms and is working towards an improvement.

## Equal opportunities

The Commission is committed to achieving equality of opportunity for all employees and potential employees.

## Staff consultation and development

The Commission is committed to keeping its staff informed of performance, development and progress. Staff involvement is encouraged in the business planning process, through away day, brain storming sessions and the annual staff conference. Training programmes are run throughout the year for all staff with the emphasis on core competency training for all managers. Specialised training is encouraged and financial assistance offered in higher education courses relevant to the Commission's work.

## Disabled employees

The Commission gives full and fair consideration to people with disabilities, having regard to the nature of the employment. The Commission seeks to encourage staff that may become disabled to continue their employment.

## Future developments

In the coming year the Commission will focus on the following top five priorities:

- a to lead a national effort against division within and between different ethnic and racial communities, and to increase their interaction and participation;
- b to work in partnership with public authorities and government to increase race equality in employment and service delivery and positively to influence the shape of legislation and government policy;
- c to create and lead a coalition between the CRE 'family', including RECs, and willing allies in the private, public and voluntary sectors; to develop the capacity of the private and voluntary sectors to work independently of the CRE;
- d to develop a compelling account of racial inequality and division in modern Britain; an understanding of their causes and effects; and to identify the key levers available to reduce them; and
- e to build the CRE's authority, to increase its effectiveness and to raise the Commission's status and credibility with its partners and the media.

Signed on behalf of the Commission for Racial Equality

*Trevor Phillips*  
Chief Executive and Accounting Officer

20 October 2005

# Statement of the Commission's and the Chief Executive's responsibilities for the Statement of Accounts

## The Commission's responsibilities

Under paragraph 17 of Schedule 1 to the Race Relations Act 1976, the Commission for Racial Equality is required to prepare a statement of account for each financial year in the form and on the basis directed by the Secretary of State with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Commission's state of affairs at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Commission for Racial Equality is required to

- observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the statements on a going concern basis unless it is inappropriate to presume that the Commission for Racial Equality will continue in operation.

## The Chief Executive's responsibilities

The Accounting Officer for the Home Office has appointed the Chief Executive of the Commission for Racial Equality as the Commission's Accounting Officer. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

## The Commissioners' responsibilities

The key functions of the Commissioners are to formulate and execute the strategic direction of the business, to set this out in the corporate and business plans and to establish priorities accordingly for senior management.

Signed on behalf of the Commission for Racial Equality

*Trevor Phillips*  
Chief Executive and Accounting Officer

20 October 2005

# Statement on Internal Control

## Scope of responsibility

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

The Commission is funded by the Home Office through the Race Equality Unit (REU) as its sponsoring body.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## Capacity to handle risk

The Commission has a Risk Management Strategy, which forms the basis of a Risk Reduction Plan. The Strategy was developed in 2002 by the senior management team aided by the Commission's internal auditors. This was done through a series of workshops and consultation exercises to enable the identification of all risks applicable to the Commission.

The Strategy was approved by the Audit Committee on 20 January 2003. However, a review by the Commission's auditors in October 2004 outlined additional work that needed to be carried out to ensure risk management is adequately controlled including reviewing risk management procedures in the light of Home Office guidelines. The Commission is currently in the process of improving its risk framework with a view to embedding risk management so that risk management becomes an intrinsic part of the way in which the organisation operates.

## The risk environment

In the Commission the main processes which we have in place for identifying, evaluating and managing risk are incorporated in a Risk Register. This Risk Register identifies the risks facing the Commission at the corporate level. These number 17 in total and are classified into strategic, financial, regulatory/reputational and operational risks. The risks have been incorporated into a Risk Reduction Plan and ownership of each risk assigned at Director level. The review outlined in section 3 also recommended risk management be cascaded from owner level to the persons responsible for implementing action. The Commission has a Risk Champion to act as the facilitator for risk management and to provide a focal point for future risk management activity.

## Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee. Areas of improvement have been identified and a strategy is in place to address these.

On 1 April 2004 the Home Office Audit and Assurance Unit (AAU) was appointed as the internal auditor to the Commission. Reviews carried out during 2004-2005 have included the Financial Control Framework, Risk Management, Corporate Governance and Grant Giving to Race Equality Councils (RECs). With the exception of Corporate Governance all the other audits identified areas where additional work is still needed to ensure adequate controls are in place. Specifically, improvements are required on financial control, risk management, grants to Race Equality Councils, procurement and on business continuity planning.

Corrective action has been put in place to ensure that these issues are addressed and significant progress has been made and most of the recommendations either have been implemented or are in the process of being implemented. The introduction of a new finance and internet purchase ordering system has enhanced and improved management information, controls and procedures in the organisation. The other key tasks where more work needs to be done is the progress towards implementation of monitoring and feedback arrangements on risk management as well as the development and embedding of risk into key objectives. In the meantime the strategic risk register has been reviewed at regular intervals; unit risk registers are also reviewed for consistency and will ensure necessary measures are in place to actively manage the risk.

Work therefore continued throughout the year to heighten awareness of risk. Reporting systems are being developed which are linked in to the business planning process and are being cascaded down through operational plans across the Commission.

The priority for the coming months is to fully integrate risk into the 2005-2006 business planning cycle right down to team level and ensure reporting takes place at regular intervals to the appropriate Committees and management groups. CRE will continue to take the principles of risk management and audit assurance to the heart of the business and the principle set out in Cadbury report together with guidance established more recently by the Turnbull report.

Signed on behalf of the Commission for Racial Equality

*Trevor Phillips*  
Chief Executive and Accounting Officer

20 October 2005

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 13 to 31 under the Race Relations Act 1976. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 17 and 18.

## Respective responsibilities of the Commission, the Chief Executive and Auditor

As described on page 8, the Commission and Chief Executive are responsible for the preparation of the financial statements in accordance with the Race Relations Act 1976 and directions made thereunder by the Secretary of State with the consent of Treasury and for ensuring the regularity of financial transactions. The Commission and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Race Relations Act 1976 and directions made by the Secretary of State with the consent of Treasury made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Commission has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 9 and 10 reflects the Commission's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by HM Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commission and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

### In my opinion

- the financial statements give a true and fair view of the state of affairs of the Commission for Racial Equality at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Race Relations Act 1976 and directions made thereunder by the Secretary of State with the consent of Treasury, and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements

*John Bourn*  
Comptroller and Auditor General

24 October 2005

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## Income and Expenditure Account for the year ended 31 March 2005

	Notes	2004-2005 £	2003-2004 £
<b>Income</b>			
Grant-in-aid and other funding	2	<b>31,586,025</b>	19,648,123
Other income	3	<b>779,383</b>	502,749
		<hr/>	<hr/>
Total operating income from continuing operations		<b>32,365,408</b>	20,150,872
<b>Expenditure</b>			
Salaries and wages	4	<b>(8,545,190)</b>	(9,122,302)
Other operating costs	5	<b>(9,809,264)</b>	(10,683,696)
Unrealised loss on revaluation of fixed assets (computers)		<b>(73,574)</b>	(8,829)
Depreciation	6	<b>(245,334)</b>	(164,799)
Notional cost of capital (average net assets)		<b>(29,316)</b>	(1,342)
		<hr/>	<hr/>
		<b>(18,702,678)</b>	(19,980,968)
Exceptional item (REC pension payment)	10	<b>(14,900,000)</b>	0
<b>Surplus/(deficit) before appropriations</b>		<b>(1,237,270)</b>	169,904
Transfers from reserves		<b>245,334</b>	164,799
Notional cost of capital reversal		<b>29,316</b>	1,342
		<hr/>	<hr/>
<b>Retained surplus/(deficit) for the year</b>		<b>(962,620)</b>	336,045

*The notes on pages 17 to 31 form part of these accounts.*

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	Note	2004-2005 £	2003-2004 £
Retained surplus/(deficit) for the year		<b>(962,620)</b>	336,045
Unrealised surplus/(deficit) on revaluation of assets		<b>(107)</b>	(134)
Actuarial surplus/(deficit)	11	<b>(2,708,000)</b>	(287,400)
Total recognised losses for the financial year		<b>(3,670,727)</b>	48,511
Grant Aid received for capital expenditure		<b>674,525</b>	204,322
Transfers to Income and Expenditure Account		<b>0</b>	(164,799)
Prior period adjustment		<b>0</b>	(1,585,100)
Total recognised gains/(losses) in the period		<b>(2,996,202)</b>	(1,497,066)

*The notes on pages 17 to 31 form part of these accounts.*

## Balance Sheet as at 31 March 2005

	Notes	2004-2005 £	2003-2004 £
<b>Fixed assets</b>			
Tangible assets	6	<b>664,814</b>	303,935
<b>Current assets</b>			
Debtors and prepayments	7	<b>15,785,833</b>	925,751
Stock	8	<b>17,371</b>	32,986
Cash at bank	14	<b>1,692,257</b>	2,973,577
		<b>17,495,461</b>	3,932,314
<b>Creditors: amounts falling due within one year</b>	9	<b>(2,210,659)</b>	(1,683,348)
<b>Net current assets</b>		<b>15,284,802</b>	2,248,966
<b>Total assets less current liabilities</b>		<b>15,949,616</b>	2,552,901
Provisions for liabilities and charges	10	<b>(15,934,002)</b>	(2,003,119)
<b>Net assets excluding pension asset/liability</b>		<b>15,614</b>	549,782
Pension asset	11	<b>0</b>	2,700,000
Pension liability	11	<b>(796,100)</b>	(794,100)
<b>Net assets including pension asset/liability</b>		<b>(780,486)</b>	2,455,682
<b>Capital and reserves</b>			
Income and Expenditure reserve	12	<b>(1,445,300)</b>	2,151,747
Government grant reserve	12	<b>636,601</b>	275,615
Revaluation reserve	12	<b>28,213</b>	28,320
		<b>(780,486)</b>	2,455,682
<b>Total government funds</b>		<b>(780,486)</b>	2,455,682

The notes on pages 17 to 31 form part of these accounts.

Trevor Phillips  
Chief Executive and Accounting Officer

20 October 2005

## Cash Flow Statement for the year ended 31 March 2005

	Note	2004-2005 £	2003-2004 £
<b>Operating activities</b>			
Net cash inflow/(outflow) from operating activities	13	<b>(2,060,703)</b>	(1,794,144)
Servicing of finance		<b>0</b>	0
Other income		<b>779,383</b>	499,073
		<b>(1,281,320)</b>	(1,295,071)
Capital expenditure on tangible assets		<b>(674,525)</b>	(244,275)
Net cash outflow before financing		<b>(1,955,845)</b>	(1,539,346)
<b>Financing activities</b>			
Grant in aid for capital expenditure		<b>674,525</b>	204,322
Financing for pension		<b>0</b>	4,010,000
Invest to save		<b>0</b>	231,069
Receipts from disposal of fixed assets		<b>0</b>	0
Increase/(decrease) in cash		<b>(1,281,320)</b>	2,946,045

*The notes on pages 17 to 31 form part of these accounts*

Trevor Phillips  
Chief Executive and Accounting Officer

20 October 2005

# Notes to the Accounts

## 1 Accounting policies

### a Basis of accounts

The Statement of Accounts has been prepared in accordance with the Accounts Direction given by the Secretary of State for the Home Office with the Consent of HM Treasury. Accordingly the accounts have been prepared in accordance with applicable accounting standards and the form directed in the Executive Non-Departmental Public Bodies Annual Report and Accounts Guidance.

### b Accounting conventions

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stocks where material, at their value to the business by reference to their current costs.

### c Grant in Aid

Grant in Aid received for revenue expenditure is credited to income in the year in which it is received. Grant in Aid for capital expenditure is credited to a Government Grant Reserve. Each year, an amount equal to the depreciation charge on the fixed assets acquired through grant in aid, and any deficit on the revaluation in excess of the balance on the Revaluation Reserve, will be released from the Government Grant Reserve to the Income and Expenditure Account.

### d Other income

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

### e Fixed assets

Intangible and Tangible assets are capitalised when the purchase price is £500 or more. Where fixed assets are acquired utilising grant-in-aid funding, they are capitalised. The grant is accounted for as Government Grant Reserve and released to income over the life of the assets.

### f Depreciation/amortisation

Depreciation/Amortisation is provided on all fixed assets on a straight line basis to write off the cost or valuation evenly over the assets anticipated life as follows

IT Hardware	up to four years
Software systems and licences	three years
Furniture and Office Equipment	five years

### g Revaluation

In order to disclose fixed assets in the balance sheet by reference to current costs, the appropriate index has been applied to each asset. Permanent diminution in the value of fixed assets is charged to the Income and Expenditure Account.

### h Capital charge

In accordance with Treasury Guidance, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account. The charge for the period is calculated using Treasury's discount rate of 3.5 per cent.

*i Stocks*

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

*j Research and development*

Expenditure on research and development is not capitalised and is treated as an operating cost in the year in which it is incurred.

*k Pension costs*

The employees of CRE are covered by the Superannuation Acts 1965 and 1972 and subsequent amendments. Staff are members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme, and the Commission is unable to identify its share of the underlying assets and liabilities. In accordance with FRS17, the income and expenditure account is charged with contributions made in the year. Commissioners are provided with individual defined benefit schemes which are broadly by analogy with the PCSPS and there is also a CRE Pension and Life Assurance Scheme for employees of Race Equality Councils, which is now closed to new members; this scheme is now being wound up completely.

The latter scheme is funded and the other is unfunded, and the Commission is liable for the future payment of pensions. The cost of benefits accruing during the year is charged against staff costs in the income and expenditure account. The increase in the present value of the schemes' liabilities arising from the passage of time is charged to the income and expenditure account after operating surplus or deficit. Actuarial gains and losses are recognised in the statement of total recognised gains and losses, and taken direct to reserves.

*l Leases*

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

*m Provisions*

The Commission for Racial Equality provide for legal or constructive obligations including early retirement costs, redundancy costs, and dilapidation costs which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 3.5 per cent in real terms.

*n Value Added Tax*

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

*o Dilapidations*

The dilapidations provision relates to leasehold premises. The costs are expected to be incurred between 2004 and 2008 (lease break date). A dilapidation provision on vacated buildings is maintained until dilapidation negotiations have been finalised.

**2 Grants**

	2004-2005 £	2003-2004 £
Revenue grant received from Home Office	<b>16,686,025</b>	19,877,678
Transfer to deferred income	<b>0</b>	(229,555)
<b>Total Grant in Aid</b>	<b>16,686,025</b>	19,648,123
Grant for Wind Up of REC pension scheme	<b>14,900,000</b>	0
Revenue grant received from Home Office	<b>31,586,025</b>	19,877,678
Capital grant received from Home Office	<b>674,525</b>	204,322
<b>Total grant received</b>	<b>32,260,550</b>	20,082,000
Transfer to government reserve in respect of fixed asset acquisitions	<b>(674,525)</b>	(204,322)
Release from government grant reserve in respect of depreciation charged	<b>245,334</b>	164,799
Transfer to deferred income	<b>0</b>	(229,555)
	<b>(429,191)</b>	(269,078)

**3 Other operating income**

	2004-2005 £	2003-2004 £
Sport England Grant	<b>140,000</b>	140,000
Bank Interest	<b>145,359</b>	86,334
Sponsorships	<b>0</b>	44,703
Publication Sales	<b>27,776</b>	60,112
Other Sources	<b>131,616</b>	103,249
Raxen Income	<b>75,843</b>	68,351
Secondment Income	<b>258,789</b>	0
	<b>779,383</b>	502,749

**4 Salaries and wages***a Analysis of staff numbers*

The average number of full-time equivalent persons (including senior management) employed during the year, analysed by business activity, was as follows

<i>Directorates</i>	2004-2005 £	2003-2004 £
Corporate affairs team	<b>12</b>	8
Countries and regions	<b>80</b>	83
Strategy and delivery	<b>23</b>	20
Finance and support services	<b>17</b>	14
Organisational development	<b>15</b>	12
Legal and enforcement	<b>43</b>	41
Communications and information	<b>18</b>	15
<b>Total</b>	<b>208</b>	193

The number of other employees (not including secondees), including senior operational staff, whose remuneration, excluding pension contributions, exceeded £40,000 was as follows

	2004-2005	2003-2004
£40,000 - £44,999	9	8
£45,000 - £49,999	2	8
£50,000 - £54,999	4	2
£55,000 - £59,999	2	0
£60,000 - £64,999	2	4
£65,000 - £69,999	0	0
£85,000 - £89,999	0	1
£115,000 - £119,999	0	1
£120,000 - £124,999	1	0
	<u>20</u>	<u>24</u>

*b* Aggregate payroll

	2004-2005	2003-2004
	£	£
CRE's aggregate payroll costs were as follows		
<b>Commission members</b>		
Wages and salaries	98,672	173,977
Social security costs	4,605	15,106
	<u>103,277</u>	<u>189,083</u>
<b>Staff</b>		
Wages and salaries	5,739,636	5,907,260
Social security costs	469,993	401,182
Other pension costs	873,720	1,873,023
	<u>7,083,349</u>	<u>8,181,465</u>
<b>Staff on secondment</b>		
Wages and salaries	642,355	323,588
Social security costs	17,179	41,419
Other pension costs	27,010	43,684
Less Income from secondments	(258,789)	(156,677)
	<u>427,755</u>	<u>252,014</u>
<b>Agency staff</b>		
Wages and salaries	672,020	484,032
Social security costs	0	5,850
Other pension costs	0	9,858
	<u>672,020</u>	<u>499,740</u>
<b>Total employment costs</b>		
Wages and salaries	7,152,683	6,888,857
Social security costs	491,777	463,557
Other pension costs	900,730	1,926,565
Less Income from secondments	(258,789)	(156,677)
	<u>8,286,401</u>	<u>9,122,302</u>
Add back income from secondments	258,789	156,677
	<u>8,545,190</u>	<u>9,278,979</u>

c *Salary and pension disclosure*

The Chief Executive and Directors are appointed through open and fair competition for either a fixed term or open contract depending upon the needs of the organisation. The salary and pension entitlements of the Commission members were as follows

	<b>Salary including performance pay at 31 March 2005 (£000)</b>	<b>Real increase in pension at 60 (£000)</b>	<b>Total accrued pension at 60 at March 2005 (£000)</b>	CETV at 31 March 2004 (nearest £000)	CETV at 31 March 2005 (nearest £000)	Real increase in CETV after adjustments for inflation and market investment (nearest £000)
Sheila Rogers (Chief Executive)	<b>75 - 80</b>	<b>0 - 2.5</b>	<b>0 - 5</b>	0	22	18
Kevin Ross (Director of Finance on secondment from Treasury)	<b>55 - 60</b>	<b>0 - 2.5</b>	<b>0 - 5</b>	20	27	10
Maxine Ayton (Chief Operating Officer)	<b>60 - 65</b>	<b>0 - 2.5</b>	<b>16 - 20</b>	42	50	9
Farzana Hakim (Director of Corporate Affairs)	<b>50 - 55</b>	<b>0 - 2.5</b>	<b>0 - 5</b>	9	16	5
Anthony Robinson (Legal Director)	<b>60 - 65</b>	<b>0 - 2.5</b>	<b>6 - 10</b>	14	26	9
Nick Johnson (Director of Policy and Public Sector)	<b>40 - 45</b>	<b>0 - 2.5</b>	<b>0 - 5</b>	0	3	2
Colleen Harris (Director of Communications on secondment from the Office of the Deputy Prime Minister)	<b>55 - 60</b>	<b>0 - 2.5</b>	<b>0 - 5</b>	11	31	17
Brenda Stern (Director of Private Sector on secondment from Berwin Leighton Paisner)	<b>25 - 30</b>	*	*	*	*	*

\* Member of Berwin Leighton Paisner Pension Scheme

The Salary and pension entitlements of the Commission for Racial Equality's Commissioners were as follows

	Salary, Including pension (£000)	Appointment date	Termination date
Trevor Phillips - Chair	120 - 125	March 2003	February 2007
Khurshid Ahmed	5 - 10	April 2002	March 2006
Mohammed Aziz	0 - 5	February 2004	January 2008
Ian Barr	0 - 5	April 2002	March 2006
Julia Chain	0 - 5	February 2004	January 2008
Prof. Jagdish Singh Gundara	0 - 5	April 2002	March 2006
Kay Hampton	25 - 30	April 2002	March 2006
Dexter Hutt	0 - 5	April 2004	April 2008
Kamaljeet Jandu	0 - 5	June 2000	May 2005
Digby Jones	0 - 5	July 2003	January 2008
Gloria Mills	0 - 5	April 2002	March 2006
Cherry Short	0 - 5	May 2003	March 2006
Charles Smith	0 - 5	April 2004	March 2008
Sarah Spencer	25 - 30	April 2002	March 2006

Special Commissioners, (appointed on a short term basis to assist with the Police Formal Investigation).

David Calvert Smith	55 - 60	December 2003	March 2005
Ravi Chand	10 - 15	December 2003	March 2005
Nuala O'Loan	20 - 25	December 2003	March 2005

During 2004-2005 the Commission paid £54,309 in pensions to six past commissioners. Details of the schemes are given below.

#### *d Pension liabilities*

##### **Retirement Benefits-Principal Civil Service Pension Scheme (PCSPS)**

The PCSPS is an unfunded multi-employer defined benefit scheme. The Commission for Racial Equality is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out on 30 June 2004. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004-2005, employers' contributions of £770,324 were payable to the PCSPS (2003-2004 : £808,765) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. From 1 October 2002, civil servants selected to be in one of three statutory based final salary defined benefit schemes within PCSPS (Classic, Premium and Classic Plus).

#### *i Classic scheme*

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

*ii Premium scheme*

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times their pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump sum of benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's or partner's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

*iii Classic plus scheme*

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Pensions payable under classic, premium and classic plus are increased in line with the Retail Price Index. Employees joining after 1 October 2002 could opt to open a partnership pension account, stakeholder pension with an employer contribution. None of the CRE staff have to date made this choice.

*By-analogy Pension scheme (BBA)*

The Commission for Racial Equality has one unfunded defined benefit scheme. This relates to current and former commissioners. This fund is managed by the Home Office Pay and Pension Section and any pensions are administered by them in accordance with the standard rules (by-analogy with the PCSPS).

The most recent formal actuarial valuations took place as at 31 March 2005 and 31 March 2004.

*Assumptions*

	<b>31 March 2005</b>	31 March 2004
Increase in pensionable salaries	<b>2.5%</b>	3.9%
Increase in pensions in payment	<b>2.5%</b>	2.4%
Gross rate of return (discount rate)	<b>6.1%</b>	6.0%
Price inflation	<b>2.5%</b>	2.4%

*Present value of scheme assets*

	<b>31 March 2005 £000</b>	31 March 2004 £000
Present value of scheme liabilities	<b>796</b>	794

*Analysis of amount charged to operating profit*

	<b>31 March 2005 £000</b>	31 March 2004 £000
Current service cost	<b>18</b>	18

*Analysis of amount charged to other finance charges*

	<b>31 March 2005 £000</b>	31 March 2004 £000
Interest on pension liabilities	<b>46</b>	47

*Analysis of amount recognised in statement of total recognised gains and losses (STRGL)*

	<b>31 March 2005 £000</b>	31 March 2004 £000
Experience gains and losses on the scheme liabilities	<b>(11)</b>	1
Changes in assumptions underlying the present value of the scheme liabilities	<b>19</b>	86
Total actuarial losses/(gains)	<b>8</b>	87

*Movement in Deficit during the year*

	<b>31 March 2005 £000</b>	31 March 2004 £000
Deficit in the scheme at beginning of the year	<b>794</b>	685
<i>Movement in year</i>		
Current service cost	<b>18</b>	18
Employee contributions	<b>4</b>	0
Interest cost	<b>46</b>	47
Benefit payments	<b>(74)</b>	(43)
Actuarial loss/(gain)	<b>8</b>	87
Deficit in the scheme at end of the year	<b>796</b>	794

The actuarial valuation at 31 March 2005 showed an increase in the deficit from £794,100 to £796,100. Contributions are determined as 3.5% of capped pensionable salary.

*History of experience gains and losses*

	<b>31 March 2005 £000</b>	31 March 2004 £000
Experience gains and losses on scheme liabilities	<b>(11)</b>	1
Percentage of scheme liabilities	<b>1.4%</b>	0.1%
Total amount recognised in statement of total recognised gains and losses	<b>19</b>	87
Percentage of scheme liabilities	<b>2.4%</b>	11.0%

**Commission for Racial Equality Pension and Life Assurance Scheme**

The Commission for Racial Equality Pension and Life Assurance Scheme is a funded defined benefit scheme. The most recent formal actuarial valuation took place as at 30 June 2005 as shown below on a cessation basis. The liability arises from CRE Pension and Life Assurance Scheme and the members of that scheme are primarily employed by Race Equality Councils. This fund is managed by Norwich Union and a decision has been made to wind up the scheme as at 31 March 2005.

*Reconciliation to the Balance Sheet*

	<b>31 March 2005 £m</b>	31 March 2004 £m
Market Value of scheme assets	<b>31</b>	24.6
Actuarial value of scheme liabilities	<b>(45.9)</b>	(21.9)
Surplus (deficit) in the scheme - See note 10	<b>(14.9)</b>	2.7

**5 Other operating costs**

	<b>2004-2005 £</b>	2003-2004 £
Rent	<b>1,020,372</b>	785,758
Rates	<b>193,423</b>	187,980
Provision for dilapidations	<b>0</b>	175,848
Provision for compensation for early retirement	<b>170,970</b>	1,697,852
Maintenance, cleaning, heating and lighting	<b>530,673</b>	500,761
Office supplies, printing and stationery	<b>214,379</b>	391,614
Postage and telephone	<b>344,262</b>	330,130
Audit fees - internal	<b>32,808</b>	26,181
Audit fees - external	<b>41,000</b>	50,500
Legal services/professional fees	<b>961,465</b>	627,908
Travel and subsistence/recruitment/staff training	<b>532,191</b>	405,638
Ex gratia payments	<b>26,438</b>	0
Research and library services	<b>263,951</b>	50,212
Race equality council grant	<b>4,249,171</b>	4,373,497
Complainant Aid	<b>0</b>	250,000
Publicity and information services	<b>331,600</b>	111,084
Stock write off	<b>4,000</b>	74,028
Provision for bad debt and bad debt write off	<b>43,052</b>	0
Bad debt	<b>998</b>	0
Conferences, seminars and meetings	<b>107,839</b>	141,380
Bank charges	<b>3,074</b>	0
Insurance	<b>35,538</b>	0
Outsourced provider costs	<b>83,962</b>	0
Miscellaneous	<b>836</b>	82,521
Computer services	<b>617,262</b>	420,804
<b>Total</b>	<b>9,809,264</b>	10,683,696

**6 Fixed assets**

	Computer Equipment	Computer Software	Furniture and Office Equipment	Total
	£	£	£	£
<b>Cost at 1 April 2004</b>	669,129	202,804	268,967	1,140,900
Revaluation	(102,722)	(47,600)	23,270	(127,052)
Loss on revaluation				0
Additions	439,153	222,954	12,417	674,524
Disposal	(195,197)			(195,197)
Transfers				0
<b>At 31 March 2005</b>	<b>810,363</b>	<b>378,158</b>	<b>304,654</b>	<b>1,493,175</b>
Depreciation/amortisation at 1 April 2004	515,855	131,617	189,492	836,964
Revaluation	(53,243)	(23,506)	18,009	(58,740)
Loss on revaluation				0
Provided in the year	133,351	67,649	44,334	245,334
Disposal	(195,197)			(195,197)
Transfers				0
<b>At 31 March 2005</b>	<b>400,766</b>	<b>175,760</b>	<b>251,835</b>	<b>828,361</b>
Net Book Value at 31 March 2004	153,274	71,187	79,474	303,935
<b>Net Book Value at 31 March 2005</b>	<b>409,597</b>	<b>202,398</b>	<b>52,819</b>	<b>664,814</b>

**7 Debtors and prepayments***7a Analysis by type*

	<b>2004-2005</b>	2003-2004
	£	£
<b>Amounts falling due within one year</b>		
Trade debtors	<b>150,975</b>	112,330
less provision for doubtful debts	<b>(43,052)</b>	0
	<b>107,923</b>	112,330
Other debtors	<b>497,206</b>	489,318
Home Office debtor for REC pension scheme wind-up	<b>14,900,000</b>	0
Prepayments and accrued income	<b>280,704</b>	324,103
Total	<b>15,785,833</b>	925,751

7b *Intra-government balances*

	<b>2004-2005</b>	2003-2004
	£	£
<b>Amounts falling due within one year</b>		
Balances with other central government bodies	<b>15,361,750</b>	450,000
Balances with local authorities	<b>5,366</b>	0
Subtotal: Intra-government balances	<b>15,367,116</b>	450,000
Balances with bodies external to government	<b>418,717</b>	475,751
<b>Total Debtors at 31 March 2005</b>	<b>15,785,833</b>	925,751

**8 Stock**

	<b>2004-2005</b>	2003-2004
	£	£
Stock	<b>17,371</b>	32,986

**9 Creditors**9a *Analysis by type*

	<b>2004-2005</b>	2003-2004
	£	£
<b>Amounts falling due within one year</b>		
VAT	<b>1,078</b>	1,748
Other taxation and social security	<b>169,755</b>	0
Trade creditors	<b>740,146</b>	108,137
Other creditors	<b>255,007</b>	260,978
Accruals and deferred income	<b>1,044,673</b>	1,269,185
	<b>2,210,659</b>	1,640,048

9b *Intra government balances*

	<b>2004-2005</b>	2003-2004
	£	£
<b>Amounts falling due within one year</b>		
Balances with other central government bodies	69,546	43,300
Balances with local authorities	6,207	0
<i>Subtotal</i> Intra-government balances	<b>75,753</b>	43,300
Balances with bodies external to government	2,134,906	1,640,048
<b>Total creditors at 31 March 2005</b>	<b>2,210,659</b>	1,683,348

**10 Provision for liabilities and charges**

	a REC Pension Provision £	b Legal Provision £	c Dilapidation Provision £	d Early Retirement Provision £	Total £
At 1 April 2004	0	0	175,847	1,827,272	<b>2,003,119</b>
Provisions made in the year	15,164,508	43,025	0	170,969	<b>15,378,502</b>
Utilised	0	0	(36,461)	(1,411,158)	<b>(1,447,619)</b>
<b>At 31 March 2005</b>	<b>15,164,508</b>	<b>43,025</b>	<b>139,386</b>	<b>587,083</b>	<b>15,934,002</b>

*a REC Pension*

This provision includes £14.9m owing to REC Pension Trustees as the settlement cost for closing down the scheme as mentioned in note 4d, under By–Analogy Pension Scheme. The decision to wind up the scheme was made in agreement with the Home Office, who is providing the necessary funding. The calculation to arrive at the cost was performed by Watson Wyatt, the scheme actuaries. However, in arriving at this, a number of assumptions were made and therefore the final cost may differ. The Commission is confident that there is unlikely to be any short fall and the assumptions made are based on worst case scenario. The final cost will not be known until all the data has been collated and validated; there were some deficiencies with certain membership data, hence the reason for the slight uncertainty. However, any difference to the amount provided is not expected to be significant. In the event of any shortfall, the Commission is under the obligation to meet this but if there is any surplus the Trustees are required to return it to the Commission. This £14.9m is also recorded as a Home Office Debtor in the accounts, see Note 7. The remaining £264,508 of this provision consists of consultancy costs relating to the winding up of the scheme.

*b Legal provision*

The legal provision is in respect of cases CRE agreed to support under s.66 of the race relations act.

*c Dilapidations*

The dilapidations provision relates to leasehold premises. The costs are expected to be incurred between 2005 and 2008 when there is a lease break. A dilapidation provision on vacated buildings is maintained until dilapidation negotiations have been finalised.

*d Early retirement*

The CRE is required to meet the additional costs of benefits beyond the normal pension benefits in respect of employees who retire early. The CRE policy is to provide in full for this cost when the early retirement programme has been announced and is binding on the CRE. This liability includes a provision for redundancy announced in March 2004.

**11 Pension liability**

	2004-2005 £	2003-2004 £
<b>By-analogy scheme</b>		
Opening balance	<b>(794,100)</b>	(685,100)
Current service cost	<b>6,000</b>	(21,600)
Actuarial gain (loss)	<b>(8,000)</b>	(87,400)
<b>Liability at 31 March 2005</b>	<b>(796,100)</b>	(794,100)

£2.7 million was released from the Income and Expenditure Reserve and flows through the Statement of Total Recognised Gains and Losses. This was the actuarial gain on the By Analogy Scheme for the year ended 31 March 2004.

**12 Reserves**

	Income and Government expenditure reserve £	grant reserve £	Revaluation reserve £	<b>Total</b> <b>£</b>
Balance at 1 April 2004	2,151,747	275,615	28,320	<b>2,455,682</b>
Profit for the year	(962,620)			<b>(962,620)</b>
Pension gain				<b>0</b>
Actuarial loss/(gain)	(2,708,000)			<b>(2,708,000)</b>
Grant deferred for additions		674,525		<b>674,525</b>
Grant released for disposals	73,573	(73,573)		<b>0</b>
Released from depreciation		(245,334)		<b>(245,334)</b>
Depreciation due to revaluations		5,368	(107)	<b>5,261</b>
				<b>0</b>
<b>Balance at 31 March 2005</b>	<b>(1,445,300)</b>	<b>636,601</b>	<b>28,213</b>	<b>(780,486)</b>

**13 Reconciliation of operating deficit to the net cash inflow/(outflow) from operating activities**

	2004-2005 £	2003-2004 £
Operating surplus/(deficit) less other income	<b>(1,987,338)</b>	(331,503)
Depreciation	<b>245,334</b>	164,799
Unrealized loss on revaluation of fixed assets	<b>73,574</b>	8,829
Pension provision	<b>14,894,000</b>	1,118,000
Provision for early retirements and dilapidations	<b>(969,117)</b>	1,813,046
(Increase)/decrease in stocks	<b>15,615</b>	81,338
(Increase)/decrease in debtors/prepayments	<b>(14,860,082)</b>	(80,315)
Increase/(decrease) in creditors	<b>527,311</b>	(4,568,338)
Net cash outflow from operating activities	<b>(2,060,703)</b>	(1,794,144)

**14 Analysis of changes in cash shown in the balance sheet**

	2004-2005 £	2003-2004 £
Opening balance	<b>2,973,577</b>	27,532
Increase/(decrease) in cash	<b>(1,281,320)</b>	2,946,045
Closing balance	<b>1,692,257</b>	2,973,577

**15 Capital commitments**

	31 March 2005 £	31 March 2004 £
Commitments contracted	67,091	0
Authorised but not contracted	0	75,876

**16 Commitments under operating leases**

	2004-2005 Buildings	2004-2005 Equipment	2004-2005 Total	2003-2004 Total
Leases expiring				
Less than 1 year	58,500	0	58,500	19,172
Between 2 and 5 years	805,306	56,807	862,113	577,500
Over 5 years	94,000	0	94,000	94,000
<b>Total</b>	<b>957,806</b>	<b>56,807</b>	<b>1,014,613</b>	690,672

**17 Contingencies**

One contingent liability existed at 31 March 2005. This liability is from a court case with which action against the CRE still exists. This contingent liability amounts to £100,000.

**18 Financial targets**

There were no financial targets set for the 2004-2005 year.

**19 Deferred income**

As at 1 April 2004	407,644
Income received	21,306
As at 31 March 2005	428,950

**20 Post balance sheet events**

The Chief Executive, Sheila Rogers, secondment to the Commission ended on 31 March 2005. In the interim period, Trevor Phillips will again be taking on the dual role of Chairman and Chief Executive/Accounting Officer.

The government published a White Paper 'Fairness for All' on the 12 May 2004 proposing a Commission for Equality and Human Rights (CEHR), a single equality and human rights body. The new body will take on the responsibilities of the three existing equality Commissions [the Commission for Racial Equality (CRE), the Disability Rights Commission (DRC) and the Equal Opportunities Commission (EOC)]. In addition it will provide institutional support for equality legislation on sexual orientation, religion, belief and age. The new body's remit will also include providing institutional support for the Human Rights Act, and will promote human rights values and standards more generally. Following the consultation, it was confirmed in the Queen's Speech on 23 November 2004 that the government will establish the CEHR and the Equality Bill was introduced into the House of Lords on 18 May 2005. The CEHR will become operational from 2007 but the Commission for Racial Equality will join in 2009. However, the Commission is taking part in the steering group as an observer. The steering group was set up in September 2004 to identify and lead the work needed to establish the Commission for Equality and Human Rights as a fully functioning organisation, including exploring options for the new body, its role, functions, priorities, governance arrangements and structure.

**21 Related party transactions**

The Home Office is considered to be a related party to the Commission. During the year ended 31 March 2005, the Home Office provided the CRE with Grant in Aid of £17,360,550. There were no other related party transactions entered into by the CRE, its managerial staff or other related parties during the financial year ended 31 March 2005.

## 22 Financial instruments

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

### *Liquidity risk*

The Commission's liquidity risk is low – as a NDPB it is underwritten by the Home Office. The levels of capital expenditure are managed from grant in aid received from the Home Office.

### *Interest rate risk*

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

### *Foreign currency risk*

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

## 23 Losses and special payments

<b>Losses statement</b>	£
Losses - 2 cases	47,051.43
Special payments - 1 case	4,750.00

### **Details of special payments**

During 2004-2005 one special payment was made to settle a compensation claim against the Commission.

### **Details of losses**

During 2004-2005, it was decided to write off stock worth £4,000 and debtors amounting to £43,051.43 as these were considered non-recoverable.

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