

Annual Report and Accounts

1 April 2010 –
31 March 2011



**Equality and
Human Rights**
Commission

Equality and Human Rights Commission Annual Report and Accounts 1 April 2010–31 March 2011

Annual Report presented to Parliament
pursuant to paragraph 32 of Schedule 1
to the Equality Act 2006

Accounts presented to Parliament
pursuant to paragraph 40 of Schedule 1
to the Equality Act 2006

Ordered by the House of Commons
to be printed on 24 November 2011

© Equality and Human Rights Commission 2011

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Equality and Human Rights Commission copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at www.equalityhumanrights.com.

This publication is also available for download at www.official-documents.gov.uk and is also available from our website at www.equalityhumanrights.com.

ISBN 9780102975130

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID P002460998 11/11

Printed on paper containing 75% recycled fibre content minimum.

Contents

| | |
|---|-----|
| Foreword from the Chair | 1 |
| Chief Executive's review: Key events and achievements in the financial year 2010/11 | 5 |
| About the Equality and Human Rights Commission | 12 |
| Delivering our strategic priorities in 2010/11 | 14 |
| Board of Commissioners | 31 |
| | |
| Annex 1: Committee members | 35 |
| Annex 2: Employee environment | 37 |
| Annex 3: How we performed against our business plan's 12 key targets | 42 |
| Annex 4: Statutory committee reports | 49 |
| Annex 5: Management commentary | 60 |
| Annex 6: Remuneration report | 68 |
| | |
| Statement of Accounts 1 April 2010-31 March 2011 | 80 |
| Statement of Accounting Officer's responsibilities | 81 |
| The Equality and Human Rights Commission's Accounting Officer's statement on internal control | 82 |
| The certificate of the Comptroller and Auditor General to the Houses of Parliament | 88 |
| The report of the Comptroller and Auditor General to the Houses of Parliament | 91 |
| Statement of Comprehensive Net Expenditure for the year ended 31 March 2011 | 97 |
| Statement of Financial Position as at 31 March 2011 | 98 |
| Statement of Cash Flows for the year ended 31 March 2011 | 99 |
| Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011 | 100 |
| Notes to the financial statements for the year ended 31 March 2011 | 101 |

Foreword from the Chair

Achieving improvements in equality and human rights in a changing environment.

The financial year 2010/11 was a period of change for the Equality and Human Rights Commission (the Commission), as we adapted to new legal, economic and political circumstances.

These new circumstances may have led some to conclude that this might be a moment to pause in the pursuit of more progress on equality and human rights. We believe the opposite is true. First, more effort to ensure equality and inclusion is a prerequisite to a sustainable recovery that engages the effort and talents of the whole population. Second, our research and experience shows strongly that the moral case for fairness in a diverse society is more strongly supported across all social groups and in all political traditions than at any time in recent decades.

That does not mean, of course, that the Commission can be complacent about its future, role or resource base.

The government, understandably, took a pretty serious look at whether non-departmental public bodies like our own should continue to exist. It was pleasing to come through that process with a firm recognition from the Secretary of State that the work we do is vital and must be protected.

Of course, like other public bodies we are looking at how we ensure that we provide the best possible value for public money while maintaining the principle that our independence is both crucial to our work and central to our status as an A-rated National Human Rights Institution.

One of the moments last year in which we took most pleasure was our re-accreditation with this status – a demonstration that we function as a top-level human rights body in compliance with the Paris Principles.

But there were many other milestones in 2010/11 from which the organisation can draw a great deal of pride; milestones which showed us putting into practice the way we intend to work in the future.

We published our first Triennial Review, *How Fair Is Britain?*. Every three years the Commission is required to report to Parliament on the progress that Britain is making towards the vision of a society at ease with its diversity, where every individual has the opportunity to achieve their potential, and where people treat each other with dignity and respect.

The Review brings together evidence from a range of sources, including Census data, surveys and research, to paint a picture of how far what happens in people's real lives matches up to the ideals of equality. The review was the most thorough exercise of its kind ever carried out in the UK, and the hard work of our staff was rewarded by a positive welcome from our partners, public and the media. The Review's subsequent popularity is illustrated by the fact that the total number of page views and downloads for *How Fair is Britain?* since its launch to date is 194,873. Its importance to government has been illustrated by the fact that we have been asked to provide copies to government to help develop spending strategies in the run up to the 2012 spending review.

Early in the financial year the Equality Act 2010 came into force, and the Commission produced comprehensive Codes of Practice on Employment, Services and Equal Pay in line with our statutory powers. We also produced several pieces of non-statutory guidance for employers, staff, education providers, service users and service providers. This guidance covered the new public sector equality duty, helping public authorities to meet the duty.

Elsewhere, we launched an Inquiry into the protection and promotion of human rights of older people in England who require or receive home-based care and support. The Inquiry will look at the effectiveness of the English care and support system in protecting and promoting the human rights of older people requiring or receiving home-based care and

support. It will aim to provide clarity and confidence for all who have rights and responsibilities that human rights are being robustly and comprehensively protected.

The Commission continued to support and intervene in legal cases which have strategic importance. Over the year, these included the case of *Preddy & Hall v Bull and Bull*, giving people in civil partnerships greater protection from discrimination, and the case of *Geraldine Furbear*, who claimed she was dismissed from her job because she was pregnant.

We also worked with police forces using their stop and search powers in a way that is disproportionate and possibly discriminatory. Of five police forces examined, we warned two that enforcement action might follow. We have been working closely with these forces to help them use this tactic in a more proportionate way and the signs are that this cooperative approach has already produced change.

The Commission is now at a new stage of its life. The formal processes of merging the legacy Commissions has been completed, and adoption of our new responsibilities has started to produce valuable and groundbreaking pieces of work to reflect our new role.

At the same time, the Commission is facing fresh challenges. The nature of the society we represent and the organisations that we are providing leadership to is shifting around us, and public and organisational attitudes have changed. We too are changing, and that change will be reflected in the process of consulting on our formal strategy for 2012-15 which will be published in early 2012.

The Equality Act 2010 gives us a new platform from which to promote change in equality and human rights. It has rationalised the law and encouraged greater transparency; and has created a modern foundation for our next strategic period.

In previous years, the Commission's accounts have been qualified by the Comptroller and Auditor General. I am pleased to report that following the significant steps taken by the board and senior management team, the National Audit Office has been able to give an unqualified audit opinion for this year. However, the Board remains committed to taking further measures to strengthen our financial management and ensure that the Commission delivers the maximum value for the money it receives from taxpayers.

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

Trevor Phillips OBE, Chair

Chief Executive's review: Key events and achievements in the financial year 2010/11

Over the course of the 2010/11 financial year, the Equality and Human Rights Commission achieved real successes, and began the process of reforming itself into an effective, modern, evidence-based regulator.

During the year the Commission helped to shape a landmark Equality Act which came into force on 1 October 2010. Working with our partners, we also shaped the content of a new public sector equality duty which came into force on 5 April 2011.

To support the implementation of the new Act we published three statutory codes of practice on Employment, Equal Pay and Services, Public Functions and Associations and also produced a comprehensive range of non-statutory guidance for individuals, employers and service providers. We also launched a new interactive guidance centre for the Equality Act which was one of the most visited areas of our website in 2010/11.

The Commission published guidance explaining what public authorities in England and non-devolved bodies in Scotland and Wales have to do to comply with the new public sector equality duty. This included a practical guide to help decision makers put fairness and transparency at the heart of the difficult financial decisions following the Spending Review.

We worked in cooperation with public bodies to help them comply with the previous public sector equality duties and prepare for the new duty.

In November the Commission commenced a formal independent assessment of the extent to which HM Treasury (HMT) has met its legal obligations to consider the impact on protected groups of decisions contained in the Spending Review. The assessment provided an

opportunity for us to continue our constructive work with HMT to evaluate what it had done to comply with legislation and identify further opportunities for improvement.

In March the Commission launched Stop and Think, a comprehensive review of the use of stop and search powers by police forces across England and Wales over the past 10 years. This identified that two forces, Thames Valley Police and Leicestershire Constabulary, had significant and persistent race differences in their use of stop and search. The Commission has since entered into agreements for improvement with these forces, which will be monitored over the next 18 months.

During the year we entered into a voluntary agreement with the Department of Health, agreeing a framework for action and action plan to demonstrate how it is improving its overall performance on equality.

The Commission undertook research to examine what action primary and secondary schools in England and Wales, including academy and faith schools, have taken under race, gender and disability equality duties to improve outcomes for pupils. Our findings will be published in 2011/12 and we will collaborate with key policy-makers, such as the Department for Education and OFSTED, to take this work forward.

Throughout 2010/11, we continued to provide individuals with information empowering them to seek redress where they had suffered discrimination.

The Commission successfully intervened in strategically important human rights cases. The results of our actions included: clarifying that human rights protection extends to members of the armed forces on army bases abroad, but not when they are off base; that social landlords have an obligation to consider whether an eviction is proportionate to the landlord's desire to use the property in whatever way they see fit; and that homosexual 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.

As well as this, the Commission launched and carried out a number of inquiries throughout the year. These included an investigation into how disability-related harassment is being addressed by public authorities; the human rights of people aged over 65 requiring or receiving home-based care; and the nature, extent and causes of human trafficking in Scotland. We also carried out follow-up work in relation to our inquiries into the meat and poultry sector and the financial services sector and construction industry.

During 2010/11 the Commission gained re-accreditation as a National Human Rights Institution (NHRI) body and continued to raise the profile of human rights in Britain by implementing the recommendations of our Human Rights Inquiry.

We played an active role in the debate about the reform of the Human Rights Act and responded to the government's Green Paper on the Bill of Rights, stressing that any future legislative developments have the rights and remedies of the Human Rights Act at their heart, to ensure that the protection it provides is retained.

As an NHRI we have a role to monitor the United Kingdom's compliance with international human rights conventions and have developed a United Nations Treaty Monitoring Scorecard to fulfil this responsibility.

The Commission also marked International Human Rights Day with a celebration of the achievements of 'human rights public service defenders', individuals who in their day-to-day jobs act to defend discrimination, and the publication of Fulfilling the Paris Principles; a report highlighting our achievements as an NHRI.

We also played a key role in holding the government to account on specific human rights issues, including the political implications of the use of body scanners, the retention of information about people found

innocent of any crime on the DNA database and the guidance given to security service personnel on the use of information which may have been gained as a result of torture.

This year we published our first triennial review, *How Fair is Britain?*, which constitutes the most comprehensive compilation of evidence on discrimination and disadvantage in Britain ever undertaken. To date it has been downloaded over 13,658 times with 10,000 downloads of the associated video and has been used as part of the evidence base for the government's Equalities and Social Mobility Strategies.

To support the Triennial Review, we consulted a wide range of partners to develop and populate our Equality Measurement Framework and published a Good Relations Measurement Framework. Frameworks for human rights and children's rights are due for completion in 2011/12.

We also started planning our Human Rights Review, which will focus on issues that seriously affect people and their life chances. The report will act as a follow-on to *How Fair is Britain?* and will look at the evidence base for the rights contained in the Human Rights Act. Working within the Human Rights Measurement Framework, the review will bring together available data and other evidence to establish which human rights issues are priorities for the Commission, government, public authorities and others. It will do this by looking across the Articles within the Human Rights Act and reporting on thematic human rights concerns in England and Wales.

Our campaigns included *Here for Business*, which provided advice and support to small and medium sized enterprises on flexible working and good employment practices, while *Know your Rights to Fly* raised awareness of the rights of disabled people to receive assistance when flying within Europe.

We also published a guide to the UN Convention on the Rights of Disabled Persons (UNCRDP) to make disabled people aware of what their rights are and how to use them. It will also help people to challenge

injustices and improve services for themselves and others and will help organisations understand what their responsibilities are.

In 2010/11 the Commission continued its programme of reform, the Medium-Term Operational Review or MTOR. The MTOR sought to reduce the organisation's headcount to approximately 400 staff and refresh the organisation design which had remained largely static since the formation of the Commission in 2007. A significant amount of design work was done on new functional areas such as Regulation and Intelligence, taking forward some of the changes to the Commission's remit made in the 2010 Equality Act. In addition, relevant Human Resources policies were put in place or improved, such as for assimilation and job changes.

During the period the Spending Review settlement made clear that a headcount of 400 would be unaffordable in the long term. This, combined with emerging thinking on the Commission's changing role away from hands-on intervention towards coordinating and commissioning, led to an expansion of the change project into the Reform programme, which was launched in February 2011. The Reform programme will run throughout 2011/12 to deliver a new organisational design alongside the 2012-15 Strategic Plan and changes to the Commission's operating model, ways of working and governance arrangements.

Rather than abandon the MTOR at the inception of the Reform programme and waste the work that had been done, a transitional review was undertaken to establish which aspects of the MTOR proposals could be implemented during 2011/12 to bring operational benefits without putting staff or delivery at risk.

This resulted in the reconfiguration of the Strategy and Communications directorates into Regulation and Intelligence & Engagement, creating a clear distinction between research and operations. It also resulted in the merger of the Finance and Business Planning functions, closer working between ICT and Estates, and plans for rationalisation of the

Commission's regional presence. In this way the delivery of business during 2011/12 was given the best possible start in a prevailing context of imminent and dramatic change.

Business in 2011/12 was also aided by our delivery, in 2010/11, of a new business plan for the organisation. The plan set out that, in 2011/12, our focus would be on: ensuring familiarity and compliance with the Equality Act 2010: protecting the individual: driving the performance of organisations: and ensuring fairness in a time of austerity. We will be developing our regulatory capacity to become an evidence-led champion, an effective outcomes-focused regulator and an expert leader. We want to enhance our effectiveness as an 'A' status NHRI and also undertake a major programme of organisational reform.

In previous years the Commission's accounts were qualified by the Comptroller and Auditor General (C&AG) in respect of irregular payments which resulted from deficiencies in the Commission's system of internal control. As a result of the significant improvements we made to the financial management of the Commission during 2010/11, I am pleased to report that the C&AG has been able to give an unqualified audit opinion for the year.

While the C&AG has given an unqualified audit opinion for the year, he also reports the continuing effects of poor procurement practice in earlier years.

The Commission recognises that it needs to continue to strengthen its financial procedures and is committed to taking further measures to improve its corporate governance in this area.

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

The Commission has run a voluntary exit scheme in the latter part of 2010/11 and 45 staff left the commission by the end of June 2011. In order to make future cost savings, further reductions in staffing will be required during 2011/12.

In order to ensure that our staff are working as effectively as they can, the Senior Management Team (SMT) has also strengthened and supported the cross-organisation collaboration of Directors. Our Senior Leadership Team (SLT) regular meetings with Directors and Group Directors developed a programme of activities to improve the operational performance and planning of work and to facilitate and support organisational change and management.

I believe that the Commission emerged from 2010/11 in a significantly stronger position, both in terms of internal control and in terms of its ability to deliver its Business Plan.

Mark Hammond, Chief Executive Officer

About the Equality and Human Rights Commission

Our mission

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

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

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

The Commission has duties and powers to:

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

- act directly to enforce legislation.

Our management structure

In the financial year 2010/11:

- 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 OBE, was 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 Accounting Officer was responsible for business delivery and for advising the Board on emerging strategic priorities. Interim Chief Executive Helen Hughes, Group Director Corporate Management at the Commission, undertook the duties of the Commission's Accounting Officer until a permanent appointment was made in June 2011.
- The Commission's three statutory committees for Disability, Wales and Scotland were each chaired, respectively, by: Mike Smith (following his appointment as a Commissioner from 4 December 2009); Ann Beynon OBE (following her appointment as Wales Commissioner on 4 December 2009), and Kaliani Lyle (with effect from her appointment as Scotland Commissioner on 29 March 2010).

Delivering our strategic priorities in 2010/11

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

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

Our 2010/11 business plan set 10 key delivery targets for the Commission to support the delivery of these priorities. Annex 3 summarises the targets, and shows how we have delivered against them. The following chapter sets out what the Commission pledged to achieve in 2010/11, and what we have delivered.

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

The Commission believes that the Equality Act 2010, which came into statute on the 8 April 2010, provides a strong basis from which to tackle many of the deep-rooted structural causes of inequality. One of our major focuses for 2010/11 was to help individuals, employers and public bodies understand their new rights and responsibilities under the Act.

During 2010/11 the Commission published the first statutory Codes of Practice in support of the Equality Act around Employment, Equal Pay

and Services, Public Functions and Associations. These Codes provide detailed explanations of the provisions in the Act and to apply legal concepts in the Act to everyday situations. We have also produced in support of the Act non-statutory accessible guidance for employers, workers, service providers, service users and education providers, which has been informed by key equality organisations, business representatives and other interested parties.

Working with others we influenced the content of the new public sector equality duty, which came into force in April 2011. The new duty reduces bureaucracy, increases impact and extends the protected characteristics to cover: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, gender and sexual orientation. We have also responded to the Government Equalities Office (GEO) consultation on the new specific duties, which will have a significant impact on the way we monitor and enforce compliance.

In advance of the new public sector equality duty coming into force, we issued guidance for public authorities in England (and bodies with non-devolved functions in Scotland and Wales) which covered what public authorities should do to meet the duty. The guidance was based on the then draft specific duties, which have now been revised. We will publish revised guidance in 2011/12 along with separate Codes of Practice on the duty for England, Scotland and Wales.

During 2010/11 the Commission gained reaccreditation as a National Human Rights Institution (NHRI) body. As an accredited A-status NHRI, the Commission has an obligation to protect and defend human rights legislation and to work to expand human rights protections in Britain.

In March 2011 the government announced the launch of an independent Commission to investigate the case for a UK Bill of Rights. We have therefore set out our minimum expectation that any reform of human rights law should build upon the rights and protections currently in the Human Rights Act and will continue to make the case that any new Bill

of Rights must extend these further. We have also carried out research on international best practice on the development of Bills of Rights which we will use to inform our submission to the Commission on a Bill of Rights.

In retaining our A status as a National Human Rights Institution (NHRI) we have actively engaged in peer networks including the International Co-ordinating Committee of NHRIs (ICC) and the European Network of Equality Bodies (EQUINET). We have continued to shape the debate on human rights legislation through submissions to the Council of Europe on reform of the European Court of Human Rights.

As Britain's NHRI we have continued to promote the full implementation of the United Nations (UN) Human Rights Treaties to which the UK is bound and to the ratification of international Human Rights Treaties. One of our key roles is to monitor the UK government's compliance with the all seven of the UN human rights treaties the UK has signed (on children, women, and disability, race, torture, civil and political rights, and social, economic and cultural rights).

In support of this we have published an online scorecard of the UK's progress in relation to the treaties. We have also begun work on our independent shadow reports on the UK's performance regarding its treaty obligations for the forthcoming UK examinations under the Convention against Torture (CAT), the Convention for the Elimination of All Forms of Racial Discrimination (CERD), the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the Convention on the Rights of People with Disabilities (CRPD). The Commission's shadow report on the UK's compliance with the CERD will be submitted to UN CERD Committee in August 2011.

We have also submitted a statement to the CERD Committee regarding the Early Warning and Urgent Action procedure against the UK for the Dale Farm evictions in August 2010 and initiated work on CEDAW general recommendation of the rights of older women and the proposed new ICCPR recommendation on freedom of expression.

In support of the UN Convention on the Rights of Disabled People (UNCRPD) we have published a guide for disabled people and disabled people's organisations, and events have been held across the country (in Scotland in partnership with the Scottish Human Rights Commission) to raise awareness and to find out disabled people's priorities in relation to the Convention. We also published Rights of Way, a report examining how the Convention relates to the rights of people with disabilities in Wales.

During 2010/11 we have written to the UK government on specific human rights issues including:

- the use of body scanners, expressing concerns the absence of safeguards to ensure body scanners are operated in a lawful, fair and non-discriminatory manner and that body scanners already in place may be breaking the law as well as breaching passengers' right to privacy
- the retention of information on DNA database suggesting that a balance needs to be struck between the aim of detecting and preventing crime and the competing public interest of protecting individuals' right to privacy to comply with the European Convention on Human Rights, and
- the guidance on torture, questioning whether it does enough to protect officers in the field from criminal personal liability in situations where they may, unwittingly be liable for crimes committed and condoned by others.

In 2010/11 the Commission pursued 66 strategic legal actions and interventions. As part of this work we have supported a number of landmark cases which have clarified or challenged the law around equality, including:

- The landmark case of Martin Hall and Steve Preddy v Peter Bull and Hazel Bull; one of the first brought under new equality laws; where civil Partners Martyn Hall and Steve Preddy sued Peter and Hazel

Bull, owners of a private hotel in Cornwall, for refusing to let them share a double room because they were a gay couple.

- A legal victory for pregnant women in the armed forces, where a female officer brought a case against the Royal Air Force in which she claimed she was removed from her job and had her promotion prospects delayed because she was pregnant. The Tribunal found that the officer had been discriminated against and awarded her more than £16,000.

We have successfully intervened in important human rights legal cases, where we have established that:

- human rights protections extends to members of the armed forces on army bases abroad, but not when they are off base; and where there is an indication that the state may be responsible for a death occurring on an army base, a full inquest must be held
- homosexual asylum seekers should not be made to return to their homeland if they would be forced to conceal their sexuality or face persecution, and
- social housing tenants should be provided with better protection - such as the right to a private and family life and right to a fair trial - when facing an eviction order.

We have also continued our legal action against the British National Party (BNP), establishing that their membership criteria, which excluded people on the basis of race, was unlawful. During 2011/12 we will continue to monitor any changes to the BNP's constitution to ensure membership is made genuinely accessible.

We remained committed to shaping future European Union (EU) equality legislation as well as monitoring the effectiveness and implementation of existing EU equal treatment directives. We published a paper and worked with stakeholders to ensure the European Union Article 19 Directive strengthens domestic equalities legal protection.

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

During 2010/11 the Commission has continued to use its regulatory powers to improve the performance of the private, public and voluntary sectors in relation to equality and human rights.

In the face of public spending reductions we have engaged with and guided decision-makers to recognise and give due regard to the likely impact on equality, human rights and good relations when making spending decisions.

In November 2010 we announced that we would undertake a statutory public sector assessment using our section 31 powers to look at the extent to which HM Treasury had met its obligations when considering the impact of the decisions contained in the 2010 Spending Review on protected groups. The assessment is an opportunity for the Commission to continue its ongoing constructive work with the Treasury to evaluate what steps it undertook to comply with the public sector equality duties and identify any potential opportunities for improvement. This process will enable lessons to be learnt across government to improve outcomes for protected groups by putting fairness and transparency at the heart of difficult decisions.

To help ensure that public authorities assess properly the impact their financial decisions could have on equality we have produced guidance for practitioners on how to assess the impact proposed changes to policies, procedures and practices could have on equality and for leaders and decision-makers on how to use the equality duties to make fair and transparent financial decisions. This guidance sets out what is expected of them and others to comply with the public sector equality duties and will also be helpful to voluntary and community groups, trade unions and individuals in helping them hold decision-makers to account.

We have also begun an exercise to monitor how local authorities are paying due regard to the equality duties when making financial

decisions. This is focused on three areas: services targeting violence against women, funding to organisations providing information and advice to ethnic groups on areas such as discrimination and employment law, debt management and housing and transport services used by disabled people that enable them to access employment, education and social participation.

In August 2010, we published *Counting the Cost*, following an examination into the extent to which local authorities in Scotland have considered their public duties when making funding decisions. The findings have significant implications, particularly given the current economic climate. The report showed that there was a lack of any effective decision making processes, including very few, if any, equality impact assessments carried out while making funding decisions. As a result the Commission in Scotland published guidance to public bodies, highlighting the need to ensure equality and fairness are central to the decision making process about cuts in public spending.

The Commission in Wales has also worked in partnership with the Welsh Assembly Government's Ministers on Equality Impact Assessments (EIAs). The Welsh Assembly Government has published its EIA of their budget and the Commission has written to CEOs of local authorities to emphasise the need to assess the impact of spending decision on equality outcomes.

We have also worked in cooperation with targeted public bodies such as police forces, the Department of Health, and schools to drive up their compliance with the previous public sector equality duties and prepare for the new duties.

For example, in March 2010, the Commission published *Stop and Think* a comprehensive review of the use of stop and search powers by police forces across England and Wales. The report concluded that a number of police forces were using stop and search powers in a way that is disproportionate and possibly discriminatory. Two police forces, Thames Valley and Leicestershire Constabulary in particular had significant and

persistent race differences in their use of stop and search. We have now entered into a binding agreement with both forces which will be monitored for the next 18 months. Thames Valley has already reported a decrease in race disproportionality. Three other police forces are also being engaged as part of the review.

In September 2010 we entered into an informal agreement with the Department of Health to improve their compliance with the public sector equality duties. A framework for action was agreed showing how they will pay due regard to equality in mental health policy and public health and how improve their overall performance on equality. The agreement requires them to report progress against implementation of the action plan quarterly.

An informal assessment into the compliance of Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) in England with the public sector duties has also been completed and the findings will be published in 2011/12.

We have also undertaken research to examine what action primary and secondary schools in England and Wales, including Academy and faith schools, have taken under race, gender and disability equality duties to improve outcomes for pupils. Our findings will be published in 2011/12 and we will collaborate with key policymakers, such as the Department for Education and OFSTED, to take this work forward.

We recognise that with over 40,000 public sector organisations across the UK, an effective approach to support the implementation and regulation of the new public sector equality duty requires strong partnerships with other regulators and inspectorates.

In 2010/11 we have continued to build on our Memorandum of Understanding with the Care Quality Commission (CQC) developing joint guidance on equality and human rights for CQC inspectors and assessors. We have also established partnerships with HM Inspectorate

of Policing, HM Chief Inspector of the UK Borders Agency and HM Inspectorate of Policing (Scotland).

We remain committed to identifying and addressing the structural causes of discrimination, taking action to challenge human rights risks and violations and fostering a culture of respect for equality and human rights. In the course of the year the Commission has conducted three formal inquiries into human rights issues.

In December 2009 the Commission launched its Formal Inquiry into disability-related harassment in England, Scotland and Wales and how public authorities are protecting disabled people's human rights to live free from violence and abuse. The Commission's previous research, *Promoting the Safety and Security of Disabled People*, found that disabled people are at greater risk of experiencing violence and hostility than the wider population. The Commission completed its evidence-gathering in 2010/11, which included a general call for evidence, public hearings with public authorities, transport operators and meetings with disabled people and their organisations across England, Scotland and Wales. It concluded with individual focus group work with disabled people from a variety of backgrounds. The Commission will report on the inquiry findings and recommendations in September 2011.

The Commission is also conducting a major inquiry into home care, which is investigating how well the home based care and support system in England is protecting the human rights of people over 65. Our emerging findings have found that basic human rights are being overlooked in the provision of care at home. The full report will be published in November 2011.

Our evidence for the home care inquiry has been drawn from several sources including a general call for evidence from older people, families, care workers and NGOs; a targeted call for evidence from government which is still in progress, regulators and other key organisations; and surveys undertaken with local authorities and primary care trusts, and home care providers. Fifty-four per cent of local authorities and 250

homecare providers in England participated in the surveys and we received a total of 503 written submissions to our call for evidence.

At the start of this year we also launched an inquiry into human trafficking in Scotland with a particular focus on commercial and sexual exploitation. The inquiry aims to identify the nature, extent and causes of human trafficking in Scotland and assess whether Scotland is meeting international and domestic human rights obligations to prevent and prohibit trafficking, prosecute traffickers, and protect its victims. The Inquiry is due to report in late September, and the findings will be launched subsequently.

During 2011/12 we also conducted follow up work in relation to our previous inquiries into gender discrimination in the financial services sector, the causes of ethnic minority underrepresentation within the construction industry and the inequality of treatment of agency staff in the meat and poultry processing industry.

The Commission published its findings of its inquiry into the causes of ethnic minority underrepresentation within the construction industry in July 2009. A number of recommendations were made to address key issues identified, ranging from formal training and education, recruitment and contracting, retention, unlawful discrimination, monitoring and influencing change. In conjunction with industry leaders a follow-up action plan was published in February 2010 which included the launch of a Construction Leadership Diversity Forum made up of leading industry firms as well as key bodies such as Confederation of British Industry (CBI), Federation of Small Businesses (FSB) and the British Chamber of Commerce.

Our inquiry into recruitment and employment in the meat and poultry Sector in England and Wales revealed widespread mistreatment and exploitation of migrant and agency workers. A number of recommendations were made to the key bodies - supermarkets, recruitment agencies, processing firms, government, regulators and trade unions to encourage a systemic change in behaviour. A taskforce

made up of key stakeholders in the meat- and poultry-processing sector has been established to take forward the recommendations and develop practical solutions to the problems identified. The task force has now developed industry specific guidance on recruitment and employment, identified equality performance measures for the industry and planned a formal review into the extent of industry change.

In September 2009, the Commission published the findings of its inquiry into gender discrimination in the financial services industry, which revealed stark inequalities in gender pay. In 2010/11 the Commission worked collaboratively with a range of finance companies, industry associations, leaders and trade unions to develop targeted solutions to address the gender inequalities. Three key thematic improvement areas were identified which are transparency of reward, the management of gender inequalities, and effective engagement with employees who are also parents. The Commission is working closely with City HR Association, which brings together senior practitioners in the sector, to facilitate progress in these areas. A follow-up report to the inquiry will be published in 2011, to promote actions based on these three themes.

We are also working in partnership with others to raise awareness and build confidence and capacity in civil society to make practical use of human rights based approaches to improve outcomes for themselves and those they support. With the British Institute of Human Rights (BIHR) we are beginning to evaluate and disseminate findings of our joint project which has explored how community groups can use human rights to address poverty and social justice. In 2010/11 we ran a number of pilot projects with community groups looking at range of issues, from housing and homelessness to social services and healthcare and the development of public services and policies. This work will continue into 2011/12.

We have also launched an online digest of practical guidance covering current human rights issues; this includes guidance that explains how human rights law can help Britain's social housing providers deliver the

best possible service to tenants. We will continue to develop and expand the digest during 2011/12.

In celebrating Human Rights Day 2010, the Commission launched its public services Human Rights Defenders campaign, spotlighting those individuals who in their day-to-day jobs challenge discrimination and advocate dignity and respect.

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

The Commission is committed to encouraging the development of a society in which there is mutual respect between groups based on understanding and valuing diversity.

We have continued our work to improve young people's access and knowledge of equality and human rights. In June 2010, we announced the eleven winners of our second Young Brits at Art competition whose artwork was exhibited at the Saatchi Gallery. This year's award challenged young people to imagine a world without prejudice. The 1,700 entries provided a clear impression that Britain's youngsters essentially see a world without prejudice as one where people are united by their similarities and celebrated for their differences. We have passed on the learning from this initiative, and also that gained from running Our Space summer camps to the Cabinet Office to continue this important work through the National Citizen Service.

To improve young people's understanding of and respect for human rights we commissioned a project to help embed a human rights culture in schools and to develop teaching resources in support of the Key Stage 3 citizenship agenda. The materials are currently being piloted in a number of schools and universities and will be launched at the start of the new academic year in September 2011. In February 2011, we also held a conference with UK Youth and Youth Access on young people's rights to fair treatment.

In 2011/12 we continue to take action to tackle prejudice and foster good relations. We have engaged with communities to start to understand the root causes of prejudice, hate crimes, segregation and exclusion, and find solutions to good relations issues.

We published *Prevention and Response to Identity-based Bullying among Local Authorities in England, Scotland and Wales*, a review of the extent and effectiveness of local authorities' and schools' actions to prevent and respond to prejudice-based bullying of young people both inside and outside of school on the grounds of disability, gender, gender identity, race, religion or belief or sexual orientation.

We have published a follow-up to our 2009 review of *Gypsies and Travellers: Simple Solutions for Living Together*. Our report assesses local authorities' progress in meeting the needs of Gypsy and Traveller communities in England and Wales and highlights the challenges that still need to be addressed.

We have also begun a review into equality and human rights law in relation to religion or belief in terms of setting future priorities for the Commission. This has involved holding expert seminars bringing together academics, practitioners, policymakers to look at equality and discrimination, understanding and representation of religion or belief in British Society and good relations.

In January 2011, we published our second report into *Pathways to Politics*, which explored the relationship between common pathways into politics and under-representation of groups protected by the Equality Act 2010 identifying factors which serve as barriers or enablers for the different groups. We also published *Who Runs Wales? 2011: A Century of Steps towards Gender Equality*. This report provides a snapshot of who sits in positions of power and influence in Welsh life. It looks at our politicians, chief executives and business leaders to see whether they reflect the people they serve.

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

The Commission is committed to promoting understanding and awareness of rights and duties in relation to equality and human rights legislation and ensuring that individuals can exercise their rights.

A key focus for the Commission in 2010/11 was the delivery of accessible and authoritative information and guidance for the public, private and voluntary sectors to help them comply with the Equality Act, 2010. This was supported by further improvements to our helpline service including significant investment in training for our helpline staff and the development of our website as a complementary, integrated advice service.

In August 2010, we re-launched the Commission's website to coincide with the launch of the Equality Act Codes of Practice and Guidance. The new website incorporates a series of improvements including improved user navigation and accessibility. Compared with 2009/10 there has been a 21 per cent increase in the number of visitors to our website and our interactive guidance centre for the Equality Act was one of the most visited areas.

In 2010/11 we have handled over 50,000 calls to our helpline service and replied to 22,000 emails and letters. Our planned improvements in relation to the helpline service, including benchmarking were placed on hold, pending the outcome of the government's review and consultation on the Commission's functions.

We ran national campaigns including Here for Business providing advice and support to small and medium sized enterprises on flexible working and good employment practices and Know your Rights raising awareness of the rights of disabled people when flying in Europe.

Underpinning our work in providing direct advice and support to individuals was a programme of transfer of expertise. This involved us working with other providers of advice and guidance, such as the Citizen's Advice Bureaux to ensure that they have the most up to date information on individuals' rights. Over 700 delegates attended our transfer of expertise events across England, Scotland and Wales and we also exhibited at 24 national and regional conferences including Trades Union Congress and the Citizen's Advice Bureaux conference.

Strategic priority 5: Build an authoritative and responsive organisation

Every three years, the Commission is required to report to Parliament on the progress that society is making in relation to equality, human rights and good relations.

In October 2010, we launched our first Triennial Review, How Fair is Britain? a comprehensive assessment of the state of equality across Britain today. The review brought together evidence from a wide range of sources, including Census data, surveys and research, to show the progress which has been made in building a fairer society and also highlights the challenges which remain. The review will help us set the agenda for our future work and lay the basis for our regulatory approach. The launch attracted widespread positive media coverage and there has been a high level of interest in the review with over 73,000 downloads of the report.

At the time of the launch of How fair is Britain?, the Commission made a public commitment to produce a review of human rights during 2011. The human rights review will present the key human rights issues in England and Wales, highlighting areas where society should be more proactively defending and promoting human rights.

We have also started preparing for our human rights review which will look at the evidence base for the rights contained in the Human Rights Act, using academic research, legal guidance, as well as work contained

within our Human Rights Measurement Framework. It will bring together available data and other evidence to set out the priority human rights issues for action for the Commission, government, public authorities and others. It will do this by looking across the Articles within the Human Rights Act and reporting on thematic human rights concerns. The Review is planned to be published on International Human Rights Day on the 10 December 2011.

Ahead of the government's move to reform non-departmental public bodies (NDPB) we started our own programme of reform, the Medium-Term Operational Review (MTOR). We began the review in 2009/10 to ensure that we have the right people, skills and structures in place to fulfil our statutory obligations and improve our performance and reputation.

Last autumn the outcome of the government's Spending Review settlement and review of NDPB's resulted in the Commission's budget being cut by around 51 per cent over the period to 2015 from £53m to £26m and proposals for our work to be refocused on core functions of regulating equality and anti-discrimination law in Britain, of fulfilling EU equality requirements and of being a National Human Rights Institution.

The proposed government changes to the Commission's powers, duties and functions and the budget pressures we face has challenged us to make more fundamental changes to the organisation than originally planned. As a result the MTOR has evolved into a new Reform Programme which will move the Commission straight to a new, smaller organisation by April 2012. To support the organisational change in January 2011 we introduced a voluntary exit scheme which has reduced staff numbers by 16 per cent.

We have also responded to the government's consultation on its proposals for the reform of the Commission's powers and duties. The Board while supporting the government's aim to create a modern, focussed legal mandate and endorsing the need to strengthen the

organisational and financial structures of the organisation believes that the organisation's financial and operational independence from government must be protected if it is to be an effective NHRI.

Board of Commissioners

Below is a list of Commissioners who served between 1 April 2010 and 31 March 2011.

Trevor Phillips OBE (Chair)

Trevor initially studied as a chemist, then went into a career in broadcasting and publishing. He was a member of the Greater London Authority and chaired the London Assembly. He is a board member of Aldeburgh Music and a patron of the Sickle Cell Society. Trevor was previously Chair of the Commission for Racial Equality (CRE) and when his first three-year term of office at the Equality and Human Rights Commission ended on 11 September 2009, he was reappointed for a further three-year term.

Baroness Margaret Prosser of Battersea OBE (Deputy Chair)

Margaret has been an active member of the trade union movement, and is a member of the House of Lords. She was Chair of the Women's National Commission and the Women and Work Commission. She was also a non-executive director of Royal Mail Holdings Plc until 31 October 2010. Margaret was reappointed for a second three-year term at the Equality and Human Rights Commission from 4 December 2009.

Stephen Alambritis

Stephen was formerly head of public affairs at the Federation of Small Businesses and a Labour councillor for Ravensbury ward in the Mitcham and Morden parliamentary constituency. He was previously a member of the Better Regulation Task Force and a member of the Disability Rights Task Force, and he was also a Commissioner of the Disability Rights Commission (DRC) until its closure at the end of September 2007. Stephen is also on the Board of the London Pension's Fund Authority (LPFA). He is a Fellow of the Chartered Institute of Public Relations.

Ann Beynon OBE

Ann has been BT Director Wales since 2004 and is the organisation's strategic and development representative for Wales. Before joining BT in 1998, she held a number of senior business development posts.

Ann was awarded an OBE in 2008, is a member of the CBI Council for Wales, was the Prince of Wales's Ambassador in the Community for Wales from 2005-06 and sat on the BitC Board as Chair of the Wales Committee from 2007 to 2010.

Kay Carberry CBE

Kay is Assistant General Secretary of the TUC. She has been involved in public policy development across a range of areas and has served on a number of government advisory bodies on equality, education, training and employment. Kay has been a Commissioner since 4 December 2006 and was reappointed for a second three-year term at the Equality and Human Rights Commission with effect from 4 December 2009.

Baroness Meral Hussein Ece OBE

Meral was appointed to the House of Lords in June 2010. She was a local councillor for 16 years and was the UK's first female councillor from the Turkish community. She was cabinet member for Health and Adult Social Care at Islington Council; a non-executive director of Camden and Islington Mental Health and Social Care Trust, and part of the cross-party Black, Asian and Minority Ethnic Women Councillors Taskforce. Meral also received an OBE in 2009 for services to local government.

Baroness Sally Greengross OBE

Sally has been a crossbench (independent) member of the House of Lords since 2000. She is Chief Executive of the International Longevity Centre UK. She is Chair of the advisory groups for the English Longitudinal Study on Ageing and the New Dynamics of Ageing. Sally also chairs four All-Party Parliamentary Groups: Continence Care, Corporate Responsibility, Dementia and Intergenerational Relations. Sally has been a Commissioner since 4 December 2006 and was reappointed for a second three-year term at the Equality and Human Rights Commission with effect from 4 December 2009.

Dr Jean Irvine OBE

Jean has held a number of board positions including, most recently, non-executive director of Chelsea Building Society, trustee and Vice Chair of RADAR (the UK's largest disability campaigning organisation), and non-executive board member for the Department for Business, Innovation & Skills. She held a number of senior positions within the Post Office and has worked at director level in the public, private and third sector. In a voluntary capacity she is active in a variety of groups involved with digital accessibility.

Kaliani Lyle

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

Angela Mason CBE

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

Baroness Maeve Sherlock OBE

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

Michael Smith

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

Professor Geraldine Van Bueren

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

Simon Woolley

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

Annex 1: Committee members

Below are listed committee memberships for the period 1 April 2010 to 31 March 2011. A number of members were appointed to committees, and the membership of others ceased, during the course of the year. The Commission may co-opt independent members to committees if this is required to bring in specific skills.

Disability Committee

Michael (Mike) Smith (Chair)
Saghir Alam
Bob Benson (ex officio)
Rhian Davies (ex officio)
Kirsten Hearn
Andrew Lee
Diane Mulligan
Liz Sayce (until her resignation in November 2010)
Michelle Valentine
Teresa Waldron

Scotland Committee

Kaliani Lyle (Chair)
Di Airey (reappointed 14 September 2010)
Rowena Arshad (until her resignation on 6 October 2010)
Bob Benson (reappointed 14 September 2010)
Christine Cnossen
Louise Falconer
Ronnie McDonald
Angela O'Hagan
Alastair Pringle

Wales Committee

Ann Beynon OBE (Chair)
Anne Crowley (appointed 1 August 2009)
Rhian Davies

Karen Dusgate
Reverend Aled Edwards
Siân Gale
Clifton Robinson
Dr Olwen Williams
Elizabeth Withers (until her resignation with effect from 30 April 2010)

Regulatory Committee

Kay Carberry CBE (Chair)
Angela Mason (Deputy Chair)
Baroness Sally Greengross OBE
Mike Smith
Geraldine Van Bueren
Simon Woolley

Resources Committee

Baroness Margaret Prosser OBE (Chair)
Baroness Maeve Sherlock OBE (Deputy Chair)
Stephen Alambritis
Baroness Meral Hussein Ece
Kaliani Lyle

Remuneration Committee

Baroness Margaret Prosser OBE (Chair)
Jean Irvine OBE)
Trevor Phillips OBE
Helen Alexander (independent member)

Audit and Risk Committee

Jean Irvine OBE (Chair)
Stephen Alambritis
Ann Beynon OBE
Balram Gidoomal CBE (independent member with effect from 1 April 2010)
Howard Cressey (independent member with effect from 1 April 2010)

Annex 2: Employee environment

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

As at 31 March 2011, to help us fulfil our objectives, 439 individuals were directly employed by the Commission on a permanent or fixed-term basis (this excludes any secondees in to the Commission, Commissioners and those who work with us but are engaged as interns, interims or agency employees and secondees in to the Commission who are not on the payroll).

In addition to the 439 employees, at 31 March 2011, 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. In addition 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 2010/11 was 465 including seconded, loan or agency staff.

Staff consultation and engagement

The Commission is committed to communicating and consulting with its entire workforce and has a head office based in Manchester and staff also engaged in Glasgow, Cardiff, London and Birmingham, with small regional offices in Bangor, Bristol, Cambridge, Edinburgh, Guildford, Leeds, London, Newcastle and Nottingham.

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

The Commission is currently engaged in a Reform Programme with a view to creating a new organisational design that will ensure that the Commission has the necessary people, skills and structures in place to deliver the duties and powers as defined by the Equality Act 2010. An integral part of this review is extensive engagement with the directors, trade unions and staff.

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 trade unions. Reform Programme meetings are held calendar monthly at both strategic and organisational level, and, although these are currently suspended, it is anticipated that they will resume shortly when progress on the Reform agenda continues following the arrival of the new CEO.

Staff development

Developing organisational capability is key to the delivery of the Commission's Strategy and annual business plans.

During 2010/11, over 85 per cent of the Commission's employees attended centrally managed training programmes which complemented a range of individually targeted learning interventions.

The focus of corporate learning and development during 2010/11 was:

1. Establishing corporate values and supporting positive culture change.
2. Developing awareness and technical capability in relation to the Equality Act 2010.
3. Strengthening understanding and compliance with internal governance procedures.

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 2010/11 the average number of days lost to illness per full-time equivalent employees was 10.92 per employee. This is above the public sector average, which was 9.6 days per employee for 2010/11 (data source: CIPD Absence Management report 2010). The People Team monitor the application of the sickness absence policy and ensure that sickness is being managed appropriately.

Meeting our Public Sector Equality Duty requirements

As a public authority the Commission had 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.

The 2010/11 Equality and Diversity Workforce Data Report which covers the period 1 April 2010 to 31 March 2011 can be found on the website page given below:

<http://www.equalityhumanrights.com/our-job/our-equality-impact-assessments/our-equality-scheme/>

This report provides an analysis of the 2010/11 Diversity Workforce data together with progress against the improvement actions resulting from our 2009/10 Diversity Workforce Report.

We collect employment data about recruitment, retention, promotion, performance appraisal, grievances, disciplinary action, leavers, staff in post, training, working patterns and pay.

A snapshot of the 2010/11 Equality and Diversity Workforce Report is presented below. It is based on the individuals directly employed by the Commission as at 31 March 2011 and does not include details of the interim or agency staff we have.

The overall findings show that there has been no significant change to Commission's workforce diversity since our previous report in 2009/10. In summary:

- Sixty six per cent of the workforce is female significantly higher than the proportion of woman in the workforce population as a whole at 50.1¹ per cent.
- Twenty three per cent of our workforce describes themselves as having a disability significantly higher than the proportion of disabled people in the workforce population as a whole at 13.1¹ per cent.
- Nineteen per cent of our workforce is from an ethnic minority group compared to 8 per cent of the population.
- Thirty per cent of our workforce is aged 25 to 34 compared to 22.4¹ percent of the workforce population as a whole and 12.5 per

¹ Source: EHRC analysis of Office for National Statistics- Social and Vital Statistics Division, *Annual Population Survey, October 2008 - September 2009*

cent are over 55 compared to 15¹ per cent of the workforce population as a whole.

- Thirteen per cent of our workforce declared a non-Christian religion compared to 5.5¹ per cent of the working population. Two-fifths of staff stated that they have no religious belief. Of the remainder the largest group are of the Christian faith.
- Eight per cent of our workforce declared they are Lesbian, Gay or Bisexual (LGB), whilst 78 per cent of staff stated that they are heterosexual.
- Over a third of staff stated that they have caring responsibilities.
- No staff identified themselves as being transgender.

Annex 3: How we performed against our business plan's 10 key targets

| Strategic priority 1: Secure and implement an effective legislative and regulatory framework for equality and human rights | |
|---|--|
| Supporting delivery target | Achieved? |
| 1. Publish statutory codes of practice and non-statutory guidance to support the Equality Act 2010. | <p>Substantially achieved</p> <p>Published three statutory codes of practice on employment, equal pay and services, public functions and associations, and a comprehensive range of non-statutory guidance including guidance for employers, workers, service providers, service users and education providers. We have also drafted and consulted on the codes of practice on further and higher education and schools, which will be laid before Parliament in 2011/12.</p> <p>In advance of the Public Sector Equality Duty (PSED) coming into force, the Commission issued guidance for public authorities in England (and bodies with non-devolved functions in Scotland and Wales). Once the specific duties regulations have been finalised, the guidance will be revised. The separate codes of practice for England, Scotland and Wales on the PSED are being drafted.</p> |
| 2. Monitoring of the UK government's compliance with UN human rights treaties. | <p>Substantially achieved</p> <p>Developed and published an online treaty monitoring scorecard to help monitor the UK government's compliance with international human rights conventions.</p> <p>We have also published guidance on how individuals and groups can use the Convention on the Elimination of Discrimination against Women (CEDAW) and</p> |

| | |
|--|---|
| | <p>the Convention on the Rights of Persons with Disabilities (CRPD) to highlight violations of rights under these conventions.</p> <p>We have published our Rights of Way report examining how the CRPD relates to the rights of people with disabilities in Wales.</p> <p>Initiated work on our shadow reports on the UK's compliance with the Convention on the Elimination of Racial Discrimination (CERD), CRPD and Convention against Torture (CAT). Our shadow report on CERD will be submitted prior to the UK examination in August 2011.</p> |
| <p>3. Intervene in and support individuals bringing legal actions which have the potential to clarify equality and human rights law.</p> | <p>Target delivered</p> <p>Pursued 66 strategic legal actions and interventions with a success rate of 87 per cent. We also took 157 pre-enforcement actions and referred 59 cases for mediation to the Equality Mediation Service, of which 86 per cent reached full and final settlement. We have successfully intervened in a number of high-impact cases to clarify or change elements of the law; actions included Preddy and Hall v Bull, and A Local authority v A (a Child) and Agnor.</p> |

| Strategic priority 2: Create a fairer Britain, with equal life chances and access to services for all | |
|--|--|
| Supporting delivery target | Achieved? |
| 4. Continue to promote the human rights of all, implementing the recommendations of our Human Rights Inquiry to ensure a culture of dignity and respect in public services and safeguarding civil liberties. | <p>Substantially achieved</p> <p>Developed an online digest of practical guidance in relation to human rights, and continued work on our joint project with the British Institute of Human Rights (BIHR) on promoting the use of human rights-based approaches to help groups experiencing poverty achieve policy change.</p> <p>Published guidance to Registered Social Landlords following the Weaver Judgement on their Human Rights obligations.</p> <p>Marked International Human Rights Day with a celebration of the achievements of human rights public service defenders across Britain and the publication of Fulfilling the Paris Principles; a report highlighting our achievements as a National Human Rights Institution.</p> <p>In Wales we launched Dignity Drive - an interactive guide to the Human Rights Act - at the National Eisteddfod 2010.</p> |
| 5. Ensure public bodies pay due regard to their Public Sector Equality Duty obligations. | <p>Substantially achieved</p> <p>Published Counting the Cost, a report on our review of the extent to which local authorities in Scotland have considered their public sector duties when making funding decisions.</p> <p>Building on our Memorandum of Understanding (MoU) with the Care Quality Commission (CQC), we have developed joint guidance on equality and human rights for CQC inspectors and assessors. We have also established</p> |

| | |
|--|--|
| | <p>partnerships with HM Inspectorate of Policing, HM Chief Inspector and HM Inspectorate of Policing (Scotland).</p> <p>Our monitoring and compliance activity in 2010/11 focused on the areas of policing, health and social care, and schools. We have:</p> <ul style="list-style-type: none"> • Reviewed the use of ‘stop and search’ powers by police across England and Wales, and identified polices forces using stop and search powers in a way that is disproportionate and possibly discriminatory. We have entered into formal s23 agreements with Thames Valley Police and Leicestershire Constabulary, which will be subject to quarterly monitoring. • Entered into an informal agreement with the Department of Health (DoH) to secure compliance with the Public Sector Equality Duty. An action plan has been agreed and is subject to quarterly reporting. • Undertaken a review of the performance of schools in relation to compliance to the duties in England and Wales and a review of the performance of Primary Care Trusts and Strategic Health Authorities. The findings of both will be published in 2011/12. |
| <p>6. Undertake inquiries into the harassment of disabled people, into human trafficking in Scotland and into the human rights of older people seeking or receiving home-based care.</p> | <p>Substantially delivered</p> <p>During 2010/11 we continued our inquiry into disability-related harassment and launched two new major human rights-related inquiries. Our inquiry into disability-related harassment received our greatest ever response to a call for evidence and the findings will be published in autumn 2011. The inquiries into human rights of older people requiring or receiving home-based care and human trafficking in Scotland will both be published late 2011.</p> |

| Strategic priority 3: Build a society without prejudice, promote good relations and foster a vibrant equality and human rights culture | |
|---|---|
| Supporting delivery target | Achieved? |
| 7. Broaden our good relations work with public bodies. | <p>Target delivered</p> <p>In June 2010/11, our second Young Brits at Art competition; which challenged young people to ‘imagine a world without prejudice’ attracted over 1,700 entrants. We also began developing teaching resources to help embed a human rights culture in schools improving understanding of and respect for human rights.</p> <p>We have published a report providing an update on the progress made by local authorities on the provision of sites for Gypsies and Travellers and the challenges that still need to be addressed.</p> |

| Strategic priority 4: Promote understanding and awareness of rights and duties, and deliver timely and accurate advice and guidance to individuals and employers | |
|---|---|
| Supporting delivery target | Achieved? |
| 8. Continually improve the frontline support provided through our helpline and website, benchmarking and monitoring our service. | <p>Partially achieved</p> <p>To coincide with the launch of the Equality Act 2010 codes of practice and guidance, we relaunched the Commission’s website, incorporating a series of enhancements, including improved user navigation and accessibility. Compared with 2009/10, there has been a 21 per cent increase in the number of visitors to our website. Our interactive guidance centre for the Equality Act was one of the most visited areas of our website this year.</p> <p>In 2010/11 we handled over 50,000 callers to our helpline service and replied to 22,000 emails and letters. Our planned improvements in relation to the helpline service, including benchmarking it to industry standards, was placed on hold, pending the outcome of the government’s review and consultation on the Commission’s functions.</p> |

| Strategic priority 5: Build an authoritative and responsive organisation | |
|---|---|
| Supporting delivery target | Achieved? |
| 9. Publish our first Triennial Review. | <p>Target delivered</p> <p>In October 2011, the Commission published its first Triennial Review, How Fair is Britain, which highlighted the progress made towards building a fairer society and also some of the major challenges.</p> |
| 10. Complete a major organisational review and begin implementation. | <p>Partially achieved</p> <p>During 2010/11 the Commission undertook a major organisational review to ensure we are structured in the right way to deliver our priorities and improve our systems, processes and ways of working. To support the organisational change we introduced a voluntary exit scheme and reduced staff numbers by 16 per cent. Our inherited premises have also been reduced from 18 to seven, making better use of our working space and realising significant savings.</p> |

Annex 4: Statutory committee reports

Disability Committee report

The Disability Committee is a decision-making committee with wide powers and responsibilities delegated by Parliament. These powers and responsibilities are set out in the Equality Act 2006.

Membership

Michael (Mike) Smith has chaired the Disability Committee since December 2009, when he was appointed as a Commissioner. He has lead responsibility for disability matters within the Commission and was lead Committee member for the Commission's Promoting Good Relations Programme and Lead Commissioner for the Disability Hate Crime Inquiry. Mike is also a member of the Commission on Funding of Care and Support.

The other members of the Committee in 2010/11 were:

Saghir Alam

Bob Benson (ex officio Scotland Committee)

Rhian Davies (ex officio Wales Committee)

Kirsten Hearn (appointed February 2010)

Andrew Lee

Diane Mulligan

Liz Sayce (resigned November 2010)

Michelle Valentine

Teresa Waldron

Meetings

The Committee held five formal meetings and two strategy and work-planning meetings from April 2010 to March 2011. Formal business included: feeding into Commission activity, papers, strategies and consultations; reviewing and contributing to the work of the Regulatory Committee on disability matters, and developing the Committee's work

processes and strategic influence. Individual Committee members held additional meetings with Commission staff and external stakeholders. This included a meeting with senior disability stakeholders in October 2010.

Work plan

The beginning of 2010/11 heralded economic changes that threatened to have a significant impact on the lives of disabled people, through changes in benefits, changes in social care service eligibility criteria, reduction in funding opportunities to the disability voluntary sector, and additional challenges in securing employment and training.

Against this backdrop the Disability Committee used their powers and responsibilities (as defined in the Equality Act 2006) to support and shape the Commission's work on:

- The development and implementation of statutory and case law that affects disabled people.
- Embedding the rights of disabled people in the programme of work driven by the Commission's three-year strategy.
- Developing the Commission's approach to the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD).

To achieve this, Disability Committee members:

- Worked intensively with the Commission to undertake a formal Inquiry into Disability Hate Crime, shaping the development and implementation of the Inquiry delivery plan and promoting the Inquiry to stakeholders. The Committee also supported the review process, reviewing progress and acting as an internal reference group for the Lead Commissioner, Mike Smith, receiving and commenting on Inquiry updates at each meeting.
- Informed the Commission's response to the independent review of Work Capability Assessment.

- Influenced the approach of the four UK national human rights commissions to scrutinise the production of the UNCRPD shadow report.
- Represented the Commission internationally on UNCRPD.
- Worked with the Commission's Legal Directorate to inform the development of the Equality Act 2010, advising on a response to consultation on definition of disability, and the production of codes of practice and non-statutory guidance.
- Helped shape the Commission's Inquiry into the human rights of older people requiring care and support, advising on the Inquiry's Terms of Reference, and promoting the Inquiry to stakeholders.
- Worked with the Commission's employment team to shape the Commission's Working Better programme, engaging with stakeholders through focus groups, and advising on the development of the final report.
- Advised on the Commission's response to government consultation on the application of Part 3 of the Equality Act to Ships and Hovercraft.
- Advised on the development of the Commission's strategy for dealing with violence towards women and girls.
- Provided evidence to support the production of the Sayce report: Getting In, Staying In and Getting On.
- Undertook a review of achievements on access and remaining barriers.
- Provided legal assistance or intervened in a number of disability-related cases, and defined case law. These important judgments will have a significant impact on the rights of disabled people. These have included:
 - **Aylott v Stockton on Tees Borough Council:** The Court of Appeal allowed an appeal in part by a disabled man, who, having taken out various complaints against his employer, was dismissed. His appeal on a direct discrimination claim was successful and the Court of Appeal restored an order for compensation made by the original tribunal.

- **Dixon-Wilkinson v Central Bedfordshire Council:** Mr and Mrs Dixon-Wilkinson claimed that the Council unlawfully discriminated against their son in the provision of education or associated services by refusing to make transport available to enable him to participate in an after-school club. When remitted to the Special Educational Needs and Disability Tribunal (SENDIST), the authority was ordered to provide transport to the after-school club as a reasonable adjustment and apologise. This decision helps to make clear the difference between 'reasonable adjustments' and 'auxiliary aids and services'.
- **Manchester City Council v Pinnock:** The Commission intervened in the case of Mr Pinnock after he was issued with an eviction notice because of the antisocial and sometimes criminal behaviours of his adult children. Although the eviction notice was upheld, the Supreme Court accepted the Commission's argument that when a court is asked to make an order for possession of a person's home, it must assess the proportionality of the order, and resolve any disputed facts. In the case of people considered to be vulnerable because of a disability, the issue may also require the local authority to explain why they are not securing alternative accommodation in such cases. This sets an important precedent that will afford vulnerable social housing tenants more protection from eviction in the future.
- The Commission also supported the following important cases which are ongoing:
 - **Cordell v Foreign and Commonwealth Office (FCO):** Despite representation by the Commission, Ms Cordell's offer of a post as Deputy Head of Mission in Kazakhstan was rescinded because of the cost of her reasonable adjustments. Ms Cordell is profoundly deaf and requires full-time lip-speaker support, which she had in a previous post. Following an unsuccessful claim at Employment Tribunal the Commission supported an appeal; a decision is not expected until the summer.

- **R (McDonald) v Royal Borough of Kensington and Chelsea:**
The Commission intervened when the the Council withdrew funding for night care support to Ms McDonald. The High Court had refused her claim for Judicial Review, stating that there were two ways of meeting Ms McDonald's need - a night-time carer or provision of incontinence pads - and that the defendant authority is quite entitled to meet the need in the most economic manner. The claimant's appeal to the Court of Appeal, for which the Commission provided s28 assistance, was allowed in part. The case was appealed to the Supreme Court.

2011/2012

The Disability Committee's focus for the following year will be to ensure that disability equality and human rights are reflected throughout the Commission's programme of work, with a specific emphasis on stakeholder engagement.

The Disability Committee will continue to use its powers to secure rights for disabled people under the Equality Act 2010, and work to ensure the delivery of recommendations from the Commission's Inquiries. A copy of the Disability Committee's full workplan for the year will be posted on the Commission's website.

Scotland Committee report

Membership

Kaliani Lyle (Chair)

The other members of the Committee in 2010/11 were:

Di Airey (reappointed 14 September 2010)

Rowena Arshad (resigned 6 October 2010)

Bob Benson (reappointed 14 September 2010)

Christine Clossen

Louise Falconer

Ronnie McDonald

Angela O'Hagan

Alastair Pringle

Meetings

The Committee held five formal meetings between 1 April 2010 and 31 March 2011. Meetings took place in Glasgow. The Committee also participated in a joint meeting with the Commission Board, Scottish Government and Independent Living in Scotland project. Business included delivering the Commission's strategic priorities by developing the Scotland Directorate work plan and driving the agenda on issues such as disability harassment and human trafficking.

Work plan

The Committee's work plan focused on promoting the Equality Act 2010, publication of our Triennial Review, implementation of our Measurement Framework, Equal Marriage and Working Better with Employers, and developed relations with the religion and belief sector with the publication of guidance on the wearing of Sikh articles of faith in the workplace and public spaces.

In 2010/11, the Scotland Committee:

- Launched our formal inquiry into human trafficking.
- Launched our formal Disability Harassment Inquiry, which is scheduled to publish its final report and recommendations in summer 2011. We will be working with organisations across Scotland to implement these.
- Published research on Significant Inequalities in Scotland to inform thinking on the best way to identify and measure significant inequalities.
- Published a think piece on national identity and its relationship to equality issues in Scotland.
- Supported the Independent Living in Scotland project, which included setting up two co-production pilot projects in partnership with the Scottish Government and hosted the first-ever Festival of the Independent Living Movement in Scotland.
- Hosted an event which sought to investigate the perceived barriers to equal marriage in order to produce a roadmap of options for legislators.

Other Scotland Committee and Directorate achievements

Over the year, the Scotland Committee and Directorate:

- Engaged and encouraged Scotland's 32 local authorities and the Convention of Scottish Local Authorities (COSLA) to ensure issues of equality, non-discrimination, and accessibility are sufficiently integrated into the online recruitment portal:
<http://www.myjobscotland.gov.uk>.
- Secured the agreement of the Scottish Government to remove Gender Reassignment Services (GRS) from the Exceptional Aesthetic Referral Protocol and draft a new Protocol specifically for the provision of GRS in Scotland.
- Successfully supported a case involving a lesbian couple denied access to IVF treatment by a health board. This now allows other

same sex couples seeking IVF to be treated on the same basis as any other couple.

- Used our powers to intervene for the first time in the Court of Session appeal case North and others v Dumfries and Galloway Council.
- Engaged with a number of the Equal Opportunities Committee (EOC)'s inquiries, submitting both written and oral evidence to the EOC's migration and trafficking inquiry as well as written evidence in relation to the Forced Marriage Bill.
- Published our first Triennial Review, How Fair is Britain?, and hosted a roundtable where key Scottish stakeholders discussed the findings and implications of this.
- Issued guidance on using the equality duties to make fair financial decisions to all public bodies in Scotland.
- Engaged with representatives of Scottish ethnic minority organisations in Dumfries, Stirling and Edinburgh. These outreach events were designed so we could hear directly from those working on race equality issues both at the local and the national level.

Wales Committee report

Membership

Ann Beynon OBE (Chair)

The other members of the Committee in 2010/11 were:

Anne Crowley (appointed 1 August 2009)

Rhian Davies

Karen Dugate

Reverend Aled Edwards

Siân Gale

Clifton Robinson

Dr Olwen Williams

Elizabeth Withers (resigned 30 April 2010)

Meetings

The Committee held four formal meetings between 1 April 2010 and 31 March 2011 across Wales: in Swansea, Newport, Brigid and Pontypridd. The Committee also held a joint meeting with the Disability Committee.

Business included: shaping the Wales Directorate business priorities; Wales-specific research projects; preparing for the Assembly elections; the Commission's Reform programme; responding to the UK government's consultation on the future of the Commission; Public Sector Equality Duty for Wales, and the implications of the Public Bodies Bill.

Work plan

The Committee's work plan over the year focused on stakeholder engagement, working with the private sector, improving public services, building the equality and human rights evidence base in Wales, and promotion of human rights.

In 2010/11, the Wales Committee:

- Engaged leaders and local people from equality and human rights groups across Wales, listening to views and ensuring the distinctive nature of Wales is fed into the Commission's work.
- Submitted the Commission's response to the Welsh Assembly Government's consultation on the Public Sector Equality Duty in Wales.
- Developed new and sustainable partnerships with private sector organisations, culminating in a joint event held with the CBI on the subject of Women on Boards.
- Held evidence panels with partners to look into the serious issue of disability harassment.
- Brought stakeholders together at our Facts About Wales conferences to highlight the greatest areas of inequalities in Wales and to narrow the gaps and drive change.
- Worked with media representatives to improve the way that disadvantaged groups are portrayed.

Other Wales Committee and directorate achievements

Over the year, the Wales Committee and Directorate:

- Promoted guidance on domestic abuse and mental health workplace policies for organisations to support staff. We influenced the Welsh Local Government Association to develop protocols for all Welsh local authorities on domestic abuse and mental health workplace policies. Once implemented, it will cover over 150,000 employees.
- Worked with public sector organisations to help support their understanding of the implications of the Equality Act 2010.
- Continued to facilitate the sharing of good practice through the Equality Exchange Network.
- Worked in partnership with Welsh Assembly Government's ministers on Equality Impact Assessment (EIA). The Welsh Assembly Government has published its EIA of the budget and written to CEOs

of local authorities to emphasise the need to assess impact on equality.

- Hosted events for voluntary sector organisations to provide guidance on how they can use EIAs as a lever for change.
- Worked with Bevan Foundation and Welsh academics to produce a robust evidence base on the greatest inequalities in Wales through our reports *How Fair is Wales* and *An Anatomy of Economic Inequality in Wales*.
- Published our research *Who Runs Wales 2011?*, highlighting the fact that women remain under-represented in many areas of public life and decision-making positions in Wales.
- Promoted our *Not Just Another Statistic* report, which delves into the lived experience of people with mental health conditions, transgender people, asylum seekers and refugees, and Gypsies and Travellers. As a result, we have assisted the UK Border Agency to establish a partnership with Jobcentre Plus, HM Revenue and Customs, Cardiff Council and the Cardiff and Vale University Health Board to explore and address problems that arise during the transition process from asylum seeker to refugee.
- Hosted a roundtable for policymakers and disabled people's organisations to build the principles of the UN Convention on the Rights of Disabled People into the heart of public services.
- Had a strong presence at the National Eisteddfod, promoting human rights, our Disability Harassment Inquiry and our helpline.
- Partnered with Cardiff and Bangor universities to deliver discrimination law courses for advocates to be able to take cases at employment tribunals on discrimination law subjects.

Annex 5: Management commentary

The statement of accounts on the following pages reports the results of the Commission for the period to 31 March 2011. It was prepared on an accruals basis and in accordance with the accounts direction issued by the secretary of state in accordance with the Equality Act 2006.

Principal activities

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

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

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

The report can be found on the following page of our website:

<http://www.equalityhumanrights.com/key-projects/how-fair-is-britain>

Register of Members' Interest

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

Corporate governance

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

During 2010/11 the members of the audit and risk committee were:

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

Stephen Alambritis (with effect from 28 January 2010)

Ann Beynon (with effect from 28 January 2010)

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

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

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 2010/11 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 has in place a strategic risk register which identifies risk, mitigating activities and risk owners. The senior management of the Commission has also assessed and measured impact and likelihood in respect of each of the strategic risks. The principal risks are those that have been assessed as having a high impact and likelihood of occurring and relate to:

- The effectiveness of the relationships and arrangements with the central government and whether those relationships and arrangements adversely affect the organisation's ability to deliver the business plan outcomes.
- The over-reliance within the Commission on interim or seconded staff, particularly within the senior management team and whether the short-term and volatile nature of their appointments will impact upon the ability of the Commission to deliver all the business plan outcomes.
- The effect the reform agenda and the associated funding reductions may have on the Commission's ability to deliver its strategic objectives and to produce the critical deliverables in the business plan.
- The impact of a Commission wide structural review, the Reform Programme, on the ability of the Commission to achieve the deliverables identified in its business plan.
- A failure to implement and maintain required control and accountability improvements to key corporate systems and processes.

- The effectiveness of the Commission as a modern regulator and its responses to spending cuts in the public sector within the context of the public sector duties on race, disability and gender and the legal obligation to pay due regard to equality.

The strategic risk register is subject to regular review by senior management, the Audit and Risk Committee and the Board. It also informs operational level risk registers. The Commission has also appointed a risk manager to continue the work to embed strategic risk management processes, working alongside the Transition Director who is developing processes for operational risk management.

Financial review

The annual statement of accounts for the period to 31 March 2011 is set out on the following pages. The notes contained within these accounts also form an integral part of the accounts.

The Commission is primarily funded by grant-in-aid received from its sponsor department the Government Equalities Office (GEO). With effect from 1 April 2011 the GEO has been transferred to the Home Office.

In compliance with the Government Financial Reporting Manual grant-in-aid, unlike other income, is treated as financing and taken straight into taxpayers' equity. Cash grant-in-aid for the period to 31 March 2012, 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.

The comprehensive net expenditure for the year taken to taxpayers' equity was £48.1m (2010: £55.0m). The most significant reasons for the reduction in comprehensive net expenditure being:

- A reduction in staff pay costs of £2.55m comprising the net effect of:
 - a reduction in staff costs of £3.5m with a corresponding decrease in the average number of full-time equivalent (FTE) staff employed of 61 (notes 3a and 3b refer). With particular regard to agency staff, although the average number of agency staff employed reduced by 48 per cent, the associated cost of agency staff reduced by 28 per cent. This is a consequence of a continuing focus on engaging the higher value senior interim to bridge skills and experience gaps within the Commission's directly employed staff, and
 - costs incurred in 2010/11 in relation to the staff exit scheme of £0.97m (notes 3c and 12 refer).
- A reduction in running costs of £3.5m (note 4 refers) comprising the net effect of:
 - a reduction in expenditure on staff related non-pay costs by £1.7m (57 per cent) in response to the reduction in FTE numbers and initiatives within the Commission to achieve better value for money, and
 - a reduction in support and office service costs by £1.5m (64 per cent) following a significant reduction in consultancy expenditure and a reduction in costs to fund the pensions liabilities of ex-Chairs of legacy commissions as a consequence of the application of the budget announcement in June 2010 to adopt the Consumer Price Index (CPI) for the indexation of public service pensions as opposed to the Retail Price Index (RPI) (note 13).
- A net increase in programme costs of £0.55m (note 4 refers) as the effect of the first full year of strategic grants payments is felt, although the underlying number of grantees receiving grant payments from the Commission remained broadly constant year on year. Expenditure on publication and information decreased in

response to initiatives within the Commission to reduce costs in general.

- The impairment to intangibles of £866k disclosed in 2009/10 was not repeated in 2010/11 (notes 4, 7 and 19c).
- A net movement on Other Comprehensive Expenditure of £588k following an actuarial gain on pensions provision and a gain on the revaluation of property, plant and equipment of £137k in comparison to losses of £451k disclosed in 2009/10 (notes 13 and 6).

Resources

The capital structure of the Commission is shown by way of taxpayers' equity which is funded by the annual resource allocation from our sponsor department, the GEO. The statements of financial position and changes in taxpayers' equity for the year provide more information. The deficit value of taxpayers' equity as at 31 March 2011 is £2.6m (2010: £5.2m).

Future developments

Developments that will impact upon the future of the Commission 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 99.4 per cent of undisputed invoices were paid within the policy target (2009/10: 99.2 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 four days (2009/10: six days).

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

Events after the reporting period

Details of any important events affecting the Commission which have occurred after the 31 March 2011 have been disclosed in note 20 to the financial statements.

Donations

No charitable or political donations were made in the period to 31 March 2011.

Community and social responsibility

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

The Commission wishes to develop itself into an exemplary organisation in all of its undertakings. A vital part of this approach must be a commitment to doing our utmost to put sustainable development at the heart of all our decision-making and activities. To assist this process the Commission has developed an environmental policy.

Environmental policy

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

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

Annex 6: Remuneration report

The Policy on the Remuneration of Senior Managers for the period ended 31 March 2011.

The Commission's most senior managers comprise the Director General or Chief Executive Officer and the direct reports who constitute the Senior Management Team.

The interim Director General, Neil Kinghan left the Commission on 30 September 2010. 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.

During 2010/11 the Commission had in place a Remuneration Committee. The Remuneration Committee, within the constraints of a non-departmental public body, provides rewards that will attract, retain and motivate the senior management necessary to enable the Commission to fulfil its statutory remit and responsibilities. The committee reviews the annual reward package for the Director General or Chief Executive Officer and members of the Senior Management Team.

The members of the Remuneration Committee during 2010/11 were:

Baroness Margaret Prosser OBE (Chair)

Jean Irvine OBE

Trevor Phillips OBE

Helen Alexander (independent member)

The Remuneration Committee met on 20 September 2010 and 24 March 2011.

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

The trade 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.

As part of the terms and conditions of his appointment, and in order to maximise the official use of his time, the Commission funded, to 30 June 2010, the provision of an official car and driver to the Chair of the Commission. This included journeys from the Chair's home to the Commission. In 2010/11 the benefit arising was £3,538.

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

| | 2010/11 | 2009/10 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Salary | 112 | 112 |
| Employer's National Insurance contribution (NIC) | 12 | 12 |
| | 124 | 124 |
| Expenses | 1 | 2 |

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

| | 31 March 2011 |
|--|----------------------|
| | £'000 |
| Real increase in accrued pension | 0 - 2.5 |
| Real increase in accrued lump sum | - |
| Accrued pension as at 31 March 2011 | 10 - 15 |
| Accrued lump sum as at 31 March 2011 | - |
| CETV at 31 March 2010 | 228 |
| Real increase in CETV funded by employer | 15 |
| CETV as at 31 March 2011 | 263 |

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

b) The cost of Commission members' emoluments was:

| | 2010/11 | 2009/10 |
|--|----------------|----------------|
| | £ | £ |
| Commissioners' salaries and fees | 246,675 | 187,924 |
| Commissioners' employer's NIC | 22,371 | 15,427 |
| Statutory committee and advisory group members' fees | 90,383 | 103,731 |
| Statutory committee and advisory group members' employer's NIC | 3,378 | 2,505 |
| | 362,807 | 309,587 |

Total Commissioners' costs included at note 3e to the financial statements include the above costs plus the costs of the Chair.

In December 2009 the Deputy Chair was reappointed for a further three-year term. On reappointment the terms and conditions of the appointment were amended to receive a daily allowance of £700 (previously £600). The precise time commitment for the Deputy Chair is determined by the Chair with the agreement of the Lord Privy Seal but is up to two days per week on average. The costs for 2010/11 incorporate the full year effect of the daily allowance change.

In December 2009 Commissioners' terms and conditions of appointment were increased to 30 days per annum and a daily allowance of £500 (from 20 days per annum and a daily allowance of £400). The costs for 2010/11 incorporate the full year effect of this change.

- 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 | 127 |
| Ann Beynon OBE Appointed for three year term from 4 December 2009 | 15,000 | 901 |
| Kay Carberry CBE Re-appointed for three year term from 4 December 2009 | 15,000 | 126 |
| Baroness Meral Hussein Ece OBE Appointed for three year term from 4 December 2009 | 15,000 | 27 |
| Baroness Sally Greengross OBE Re-appointed for three year term from 4 December 2009 | 15,000 | 79 |

| Commission member | Fees £ | Expenses £ |
|---|-------------------|-----------------------|
| 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 | 1,392 |
| Angela Mason CBE Appointed for three year term from 4 December 2009 | 15,000 | 310 |
| Baroness Margaret Prosser OBE (Deputy Chair) Re-appointed for three year term from 4 December 2009 | 65,800 | 1,029 |
| Maeve Sherlock OBE Term of office ended on 31 October 2010 | 7,000 | 98 |
| Michael Smith # Appointed for three year term from 4 December 2009 | # 23,875 | - |
| Geraldine van Bueren Appointed for three year term from 4 December 2009 | 15,000 | 1,580 |
| Simon Woolley Appointed for three year term from 4 December 2009 | 15,000 | - |

Commission member appointments are not pensionable.

Includes £8,875 paid to Michael Smith for his 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 £5,680.

Director General and Chief Executive**

Director General

The annual salary of the Director General Neil Kinghan for the year ended 31 March 2011 was £148,415.

Total actual emoluments for the period 1 April 2010 to 30 September 2010 were £83,397 including employer's NIC of £9,139. The position was not pensionable.

Chief Executive

The annual salary of the interim Chief Executive Helen Hughes for the year ended 31 March 2011 was £130,000.

Total actual emoluments from 1 October 2010 to 31 March 2011 were £88,102 including employer's contributions of £15,795 to the PCSPS. Employer's NIC amounted to a further £7,307. 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 2011.

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

| Salary and pension entitlements** | Salary £ | Benefits in kind (rounded to nearest £100) | Flexible benefits (rounded to nearest £100) | Bonus | Real increase in pension and related lump sum (£2.5k bands) | Pension at 31/03/11 and related lump sum (£5k bands) | CETV at 31/03/10 (£'000)# | CETV at 31/03/11 (£'000) | Real increase in CETV as funded by employer (£'000) |
|---|---------------------------------|---|--|-------------------------|--|---|--------------------------------------|-------------------------------------|--|
| Neil Kinghan Director General (to 30/09/10) | 74,258 (2009/10 22,843) | Nil (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | - | - | - | - | - |
| Julie Anderson Interim Group Director Corporate Management (from 01/11/10) | 41,488 (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | - | 25-30 plus 80-85 lump sum | 470 | 471 | - |
| Kate Bennett National Director for Wales | 75,000 (2009/10 75,000) | Nil (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | 0–2.5 plus 0–2.5 lump sum | 15–20 plus 45–50 lump sum | 289 | 321 | 8 |
| Helen Hughes Group Director Corporate Management (to 30/09/10) Interim Chief Executive (from 01/10/10) | 130,000 (2009/10 130,000) | Nil (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | 2.5–5 | 5–10 | 30 | 64 | 28 |

| Salary and pension entitlements** | Salary £ | Benefits in kind (rounded to nearest £100) | Flexible benefits (rounded to nearest £100) | Bonus | Real increase in pension and related lump sum (£2.5k bands) | Pension at 31/03/11 and related lump sum (£5k bands) | CETV at 31/03/10 (£'000)# | CETV at 31/03/11 (£'000) | Real increase in CETV as funded by employer (£'000) |
|---|------------------------------|---|--|----------------------|--|---|--------------------------------------|-------------------------------------|--|
| Sheila Kumar Interim Group Director Regulation (from 26/04/10) | 97,351 (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | 10–12.5 plus 32.5–35 lump sum | 30–35 plus 95–100 lump sum | 279 | 468 | 165 |
| Ros Micklem National Director for Scotland | 79,733 (2009/10 80,000) | Nil (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | 0–2.5 | 5–10 | 57 | 82 | 20 |
| Andrea Murray Acting Group Director Strategy (to 26/04/10) | 5,952 (2009/10 91,977) | Nil (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | 0–2.5 | 25–30 | 350 | 357 | 1 |
| John Wadham Group Director Legal | 120,000 (2009/10 120,000) | Nil (2009/10 nil) | Nil (2009/10 nil) | Nil (2009/10 nil) | 2.5–5 | 35–40 | 639 | 755 | 19 |

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/03/10 and 31/03/11 have both been calculated using the new factors, for consistency. The CETV at 31/02/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Some senior members of the Commission included above were in post for part of the year. To aid comparability the full year salaries were: N Kinghan £148,415; J Anderson £99,570; S Kumar £105,000; A Murray £92,000.

- 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) Julie Anderson and Sheila Kumar are on loan to the Commission from their employers. Termination of the loan agreements is subject to one months notice.
- 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 2010/11 £254,853 (inclusive of VAT) was payable to Veredus.**
- f) No compensation for loss of office paid or receivable has been made under the terms of an approved compensation scheme.**
- g) There are no elements of the remuneration package that are not cash.**

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

Pensions

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

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and

nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website:

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

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when 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
10 November 2011

Statement of Accounts

1 April 2010–31 March 2011

Equality and Human Rights Commission

Statement of Accounting Officer's responsibilities

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

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

The Director General of the Government Equalities Office appointed the 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 statement on internal control

Scope of responsibility

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

Since its creation the Commission has consulted with its sponsor departments on its budgets and plans. During 2010/11 the Commission's sponsor department was the Government Equalities Office (GEO). Throughout the year my predecessors met regularly with the Principal Accounting Officer of the GEO and the Commission's officials worked closely with the GEO to ensure that the Commission's resources were properly managed. The GEO transferred into the Home Office from 1st April 2011 and the Home Office became the Commission's sponsor department. Since my appointment in June 2011 I have continued to meet with senior Home Office officials and the Commission's officials have worked closely with the Home Office to ensure that the Commission's resources are properly managed.

The relationship with the sponsor department is governed by a Framework Document. The Commission has entered into discussions with the Home Office regarding proposed changes to the Commission's accountability arrangements to Government in light of the change in sponsor department, new Cabinet Office guidance and the Government's consultation on the Commission.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve

policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

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

In previous years the Commission's accounts were qualified by the Comptroller and Auditor General (C&AG) in respect of irregular payments which resulted from deficiencies in the Commission's system of internal control. Significant improvements were made to the financial management of the Commission during 2010/11, as a result of which the C&AG has been able to give an unqualified audit opinion for the year, while reporting the continuing effects of poor procurement practice in earlier years.

The system of internal control was significantly improved during the year ended 31 March 2011. I describe below the steps taken to ensure that it fully accords with Treasury guidance.

Capacity to handle risk

During 2010/11 my predecessor established a robust process to manage risk. A strategic risk register was prepared and members of the Senior Management Committee (SMT) were assigned ownership of individual risks and made accountable for managing them. The SMT regularly reviewed the register and considered the appropriate actions to manage risks. My predecessor provided training to managers on the effective management of operational risk. The Audit and Risk Committee and the Board reviewed the register, and the actions being taken to manage risks, at all of their meetings. Oversight of the management of individual strategic risks was also assigned to the Board's sub committees, who review progress in managing risks. I have ensured that this process is maintained and have updated the strategic risk register.

The risk and control framework

The Board of the Commission has overall responsibility for the strategic management of risk. The Board regularly reviews the strategic risk register and advises me on the actions to be taken to manage risk. The Board is supported by the Audit and Risk Committee (ARC). The Chair provides a report on the work of the Committee to each meeting of the Board. 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 and recommend improvements as appropriate.

The Regulatory Committee and the Resources Committee 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 Committee and the Board.

The Commission is working with Home Office to define its risk appetite in a manner consistent with that used by the Home Office

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.

Corporate security and the protection of assets holding sensitive information continues to be a priority. During 2010/11 the Commission 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. I have commissioned the next phase of security improvements which will be delivered during 2011/12 and will focus on information assurance, classification schemes and business continuity. There have been no information security incidents reported to Government.

Review of effectiveness

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

The C&AG qualified the Commission's 2009/10 accounts in respect of irregular expenditure. Controls were put in place during 2010/11 to ensure that all expenditure was properly managed. As these improvements were made during 2010/11, some new controls were in place for only a part of the year. In particular, improvements were made to the management of grants expenditure and procurement.

I have maintained tight controls over procurement and am confident that current activity is properly managed.

As defined by Government Internal Audit Standards, the role of internal audit is to provide me with an independent and objective opinion of the

efficient and effective operation of the systems of governance, risk management and control.

Through the internal audit work performed during 2010/11, it is evident that considerable progress has been made during the year in addressing control weaknesses and that many of the Commission's processes have continued to mature. Additional action is required to strengthen risk management and apply internal controls consistently throughout the organisation.

During 2010/11 the Internal Auditors expressed concerns about corporate information handling and security, internal controls, procurement and the Commission's programme of legal grants. Some of these concerns have already been addressed by the improvements to controls made during 2010/11 and during the current financial year and I have described in this statement the improvements made. I will ensure that the Commission maintains and develops the improvements already made.

During the year we have made progress in embedding risk management, particularly at a strategic level. Further work is required to develop an appropriate approach that links operational and strategic risk management.

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.

While the number of interim staff has been greatly reduced, the Commission remains heavily reliant on the use of interim staff to fill a number of key senior roles. It is my intention to address this risk and substantially reduce the remaining number of interim staff by confirming the organisational structure and filling vacancies on a permanent basis.

Conclusion

The internal audit programme for 2010/1, as approved by the Audit and Risk Committee, was completed and final reports were provided to the SMT and the Audit and Risk Committee.

Internal audits during 2010/11 of strategic grants management, human resources and corporate governance provided substantial assurance opinions. Internal audits of corporate information handling and security, key internal controls and procurement provided limited assurance. The internal audit of legal grants management provided nil assurance.

The 2010/11 internal audit annual report has been considered by the Audit and Risk Committee. In providing their audit opinion, the internal auditors considered the control weaknesses identified in the detailed reports and the progress made by the Commission in developing the risk and control framework during the year. Due to the weaknesses identified and the ongoing development of the internal control framework, in the opinion of the internal auditors, the systems over risk management, control and governance did not provide reasonable assurance regarding the effective and efficient achievement of the Commission's objectives.

The Internal Auditors' opinion covers the full year and therefore does not reflect some of the improvements made during 2011/12. Despite the considerable progress made during the year in addressing control weaknesses, I acknowledge that further action needs to be taken to strengthen risk management and apply internal controls consistently throughout the organisation.

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.

Mark Hammond

Accounting Officer

10 November 2011

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

I certify that I have audited the financial statements of the Commission for Equality and Human Rights (the Commission) for the year ended 31 March 2011 under the Equality Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, 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.

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

Opinion on Regularity

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

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 2011 and of its 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 issued under the Equality Act 2006; and
- the information given in the Chief Executive's review, Board of Commissioners, Annex 2: Employee environment, Annex 3: How we performed against our business plan's 12 key targets and Annex 5: Management commentary sections of the Annual Report

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 or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

My report on pages 91 to 96 explains my unqualified opinion on regularity in light of my qualified opinions on regularity in previous years.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

16 November 2011

The maintenance and integrity of the Equality and Human Rights Commission's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

Introduction

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

Unqualified Opinion on Regularity

2. My regularity opinion for the year ended 31 March 2010 was qualified because the Commission had incurred expenditure in respect of procurement of goods and services (£1,059,000), pay costs (£570,000) and write off losses (£874,000), which I concluded were not in conformity with the authorities which governed them, and was therefore irregular. In addition, the Commission was unable to provide me with sufficient evidence to support the regularity of £2,621,000 of legal grant expenditure. Further details of the reasoning for qualification are in my report dated 15 June 2011.

3. My audit opinion on the financial statements for the year ended 31 March 2011 is unqualified. The purpose of this Report is to outline the improvements made by the Commission which have led me to conclude that an unqualified regularity opinion is appropriate.

My obligations as Auditor

4. Under the Equality Act 2006, I am required to examine, certify and report on each statement of account that I receive. In addition to the requirements to obtain evidence to give reasonable assurance that the Commission's financial statements are free from material misstatement, I am also required to give an opinion that the transactions are, in all

material respects, in conformity with the authorities which govern them (a regularity opinion).

Irregular Expenditure as a Result of Breaches of Procurement Delegations

5. During the year ended 31 March 2011, the Commission operated under the remit of a Framework Document with the Government Equalities Office, as its sponsor Department which sets out a requirement that the Commission seek the GEO's approval for any Single Tender Procurement Actions (STAs) above £50,000.

6. In previous years, the Commission identified a number of cases where it procured goods and services of more than £50,000 using Single Tender Procurement Actions that were not authorised by the GEO. As this expenditure, totalling £1,059,000 in 2009-10, did not have the required authority I qualified my regularity opinion on the Commission's accounts.

7. My audit testing of 2010-11 procurement activity has not identified any instances of non-compliance with the framework agreement within the 2010-11 year, and approval has been sought and received for one required STA over £50,000 undertaken.

8. During the year the Commission has revised its procurement guidance, and all Directors and above have now been trained in the proper procedures to be followed when procuring goods and services. Furthermore, the Procurement team now provides regular reports on procurement activity to the weekly meetings of the Senior Management Team, and has introduced a programme of contract management reviews to ensure that procurement activity is in accordance with the Commission's guidance.

9. While I welcome the considerable improvements that the Commission has made in its controls over procurement, there are still areas where it needs to make improvements. In particular, up to 35% of the Commission's purchase orders are still not raised until after the Commission has received an invoice for goods and services. This means that Commission staff are committing funds without going through proper processes and are avoiding some of the checking processes. Consequently the Commission does not have an accurate understanding of its committed expenditure at any one point in time. The Chief Executive has made it clear that he takes non-compliance with these processes seriously such that in cases of repeated non-compliance delegations will be withdrawn.

Pay Remits

10. All non-departmental public bodies, such as the Commission, are required to agree annual pay remits with their sponsor Department and the Treasury, which set out the maximum level of pay increases for permanent employees. In my Report on the Commission's 2009-10 accounts, in June 2011, I noted that the Commission had not agreed a pay remit for 2009-10 or beyond with its sponsor Department, the Government Equalities Office (GEO), and the Treasury.

11. The Commission have sought, under the sponsorship of their new Sponsor Department, the Home Office, to agree their 2010-11 pay remit on a more timely basis, and this was in place by July 2011. My testing did not identify any staff costs payments in 2010-11 that are outwith the agreed 2010-11 pay remit.

Losses Delegations

12. In accordance with its Framework Document, the Commission is required to seek the GEO's approval to write off total losses of over £100,000 in any one financial year. The Commission did not seek approval from the GEO at the time of the write off of losses of £874k predominately relating to the cost of its website and decided not to seek

retrospective authority for this write off. I considered the write off to be irregular, and qualified my 2009-10 audit opinion in this regard.

13. There have been no further write offs during 2010-11, and no evidence of any other breaches of delegation per the framework agreement.

Evidence to Support the Regularity of Expenditure on Legal Grants

14. I qualified my regularity opinion on the Commission's 2009-10 accounts as I considered that the Commission did not have a sufficiently rigorous programme of monitoring or assurance gathering for legal grants in 2009-10, and could not assure itself that around £2,621k of grants were used for the purposes intended. I could not, therefore, confirm that there was sufficient appropriate audit evidence for me to confirm the regularity of those legal grants.

15. The Commission have worked to put in place a revised control framework for legal grants and my review of a sample of 2010-11 legal grant payments showed that improvements have been made in the monitoring of legal grant payments. Although new, more rigorous procedures were not fully in place until November 2010, the evidence obtained as part of my audit has provided sufficient, appropriate evidence over the regularity of legal grant expenditure.

16. I did note that the evidence held on file although much more detailed than in 2009-10, was not always consistent between projects, and that further improvements also need to be made to controls over the verification of legal grantees' reported expenditure, which impacts on the Commission's ability to identify underspends or unauthorised expenditure, although this risk is minimised due to the types of organisations these grants are paid to and the types of costs being funded.

Conclusions

17. The Commission continues to have difficulties in budgeting and forecasting effectively, and this prevents it from exercising full control over its resources. Many of these difficulties, especially around forecasting, result from the continuing problem of Commission staff not raising purchase orders on a timely basis. If the Commission does not have a clear idea of its spending commitments at any point of time, it is difficult to accurately forecast its future expenditure.

18. Many of the improvements that the Commission has put in place have been delivered by interim staff brought in by the Commission. In general the Commission is over-reliant on interim staff. I am concerned that once these interim staff depart, there is a risk that the improvements in controls that they have delivered will lapse. The Commission will need to ensure that not only does it appoint properly qualified and experienced staff to fill these posts, but that there is a proper transfer of knowledge to these staff.

19. I remain concerned, too, about the culture of the Commission with regard to financial and administrative controls. It is imperative that the Commission Board and the Senior Management Team, led by the Chief Executive, are clear and unequivocal in their expectations that staff will comply with the laid down financial procedures and manage public funds effectively, and that such expectations are reflected through active performance management.

20. As this report indicates, improvements are finally starting to take effect and reflect an improvement in the overall control environment resulting in the first clear audit opinion on the Commission's financial statements since its formation in 2007. However, while the Commission has made improvements in its financial controls, these are the first steps and it needs to build on this and embed a culture of compliance with administrative procedures and to ensure that the Commission Board and senior management actively take responsibility for the proper governance and effective administration of the Commission, and in particular to ensure that improved procedures are embedded and to

protect against any return to prior years' weaknesses, particularly if the Commission starts to lose its key interim staff.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

16 November 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

| | Note | 2010/11 | | 2009/10 | |
|---|---------|-----------|-----------------|-------------------|-----------------|
| | | £'000 | £'000 | Restated £'000 | £'000 |
| Expenditure | | | | | |
| <i>Staff costs</i> | | | | | |
| Staff costs | 3b & e | 25,945 | | 29,399 | |
| Staff exit scheme packages | 3c & 12 | 968 | | - | |
| Early retirement and severance costs | 12 | <u>22</u> | | <u>86</u> | |
| | | | 26,935 | | 29,485 |
| <i>Depreciation and amortisation</i> | 4 | | 1,922 | | 1,922 |
| <i>Other expenditure</i> | | | | | |
| Other expenditure | 4 | 19,986 | | 22,949 | |
| Loss on disposal on property, plant and equipment | 4 | 5 | | 8 | |
| Impairment of non-current assets | 4 & 19c | <u>-</u> | | <u>866</u> | |
| | | | 19,991 | | 23,823 |
| Total expenditure | | | <u>48,848</u> | | <u>55,230</u> |
| Income | | | | | |
| Income from activities | 5 | | (339) | | (437) |
| Other income- access to work | 1m | | (295) | | (264) |
| Total Income | | | <u>(634)</u> | | <u>(701)</u> |
| Net Expenditure | | | 48,214 | | 54,529 |
| Interest cost on pension scheme liabilities | 13 | | 65 | | 78 |
| Net expenditure after interest | | | <u>48,279</u> | | <u>54,607</u> |
| Other comprehensive expenditure | | | | | |
| Actuarial (gain)/loss on pensions provision | 13 | | (70) | | 202 |
| Net (gain)/loss on revaluation of property, plant & equipment | 6 | | (67) | | 249 |
| Total comprehensive expenditure for the year | | | <u>48,142</u> * | | <u>55,058</u> * |

The notes on pages 101 to 131 form part of these accounts.

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

Statement of Financial Position as at 31 March 2011

| | Note | 31 March 2011 | | 31 March 2010 | |
|--|------|----------------|----------------|----------------|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Non - current assets | | | | | |
| Property, plant & equipment | 6 | 1,930 | | 3,267 | |
| Intangible assets | 7 | <u>223</u> | | <u>625</u> | |
| Total non - current assets | | | 2,153 | | 3,892 |
| Current Assets | | | | | |
| Trade and other receivables | 9a | 1,464 | | 1,879 | |
| Cash and cash equivalents | 10 | <u>5,487</u> | | <u>5,163</u> | |
| Total current assets | | | 6,951 | | 7,042 |
| Total assets | | | <u>9,104</u> | | <u>10,934</u> |
| Current liabilities | | | | | |
| Trade and other payables | 11a | (6,392) | | (9,228) | |
| Provisions | 12 | <u>(1,742)</u> | | <u>(1,881)</u> | |
| Total current liabilities | | | (8,134) | | (11,109) |
| Total assets less current liabilities | | | <u>970</u> | | <u>(175)</u> |
| Non - current liabilities | | | | | |
| Provisions | 12 | (1,850) | | (3,118) | |
| Pension liabilities | 13 | (1,444) | | (1,624) | |
| Trade and other payables | 11a | <u>(247)</u> | | <u>(286)</u> | |
| Total non - current liabilities | | | (3,541) | | (5,028) |
| Assets less liabilities | | | <u>(2,571)</u> | | <u>(5,203)</u> |
| Taxpayers' equity | | | | | |
| Revaluation reserve | | | 175 | | 108 |
| General reserve | | | (2,746) | | (5,311) |
| | | | <u>(2,571)</u> | | <u>(5,203)</u> |

The notes on pages 101 to 131 form part of these accounts.

The financial statements on pages 97 to 100 were approved by the Board on 21 October 2011 and were signed on its behalf by:

Mark Hammond

Chief Executive

10 November 2011

Statement of Cash Flows for the year ended 31 March 2011

| | Note | 2010/11 | 2009/10 |
|--|------|------------------------|------------------------|
| | | £'000 | Restated £'000 |
| Cash flows from operating activities | | | |
| Net deficit after interest | | (48,279) | (54,607) |
| (Increase)/Decrease in trade and other receivables | 9a | 418 | (362) |
| (Decrease) in trade and other payables | 11a | (2,875) | (774) |
| Depreciation, amortisation and impairment | 4 | 1,922 | 2,788 |
| Loss on disposal of property, plant and equipment | 4 | 5 | 8 |
| Increase in provisions | 12 | 439 | 388 |
| Use of provisions | 12 | (1,528) | (1,730) |
| Provisions not required/written back | 12 | (318) | (581) |
| Difference between movement on pension liabilities and amounts recognised in the net expenditure account | 13 | (110) | 114 |
| Net cash outflow from operating activities | | <u>(50,326)</u> | <u>(54,756)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 6 | (118) | (79) |
| Purchase of intangible assets | 7 | (18) | (110) |
| (Costs)/Proceeds of disposal of property, plant and equipment | | 12 | (7) |
| Net cash outflow from investing activities | | <u>(124)</u> | <u>(196)</u> |
| Cash flows from financing activities | | | |
| Grant in aid received from parent department | | 50,774 | 55,049 |
| Net increase/(decrease) in cash and cash equivalents in the year | | <u>324</u> | <u>97</u> |
| Cash and cash equivalents at the beginning of the financial year | 10 | 5,163 | 5,066 |
| Cash and cash equivalents at the end of the financial year | 10 | <u>5,487</u> | <u>5,163</u> |

The notes on pages 101 to 131 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

| 2009/10 | | | | |
|---|------|------------------------------|--------------------------|-----------------|
| Restated | Note | Revaluation Reserve £'000 | General Reserve £'000 | Total £'000 |
| Balance at 31 March 2009 | | 357 | (5,551) | (5,194) |
| Changes in taxpayers' equity 2009/10 | | | | |
| Net Expenditure after interest for the year | | - | (54,607) | (54,607) |
| Net expenditure recognised directly in equity for the year: | | | | |
| -Actuarial gain (loss) | 13 | - | (202) | (202) |
| -Revaluation of property, plant & equipment | 6 | (249) | - | (249) |
| Total recognised income and expense for the year | | (249) | (54,809) | (55,058) |
| Grant in Aid received from sponsor Department | | - | 55,049 | 55,049 |
| Balance at 31 March 2010 | | 108 | (5,311) | (5,203) |
| 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 |
| -Charge to revaluation reserve | 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) |

The notes on pages 101 to 131 form part of these accounts.

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 2010/11 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 taxpayer's equity. Cash grant-in-aid for the period to 31 March 2012, 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 have been no changes in accounting estimates.

1d. Grant-in-Aid

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

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

1e. Property, Plant and Equipment

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

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 will be fully written down by 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 capitalised computer software development costs are amortised in accordance with the amortisation policy. Other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

1h. Amortisation of intangible assets

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

| | |
|----------------------------|---------|
| Software and website costs | 4 years |
|----------------------------|---------|

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 2010/11 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%. 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 2010/11 is 2.9% (2009/10: 1.8%).

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%. 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:

- | | |
|--|--|
| <u>Staff with a permanent (UK) employment contract</u> | - Comprises staff who are directly employed by the Commission. |
| <u>Agency staff</u> | - Contracted staff employed on a short term basis. |
| <u>Seconded staff</u> | - 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. Cost of capital

In 2009/10 the FReM required that in order to show the full cost of the Commission's activities, notional costs should be included in the Statement of Comprehensive Net Expenditure. A notional cost of capital was charged at HM Treasury's cost of capital rate of 3.5 per cent to average capital employed during the year. The sum was written back into the general reserve for the year.

The 2010/11 FReM removes the requirement to charge a cost of capital amount to the Statement of Comprehensive Net Expenditure. As such the accounts do not contain a cost of capital charge for the year 2010/11. The statements have been restated in prior periods as appropriate to reflect this change in accounting policy.

Apart from the removal of the line items showing the cost of capital and reversal amounts, the comparative figures for the year ended 31 March 2010 have not changed. The Statement of Cash Flows and the Statement of Changes in Taxpayers Equity also included disclosures of the cost of capital and subsequent reversals and these have been removed in the comparatives with a net nil effect on the statements. The Statement of Financial Position is unaffected.

1q. 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.

1r. 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.

1s. 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.

1t. Segmental Reporting

The 2010/11 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.

1u. Future IFRS amendments and early adoption

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

As at 31 March 2011 the following IFRS which will require future amendments to the FReM, identified as having an impact on the Commission, had been issued but were not yet effective:

IAS 24 (2009) Related party transactions

The 2010/11 FReM requires all reporting entities to apply IAS 24 in full, as amended in the revised standard, effective from the accounting period commencing 1 January 2011. The Commission has chosen to apply the standard to 2010/11. This constitutes early adoption (the main impact is the modified requirements which clarify further the identification of related parties).

2. Segmental reporting

The Commission's primary reporting format in 2010/11 is by directorate with six directorates and a Commissioners' Office.

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

The Communications Directorate provides strategic communications and stakeholder relations support to the Commission in addition to managing the Commission's Helpline and regional offices. The directorate engages stakeholders in the Commission's work and activities and seeks to ensure positive external recognition of the Commission's work. The Helpline provides information and guidance on discrimination and human rights issues.

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

The Commission has a unique set of legal powers that are vested in the Legal Directorate. The directorate uses these powers and its

legal resources to enforce equality laws, eliminate discrimination, reduce inequality, promote good relations and protect human rights.

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

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

Segmental results are highlighted below:

| Directorate | 2010/11 | | | 2009/10 Restated | | |
|---------------------------------------|-----------------|----------------------|----------------|------------------|----------------------|----------------|
| | Income £'000 | Expenditure £'000 | Total £'000 | Income £'000 | Expenditure £'000 | Total £'000 |
| Commissioners' Office | - | 1,403 | 1,403 | (1) | 1,713 | 1,712 |
| Communications | - | 6,786 | 6,786 | (7) | 10,179 | 10,172 |
| Corporate Management & Operational | (390) | 20,957 | 20,567 | (359) | 23,498 | 23,139 |
| Legal | (111) | 10,361 | 10,250 | (188) | 8,484 | 8,296 |
| Scotland | (125) | 1,781 | 1,656 | (126) | 2,111 | 1,985 |
| Strategy | (8) | 6,311 | 6,303 | (6) | 7,956 | 7,950 |
| Wales | - | 1,314 | 1,314 | (14) | 1,367 | 1,353 |
| Net Expenditure after interest | <u>(634)</u> | <u>48,913</u> | <u>48,279</u> | <u>(701)</u> | <u>55,308</u> | <u>54,607</u> |

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

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:

| | 2010/11 | 2009/10 |
|--|------------|------------|
| Staff with a permanent (UK) employment contract | 423 | 443 |
| <i>Other</i> | | |
| Seconded staff (net of inward and outward secondments) | (2) | (2) |
| Agency staff | 44 | 85 |
| Total | <u>465</u> | <u>526</u> |

3b. Staff costs comprise:

| | 2010/11 £'000 | 2009/10 £'000 |
|--|------------------|------------------|
| <i>Staff with a permanent (UK) employment contract</i> | | |
| Wages and salaries | 15,170 | 15,902 |
| Social security costs | 1,242 | 1,270 |
| Other pension costs | 2,978 | 3,091 |
| <i>Other</i> | | |
| Seconded staff (net of inward and outward secondments) | (199) | (37) |
| Agency staff | 6,267 | 8,739 |
| Total | <u>25,458</u> | <u>28,965</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 2010/11, employers' contributions of £2,979,826 were payable to the PCSPS (2009/10: £3,043,813) 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 2010/11 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 £11,132 were paid to one or more of the panel of three appointed stakeholder pension providers (2009/10: £18,043). 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 £847 (2009/10 £1,454), 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 £912 (2009/10 £997). Contributions prepaid at that date were £nil (2009/10 £nil).

One individual retired early on ill-health grounds: the total additional accrued pension liabilities in the year amounted to £2,419 (2009/10 £nil).

3c. Staff exit package costs

The Commission launched a scheme in January 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 Commissions 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. Staff on loan should contact their home department for more information.

Total costs incurred comprise:

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

There were no staff departures or exits in 2009/10.

The £968k recognised in the Statement of Comprehensive Net Expenditure comprises £949k for exit costs and a further £19k in other provisions for employee legal costs (note 12).

3d. Commissioner numbers

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

| | 2010/11 | 2009/10 |
|---------------|-----------|-----------|
| Commissioners | <u>14</u> | <u>14</u> |

3e. Commissioners' costs comprise

| | 2010/11 £'000 | 2009/10 £'000 |
|---|------------------|------------------|
| Commissioners' fees | 359 | 300 |
| Commissioners' social security costs | 35 | 27 |
| Statutory committee fees | 90 | 104 |
| Statutory committee social security costs | 3 | 3 |
| Total | <u>487</u> | <u>434</u> |

4. Other expenditure

| | 2010/11 £'000 | 2009/10 Restated £'000 |
|--|------------------|------------------------------|
| Running costs | | |
| Staff support, recruitment and training | 624 | 1,487 |
| Staff and Commissioners' travel and subsistence | 699 | 1,582 |
| Rentals under operating leases for equipment | 38 | 44 |
| Rentals under operating leases for premises | 2,123 | 2,247 |
| Premises costs (non-lease) | 1,749 | 1,665 |
| Support and office services | 839 | 2,359 |
| IT and telecommunications cost | 955 | 1,149 |
| Access to work | 223 | 232 |
| Auditors remuneration | 90 | 90 |
| Programme | | |
| Helpline and advisory services | 180 | 591 |
| Legal and mediation services | 2,278 | 1,658 |
| Grants given | 7,234 | 5,003 |
| Publication and information | 1,513 | 2,888 |
| Research and policy development | 1,441 | 1,954 |
| Total Other operating charges | 19,986 | 22,949 |
| Non-cash items | | |
| Depreciation of property, plant and equipment | 1,502 | 1,492 |
| Amortisation of intangible assets | 420 | 430 |
| Loss on impairment of non-current assets | - | 866 |
| (Profit)/Loss on disposal of property, plant and equipment | 5 | 8 |
| Total Other Expenditure | 21,913 | 25,745 |

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

5. Income from activities

| | 2010/11 £'000 | 2009/10 £'000 |
|-------------------------|------------------|------------------|
| Other government grants | 169 | 181 |
| Sponsorship income | 7 | 12 |
| Miscellaneous income | 163 | 244 |
| | 339 | 437 |

6. Property, plant and equipment

| 2010/11 | | | | |
|---------------------------|------------------------------|--------------------------------------|--------------------|----------------|
| | Fixtures & fittings £'000 | IT & 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> |

| 2009/10 | | | | |
|---------------------------|------------------------------|--------------------------------------|--------------------|----------------|
| | Fixtures & fittings £'000 | IT & Telecomms Equipment £'000 | Furniture £'000 | Total £'000 |
| Cost or valuation | | | | |
| At 1 April 2009 | 4,991 | 2,266 | 1,088 | 8,345 |
| Additions in year | 40 | 33 | 6 | 79 |
| Disposals | - | (2) | - | (2) |
| Revaluations | (245) | - | - | (245) |
| At 31 March 2010 | <u>4,786</u> | <u>2,297</u> | <u>1,094</u> | <u>8,177</u> |
| Depreciation | | | | |
| At 1 April 2009 | 1,434 | 1,310 | 671 | 3,415 |
| Depreciation for the year | 1,002 | 299 | 191 | 1,492 |
| Disposals | - | (1) | - | (1) |
| Revaluations | 4 | - | - | 4 |
| At 31 March 2010 | <u>2,440</u> | <u>1,608</u> | <u>862</u> | <u>4,910</u> |
| Net Book Value | | | | |
| At 31 March 2010 | <u>2,346</u> | <u>689</u> | <u>232</u> | <u>3,267</u> |
| At 31 March 2009 | <u>3,557</u> | <u>956</u> | <u>417</u> | <u>4,930</u> |

7. Intangible assets

| 2010/11 | Software licences £'000 | Website £'000 | Total £'000 |
|--------------------------|--|--------------------------|------------------------|
| Cost or valuation | | | |
| At 1 April 2010 | 1,848 | - | 1,848 |
| Additions | 18 | - | 18 |
| Disposals | - | - | - |
| Impairments | - | - | - |
| At 31 March 2011 | 1,866 | 0 | 1,866 |
| Amortisation | | | |
| At 1 April 2010 | 1,223 | - | 1,223 |
| Charged in the year | 420 | - | 420 |
| Impairments | - | - | - |
| At 31 March 2011 | 1,643 | 0 | 1,643 |
| Net Book Value | | | |
| At 31 March 2011 | 223 | 0 | 223 |
| 2009/10 | Software licences £'000 | Website £'000 | Total £'000 |
| Cost or valuation | | | |
| At 1 April 2009 | 1,738 | 1,554 | 3,292 |
| Additions | 110 | - | 110 |
| Disposals | - | - | - |
| Impairments | - | (1,554) | (1,554) |
| At 31 March 2010 | 1,848 | 0 | 1,848 |
| Amortisation | | | |
| At 1 April 2009 | 793 | 688 | 1,481 |
| Charged in the year | 430 | - | 430 |
| Impairments | - | (688) | (688) |
| At 31 March 2010 | 1,223 | 0 | 1,223 |
| Net Book Value | | | |
| At 31 March 2010 | 625 | 0 | 625 |
| At 31 March 2009 | 945 | 866 | 1,811 |

8. Financial instruments

As the cash requirements of the Commission are met through Grant-in-Aid by our sponsor Department the Government Equalities Office (GEO), financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

IAS 39, 32 and IFRS7 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. Details explaining 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 GEO, 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 2011 £'000 | 31 March 2010 £'000 |
|--|---------------------------|---------------------------|
| Amounts falling due within one year | | |
| Trade receivables | 53 | 153 |
| Prepayments and accrued income | 1,298 | 1,565 |
| Other receivables- | | |
| - Access to work | 86 | 76 |
| - Other | 27 | 85 |
| | <u>1,464</u> | <u>1,879</u> |

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

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---------------------------|---------------------------|
| Amounts falling due within one year | | |
| Balances with- | | |
| Other central government bodies | 103 | 224 |
| Local authorities | 574 | 495 |
| Balances with bodies external to government | <u>787</u> | <u>1,160</u> |
| | <u>1,464</u> | <u>1,879</u> |

10. Cash and cash equivalents

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---------------------------|---------------------------|
| At 1 April | 5,163 | 5,066 |
| Net change in cash and cash equivalent balances | 324 | 97 |
| Balance at 31 March | <u>5,487</u> | <u>5,163</u> |
| The balances at 31 March were held at: | | |
| Commercial banks and cash in hand | - | - |
| Office of the Paymaster General (OPG) | - | - |
| Government Banking Service | 5,487 | 5,163 |
| | <u>5,487</u> | <u>5,163</u> |

11a. Trade payables and other current liabilities

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---------------------------|---------------------------|
| Amounts falling due within one year: | | |
| Trade payables | 30 | 2,200 |
| Other payables | 368 | 863 |
| VAT | 10 | 21 |
| Other taxes and social security | 411 | 424 |
| Accruals | 5,573 | 5,720 |
| | <u>6,392</u> | <u>9,228</u> |

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|--|---------------------------|---------------------------|
| Amounts falling due after more than one year: | | |
| Premises rent free period | <u>247</u> | <u>286</u> |

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

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

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|---------------------------|---------------------------|
| Amounts falling due within one year: | | |
| Balances with- | | |
| Other central government bodies | 917 | 1,544 |
| Local authorities | 7 | 493 |
| Balances with bodies external to government | <u>5,468</u> | <u>7,191</u> |
| | <u>6,392</u> | <u>9,228</u> |

12. Provisions

| 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 | 318 | - | 597 | 827 | 1,742 |
| | <u>1,243</u> | <u>-</u> | <u>597</u> | <u>1,752</u> | <u>3,592</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 | 318 | - | 597 | 827 | 1,742 |
| Later than one year and not later than five years | 848 | - | - | 925 | 1,773 |
| Later than five years | 77 | - | - | - | 77 |
| | <u>1,243</u> | <u>-</u> | <u>597</u> | <u>1,752</u> | <u>3,592</u> |

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

Early retirement

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

The sum of £22k declared in the Statement of Comprehensive Net Expenditure for Early Retirement and Severance Costs is made up of £11k for unwinding of discount, £21k for sums paid in year, £(6)k covers the increase in pensions in payment and a reduction due to timing of final payments and £(4)k represents the difference between actual sums paid and the 2009/10 provision release.

Dilapidations and property disposal

The property disposal provision relates to a lease on property formerly occupied by a legacy commission but not used by the Commission. The property is being disposed of. Provision has been made for ongoing costs of the property and for costs arising from property disposal. The figures used are based on the advice of independent property consultants. Provision has been made for these costs as the lease is considered to be onerous.

Other provisions

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

Legal

Provision has been made for £578k arising from future liabilities associated with litigation that the Commission has ongoing at 31 March 2011. These liabilities are of uncertain timing and amount. Provision is made on the best estimate of expenditure required to settle the obligation. Where litigation is decided in EHRC's favour there is potential for recovery of costs.

Voluntary exit scheme

The Commission launched a scheme in January 2011 that allowed volunteers to leave under voluntary terms approved by the Cabinet Office. A provision has, therefore, been made for £19k 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 2011 | 31 March 2010 | 31 March 2009 |
|--|------------------|------------------|------------------|
| Rate of inflation RPI | | 2.75% | 2.75% |
| Rate of inflation CPI | 2.65% | 2.00% | |
| Rate of increase in salaries | 4.90% | 4.29% | 4.29% |
| Rate of increase for pensions in payment and deferred pensions | 2.65% | 2.75% | 2.75% |
| Rate used to discount scheme liabilities | 5.60% | 4.60% | 6.04% |

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 | 31 March 2008 £'000 | 31 March 2007 £'000 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| The liabilities associated with ex Chairs holding BBA pensions are as follows: | | | | | |
| Active members(past service) | 295 | 326 | 238 | 187 | - |
| Deferred pensioners | 154 | 169 | 120 | 130 | 211 |
| Current pensioners | 995 | 1,129 | 950 | 770 | 771 |
| Net present value of scheme liabilities | <u>1,444</u> | <u>1,624</u> | <u>1,308</u> | <u>1,087</u> | <u>982</u> |

| | 2011 £'000 | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|---------------|
| The movement on the provision during the year is as follows: | | | |
| Balance at 1 April | 1,624 | 1,308 | 1,087 |
| Current service cost | 30 | 27 | 24 |
| Past service cost | (133) | - | - |
| Employee contributions | 3 | 3 | 3 |
| Interest cost on scheme liabilities | 65 | 78 | 57 |
| Total actuarial (gains)/losses | (70) | 202 | 209 |
| Transfer value | - | 81 | - |
| Less benefits paid | (75) | (75) | (72) |
| Present value of scheme liabilities | <u>1,444</u> | <u>1,624</u> | <u>1,308</u> |

| | 2011 £'000 | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|---------------|
| The amounts recognised in the Net Expenditure Account are as follows- | | | |
| Current service cost | 30 | 27 | 24 |
| Past service cost | (133) | - | - |
| Interest cost on scheme liabilities | 65 | 78 | 57 |
| | <u>(38)</u> | <u>105</u> | <u>81</u> |
| Actuarial (gains)/losses recognised directly in Taxpayers' Equity | <u>(70)</u> | <u>202</u> | <u>209</u> |
| Cumulative actuarial losses recognised directly in Taxpayers' Equity | <u>366</u> | <u>436</u> | <u>234</u> |

| History of experience losses/(gains) | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 | 31 March 2008 £'000 | 31 March 2007 £'000 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Experience loss/(gain) arising on the scheme liabilities | 18 | (63) | 280 | 39 | - |
| Percentage of scheme liabilities at the year end | 1.3% | -4.1% | 21.4% | 3.6% | - |

The last actuarial valuation of the scheme took place on 21 April 2011. Changes in the demographic and financial assumptions underlying the valuation of the scheme have resulted in a gain to the scheme of £88k (2010: £265k loss) or 6.5 per cent (2010: 17.2 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 £18k (2010: £63k gain) or 1.3 per cent (2010: 4.1 per cent) of the Statement of Financial Position valuation of the scheme liabilities. The total actuarial gain was £70k (2010: £202k loss) or 5.2 per cent (2010: 13.1 per cent) of the Statement of Financial Position valuation of the scheme liabilities.

It is estimated that the value of benefits falling due and guaranteed by the Commission in the reporting period 2011/12 will be £79k.

In the Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension. The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pension schemes, there is a legitimate expectation that the RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by clear public interest in making substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts

14. Capital commitments

Contracted capital commitments at 31 March 2011, not otherwise included in these financial statements were as follows:

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|-----------------------------|---------------------------|---------------------------|
| Property, plant & equipment | 38 | - |
| Intangible assets | - | - |
| | <u>38</u> | <u>-</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 2011 £'000 | 31 March 2010 £'000 |
|---|---------------------------|---------------------------|
| Buildings- | | |
| Not later than one year | 2,065 | 1,718 |
| Later than one year and not later than five years | 2,457 | 2,548 |
| Later than five years | <u>237</u> | <u>-</u> |
| | 4,759 | 4,266 |
| Other- | | |
| Not later than one year | 35 | 34 |
| Later than one year and not later than five years | 6 | 31 |
| Later than five years | <u>-</u> | <u>-</u> |
| | 41 | 65 |
| | <u>4,800</u> | <u>4,331</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 2011 are not treated as a contingent liability but as an ongoing expense.

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

17. Contingent assets

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

18. Related party transactions

The Commission is a non-departmental public body under the sponsorship of the Government Equalities Office (GEO). The GEO is regarded as a related party. During the year the Commission received £50,774k Grant-in-Aid from the GEO of which £50,638k was revenue and £136k capital (2010: £55,049k; £54,860k revenue and £189k capital). No other significant transactions have taken place between the two bodies.

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

During the year the Commission was involved in the related party transactions identified below.

| Name | Role | Related party | Position in related party | Total value of expenditure £ | Total value of receipts £ | Balance due 31 March 2011 £ | Nature of transaction |
|------------------------|-----------------------------|---------------|---------------------------|---------------------------------|------------------------------|--------------------------------|--|
| Baroness M Prosser OBE | Commissioner (Deputy Chair) | Royal Mail | Non executive director | 2,136 | - | - | Services |
| Neil Kinghan | Director General | Neil Kinghan | | 431 | - | - | Re-imbusement of expenses incurred as Director General |

All the transactions described were conducted on an arm's length basis² and in the normal course of the Commission's business.

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

19. Losses and special payments

19a. Fruitless payments

Chief Executive recruitment

During the period September 2009 to May 2010, the Commission undertook two recruitment campaigns for a permanent Chief Executive at a total cost of £110k. With the agreement of the Government Equalities Office (GEO), the recruitment processes were not completed to an appointment. As the Commission did not derive any benefit from the recruitment process, the associated costs of £110k are classed as a fruitless payment.

² A transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of a conflict of interest. The **arm's length principle** (ALP) is the condition or the fact that the parties to a transaction are independent and on an equal footing. Such a transaction is known as an "arm's-length transaction". It is used specifically in contract law to arrange an equitable agreement that will stand up to legal scrutiny, even though the parties may have shared interests.

Of the total recruitment costs incurred, £49k was charged to 2010/11 (2009/10: £61k)

19b. Write offs

The Commission has written off a small number of payroll overpayments at a value of £219 since the likelihood of debt recovery has proved negligible.

In addition the Commission also wrote off a laptop with a net book value of £223. The laptop was stolen. No personal data was put at significant risk.

19c. Impairment of non-current assets

Intangible assets

In May 2009 the Commission's transitional website experienced grave technical difficulties. Although many attempts were made to remedy the situation, it could not be restored. In accordance with IAS 36 the Commission considered the value of the asset to have been impaired, the remaining net book value of the development cost of £866k being written down in 2009/10.

20. Events after the reporting period

Public bodies review

In 2010 the government made a commitment to radically increase the transparency and accountability of all public services by conducting a Public Bodies Review. The review incorporated all Non-Departmental Public Bodies (NDPBs), as well as other bodies, such as some non-ministerial departments and some public corporations.

As a consequence of that review, the Commission is considering how it should reform itself to concentrate on its key role as a regulator. This coincides with the launch of the GEO's consultation on their plans to reform the Commission.

Our response to the consultation document can be found at the following webpage.

www.equalityhumanrights.com/news/2011/may/commission-issues-initial-response-to-government-consultation-on-its-powers-and-duties

In addition the Commission's sponsor department, the GEO, has transferred to the Home Office with effect from 1 April 2011.

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 provision of its helpline and grants programmes from 31 March 2012 – when the Commission's existing grants programmes are due to come to a natural end.

Chief Executive

The interim Director General, Neil Kinghan left the Commission on 30 September 2010. Following Neil's departure 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.

Voluntary Exit Scheme

In February 2011 the Commission received approval from the Cabinet Office, Treasury and GEO to implement a Voluntary Exit (VE) scheme. The opportunity to apply to leave under the VE scheme was subsequently applied to all staff and the Commission released 45 employees on the 30 June 2011 (see note 3c). The

VE scheme is the first part of a phased process which will enable the Commission to move toward a size and structure that is appropriate in our future key role as a regulator.

New commissioner

On 15 July 2011 the Home Secretary announced the appointment of Sarah Anderson CBE to serve a three year term, which commenced on 11 July 2011.

Pay Remits

HM Treasury has now reached a decision on the 2009/10 and 2010/11 pay remits. The 2009/10 remit was breached and Treasury have not given retrospective approval for this breach. As a result the Commission's grant in aid will be reduced by £73k. This sum will be taken from the 2011/12 budget allocation. The 2010/11 remit has been approved.

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 Accounting Officer authorised these accounts for issue on 16 November 2011.



www.tso.co.uk

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, telephone, fax and email

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/general enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/general enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

ISBN 978-0-10-297513-0



9 780102 975130

TSO@Blackwell and other accredited agents