

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

---

# Commission for Racial Equality Account 2003-2004

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 18 MAY 2005

The National Audit Office  
scrutinises public spending  
on behalf of Parliament.

The Comptroller and Auditor General,  
Sir John Bourn, is an Officer of the  
House of Commons. He is the head of the  
National Audit Office, which employs some  
800 staff. He, and the National Audit Office,  
are totally independent of Government.

He certifies the accounts of all Government  
departments and a wide range of other public  
sector bodies; and he has statutory authority  
to report to Parliament on the  
economy, efficiency and effectiveness  
with which departments and other bodies  
have used their resources.

Our work saves the taxpayer millions of  
pounds every year. At least £8 for every  
£1 spent running the Office.

This account can be found on the National Audit Office web site at  
[www.nao.org.uk](http://www.nao.org.uk)

# Contents

	Page
Foreword	2
Statement on the Commission's and the Chief Executive's responsibilities	7
Statement of Internal Control	8
The Certificate and Report of the Comptroller and Auditor General	10
Income and Expenditure Account	12
Statement of Total Recognised Gains and Losses	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Accounts	16

# Foreword

## Introduction

This statement of accounts reports the results of the Commission for Racial Equality for the year from 1 April 2003 to 31 March 2004. It has been prepared in accordance with the Accounts Direction given by the Secretary of State for the Home Office with the consent of the Treasury in accordance with paragraph 17 of the Race Relations Act 1976 (the Act).

## History

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

The Act provides that the Members of the Commission be appointed by the Secretary of State for the Home Office. The Secretary of State also appoints a Chair with the endorsement of the Prime Minister. With effect from 5 November 2003 the Chairman was appointed Chief Executive/Accounting Officer on a temporary basis until June 2004. On the 21 June 2004 CRE appointed Sheila Roger's as the Chief Executive, who also assumed the Accounting Officer role. During 2003-2004 the Commission operated from offices in London, Birmingham, Manchester, Leeds, Cardiff and Edinburgh but the Leeds office was merged with Manchester office on the 30 June 2004, this now leaves the Commission with five offices.

## Principal activities

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

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

In pursuit of these functions the Commission

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

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

- to enable delivery of the public duty;
- to promote racial equality in the private sector, through partnership;
- connecting with all communities on racial equality issues; and
- modernising the Commission for Racial Equality.

Full details of the Commission's activities for the period 2003-2004 are contained in the Annual Report 2003. These audited accounts should be read with the Annual Report 2003, which highlights the many achievements of the Commission and shows progress against each of the targets set for each of the four corporate objectives.

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

## Commission Members

Commission members are appointed under the Act for a period of three years. During the year ended 31 March 2004 the Commission Members were

Trevor Phillips (from March 2003)	Chair
Kay Hampton (from April 2003)	Deputy Chair
Sarah Spencer (from April 2003)	Deputy Chair
Kurshid Ahmed	
Ian Barr	
Sushilla Patel (left June 2003)	
Cherry Short	
Digby Jones	
Julia Chain	
Jagdish Gundara	
Gloria Mills	
Kamaljeet Jandu	
Mohammed Aziz	

Daniel Silverstone was the Chief Executive and the Accounting Officer until 5 November 2003. Since then, the Commission's Chairman Trevor Phillips was appointed dual Chair/Chief Executive and Accounting Officer until 21 June 2004, when Sheila Rogers was appointed as interim Chief Executive and Accounting Officer. Sheila Rogers secondment to the Commission ends on 31 March 2005 and Trevor Phillips will again be taking on the dual role of Chair/Chief Executive/Accounting Officer.

## Register of Commission Members' interests

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

## Corporate governance

This Statement of Accounts includes a Statement on Internal Control on page 8.

Responding to the Government's decision that public bodies implement the Combined Code and the Turnbull Report, the Commission started the process of implementing the recommendations to achieve compliance.

Operating and financial systems have continued to be developed throughout the year to respond to and satisfy the Commission's needs. The Commission's systems of internal control have been designed to safeguard the Commission's assets against unauthorised use or disposition, to maintain proper accounting records and to communicate reliable financial information for internal use or publication. While no system of internal control can provide absolute assurance against material mis-statement or loss, the Commission's systems are designed to provide it with reasonable assurance that suitable procedures are in place and operating satisfactorily. The Statement on Internal Control (page 8 and 9) includes an assessment of the effectiveness of internal control as at March 2004 and also the steps that have been taken since then to continue this process.

During 2003-2004 BKL Tenon as Internal Auditor continued with the three-year programme to confirm that governance measures are in place throughout the Commission. BKL Tenon were paid £26,181 for the internal audit services for 2003-2004. The BKL Tenon contract ended in March 2004 and the decision was taken not reappoint them, instead the HO, Audit and Assurance Unit (AAU) have been appointed as the Commission's Internal Auditor. The external audit is carried out by the Comptroller and Auditor General who is required to examine, certify and report on the statement of accounts, and to lay copies of it together with his report before each House of Parliament. The fee for the external audit for 2003-2004 was £50,500.

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

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

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

## Results for the year

The accounts for the year ending 31 March 2004 are set out on pages 12 to 15. The Notes on pages 16 to 32 form part of the accounts.

In accordance with schedule 1 paragraph 17 of the Act, the Commission's statement of accounts covers the year ending on 31 March 2004. The Commission's Statement of accounts is prepared on an accruals basis in accordance with the Accounts Direction issued to the Commission by the Secretary of State for the Home Office with the consent of HM Treasury.

The Commission received £20.082 million in Grant in Aid in the year ending 31 March 2004, consisting of £19.878 million for employment and running costs of which £0.230 relates to Invest to Save funding, which has been deferred to future years and £0.204 million for capital expenditure.

Net operating expenditure during the year ending 31 March 2004 amounted to £19.981 million, resulting in a retained surplus in the Income and Expenditure account for the year of £0.336 million.

As mentioned in the Statement on Internal Control the Commission has taken steps to strengthen its financial management, and is exercising tighter control over spending commitments through closer monitoring of Directorates' actual and budgeted monthly spending and carries out monthly forecasts. This will be further reinforced during 2004-2005.

At 31 March 2004 the cumulative surplus was £2.152 million on the Income and Expenditure Account, and the cumulative surplus was £0.304 million on the Capital Reserves.

## Charitable donations

No charitable donations were made in the year ending 31 March 2003.

## Activities in the year

### **Equal opportunities in football**

In October 2003 an investigation was launched into racism in football. A wide-ranging questionnaire was circulated to professional clubs and the sport's governing bodies, including county football associations. The information will be analysed in 2004-2005 financial year to establish the scale of any racial discrimination in the areas of employment practices, the composition of their boards, their talent-scouting activity, their supporters and their stadium management.

### **Police formal investigation**

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

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

The investigation has been divided into two stages. The first stage was about background research into relevant practices and procedures and to hear evidence from police officers and interested bodies. Stage two is to investigate emerging findings more fully. The interim findings of the first stage of the investigation were published on the 14 June 2004.

## Post balance sheet events

There are no post balance sheet events to report other than the change in Accounting Officer as disclosed in Note 21.

## Compliance with Public Sector Payment Policy

The Commission follows the Better Payment Practice Code. The Commission aims to pay suppliers in accordance with either the payment terms negotiated with them or with suppliers' standard terms, provided that the relevant invoice is properly presented and is not subject to dispute. During 2003-2004 analysis shows that 92 per cent of invoices sampled were paid within 30 days (2002-2003: 75%). The Commission is aware of the need to improve on the number of invoices settled within agreed payment terms and is working towards an improvement.

## Equal opportunities

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

## Staff consultation and development

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

## Disabled employees

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

## Future developments

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

- to lead the development of good race relations for the benefit of all communities;
- to advance race equality in the private sector;
- to enable the delivery of the new race equality duty in the public sector;
- to use the full range of our legal powers strategically to combat discrimination; and
- to improve the standard of work of the CRE continuously.

In October 2003, the Government announced its plans for a single equality body for Great Britain, the Commission for Equality and Human Rights (CEHR). It is anticipated that the Commission for Racial Equality will join the new body in April 2009.

Signed on behalf of the Commission for Racial Equality

*Sheila Rogers*  
Chief Executive and Accounting Officer

30 March 2005

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

### The Commission's responsibilities

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

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

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

### The Chief Executive's responsibilities

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

Signed on behalf of the Commission for Racial Equality

*Sheila Rogers*  
Chief Executive and Accounting Officer

30 March 2005

## Statement on Internal Control

### Scope of responsibility

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

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

### The purpose of the system of internal control

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

### Capacity to handle risk

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

The Strategy was approved by the Audit Committee on 20 January 2003. However, a review by the Commission's auditors in October 2004 outlined additional work that needed to be carried out to ensure risk management is adequately controlled including reviewing risk management procedures in the light of Home Office guidelines.

### The risk environment

In the Commission the main processes which we have in place for identifying, evaluating and managing risk are

A risk register which identifies the risks facing the Commission at the corporate level. These number 18 in total and are classified into strategic, financial, regulatory/reputational and operational risks.

The risks were then incorporated into the Risk Reduction Plan and ownership of each assigned at Director level. The review outlined in section 3 also recommended risk management be cascaded from owner level to the persons responsible for implementing action.

A Risk Champion was also appointed to act as the facilitator for risk management and to provide a focal point for future risk management activity.

## Review of effectiveness

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

At the request of the Home Office, the Home Office Audit and Assurance Unit (AAU) carried out a review of the Commission in June 2003 and concluded there were a number of weaknesses in the Commission's internal control system and as a result made a series of recommendations, some of which have already been implemented and the others are currently being addressed. In September 2003, Tenon, who provided the internal audit service to the Commission up to 31 March 2004, carried out a review of budgetary control which concluded that there were still weaknesses in this area. This was supported by the findings of the Home Office AAU's follow up review at the end of 2003. Tenon also carried out a review of corporate governance in March 2004 which included an assessment of the systems in place to identify and assess business risks.

On 1 April 2004 the Home Office AAU was appointed as the internal audit service to the Commission. Reviews carried out during 2004-2005 have included the Financial Control Framework, Risk Management, Corporate Governance and Grant Giving to Race Equality Councils (RECs). With the exception of Corporate Governance all the other audits identified areas where additional work is still needed to ensure adequate controls are in place although it is recognised that substantial improvements have already been made.

The introduction of a new finance system will enhance and further improve controls and procedures in the organisation. The other key tasks where more work needs to be done are the progress towards implementation of monitoring and feedback arrangements on risk management as well as the development and documentation of the reporting system. In the meantime the strategic risk register was reviewed in August 2004 and will continue to be reviewed at regular intervals. Finally, unit risk registers will be reviewed for consistency and will ensure necessary measures are in place to actively manage the risk.

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

The priority for the coming months is to fully integrate risk into the 2004-2005 business planning cycle right down to team level and ensure reporting takes place at a regular intervals to the appropriate Committees and management groups. CRE will continue to take the principles of risk management and audit assurance to the heart of the business and the principal set out in the Cadbury report together with guidance established more recently by the Turnbull report will influence our approach significantly.

Signed on behalf of the Commission for Racial Equality by

*Sheila Rogers*  
Chief Executive and Accounting Officer

30 March 2005

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

I certify that I have audited the financial statements on pages 12 to 32 under the Race Relations Act 1976. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 and 18.

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

As described on page 7, the Commission and Chief Executive are responsible for the preparation of the financial statements in accordance with the Race Relations Act 1976 and directions made thereunder by the Secretary of State with the consent of Treasury and for ensuring the regularity of financial transactions. The Commission and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I review whether the statement on Pages 8 and 9 reflects the Commission's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

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

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

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Commission for Racial Equality a 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with Race Relations Act 1976 and directions made thereunder by the Secretary of State with the consent of Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

5 May 2005

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Income and Expenditure Account for the year ended 31 March 2004

	Notes	2003-2004 £000	Restated 2002-2003 £000
<b>Income</b>			
Grant-In-Aid and other funding	2	<b>19,648,123</b>	19,752,000
Income from home office to finance pension scheme deficit		<b>0</b>	4,500,000
Other income	3	<b>502,749</b>	759,820
<b>Total operating income from continuing operations</b>		<b>20,150,872</b>	25,011,820
<b>Expenditure</b>			
Salaries and wages	4	<b>9,122,302</b>	8,764,643
Other operating costs	6	<b>10,683,696</b>	12,740,813
Unrealised loss on revaluation of fixed assets (computers)		<b>8,829</b>	7,846
Depreciation	7	<b>164,799</b>	184,497
Provision in respect of pension scheme deficit		<b>0</b>	4,500,000
Notional cost of capital		<b>1,342</b>	36,468
		<b>19,980,968</b>	26,234,267
<b>Surplus/(deficit) before appropriations</b>		<b>169,904</b>	(1,222,447)
Transfers from reserves		<b>164,799</b>	192,343
Notional cost of capital reversal		<b>1,342</b>	36,468
<b>Retained surplus/(deficit) for the year</b>		<b>336,045</b>	(993,636)

## Statement of Total Recognised gains and losses for the year ended 31 March 2004

	Note	2003-2004 £000	Restated 2002-2003 £000
Retained surplus/(deficit) for the year		<b>336,045</b>	(993,636)
Unrealised surplus/(deficit) on revaluation of assets		<b>(134)</b>	7,078
Actuarial surplus/(deficit)		<b>(287,400)</b>	(85,100)
<b>Total recognised losses for the financial year</b>		<b>48,511</b>	(1,071,658)
Grant aid received for capital expenditure		<b>204,322</b>	100,000
Transfers to income and expenditure account		<b>(164,799)</b>	(192,343)
Prior period adjustment	5	<b>(1,585,100)</b>	0
<b>Total recognised gains/(losses) in the period</b>		<b>(1,497,066)</b>	(1,164,001)

\* A net pension liability of £1,585,100 has been restated for 2002-2003.

*The Notes on pages 16 to 32 form part of these accounts.*

## Balance Sheet as at 31 March 2004

	Notes	2003-2004 £000	Restated 2002-2003 £000
<b>Fixed assets</b>			
Tangible assets	7	<b>303,935</b>	255,795
		<b>303,935</b>	255,795
<b>Current assets</b>			
Debtors and prepayments	8	<b>925,751</b>	4,891,760
Stock	9	<b>32,986</b>	114,324
Cash at bank	15	<b>2,973,577</b>	27,532
		<b>3,932,314</b>	5,033,616
<b>Current liabilities</b>			
Creditors due within one year	10	<b>1,683,348</b>	5,938,118
		<b>1,683,348</b>	5,938,118
<b>Net current assets</b>			
		<b>2,248,966</b>	(904,502)
<b>Total assets less current liabilities</b>			
		<b>2,552,901</b>	(648,707)
Provisions for liabilities and charges	11	<b>2,003,119</b>	298,545
<b>Net assets excluding pension asset/liability</b>			
		<b>549,782</b>	(947,252)
Pension asset	12	<b>2,700,000</b>	0
Pension liability	12	<b>(794,100)</b>	(1,585,100)
<b>Net assets including pension asset/liability</b>			
		<b>2,455,682</b>	(2,532,352)
<b>Capital and reserves</b>			
Income expenditure reserve	13	<b>2,151,747</b>	(2,796,898)
Government grant reserve	13	<b>275,615</b>	236,092
Revaluation reserves	13	<b>28,320</b>	28,454
		<b>2,455,682</b>	(2,532,352)
		<b>2,455,682</b>	(2,532,352)

The notes on pages 16 to 32 form part of these accounts.

Sheila Rogers  
Accounting Officer

30 March 2005

## Cash Flow Statement for the year ended 31 March 2004

	2003-2004	Restated
	Note	2002-2003
	£000	£000
<b>Operating activities</b>		
Net cash inflow/(outflow) from operating activities	14 <b>(1,794,144)</b>	(791,123)
Servicing of finance	<b>0</b>	0
Other income	<b>499,073</b>	759,820
	<b>(1,295,071)</b>	(31,303)
Capital expenditure on tangible assets	<b>(244,275)</b>	(91,249)
<b>Net cash outflow before financing</b>	<b>(1,539,346)</b>	(122,552)
<b>Financing activities</b>		
Grant in aid for capital expenditure	<b>204,322</b>	100,000
Financing for pension	<b>4,050,000</b>	0
Invest to save	<b>231,069</b>	0
<b>Increase/(decrease) in cash</b>	<b>2,946,045</b>	(22,552)

*The notes on pages 16 to 32 form part of these Accounts.*

Sheila Rogers  
Accounting Officer

30 March 2005

# Notes to the Accounts

## 1 Accounting policies

### *Basis of accounts*

The Statement of Accounts has been prepared in accordance with the Accounts Direction given by the Secretary of State for the Home Office with the consent of the HM Treasury.

### *Accounting conventions*

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

### *Grant in Aid*

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

### *Other income*

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

### *Fixed assets*

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

### *Depreciation*

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

Computer equipment	three years
Furniture and office equipment	three years

### *Revaluation*

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

### *Donated assets*

Donated tangible fixed assets are capitalised at their current value on receipt, and the value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the assets is released from the donated asset reserve to the Income and Expenditure Account.

### *Capital charge*

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

### *Stocks*

Expenditure on consumables and stationery is written off as incurred. Balances of finished goods for resale are valued at lower of cost, or where materially different, current replacement cost, and net realisable value only when they either cannot or will not be used.

### *Research and development*

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

### *Pension costs*

The employees of CRE are covered by the Superannuation Acts 1965 and 1972 and subsequent amendments. Staff are members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme, and the commission is unable to identify its share of the underlying assets and liabilities. In accordance with FRS17, the income and expenditure account is charged with contributions made in the year. Commissioners are provided with individual defined benefit schemes which are broadly by analogy with the PCSPS and there is also a CRE Pension and Life Assurance Scheme for employees of Race Equality Council, which is now closed to new members. The latter scheme is funded and the other is unfunded, and the Commission is liable for the future payment of pensions. The cost of benefits accruing during the year is charged against staff costs in the income and expenditure account. The increase in the present value of the schemes' liabilities arising from the passage of time is charged to the income and expenditure account after operating surplus or deficit. Actuarial gains and losses are recognised in the statement of total recognised gains and losses, and taken direct to reserves.

### *Leases*

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

### *Provisions*

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

### *Value added tax*

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

*Dilapidations*

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

**2 Grants**

	<b>2003-2004</b>	2002-2003
	£	£
Revenue grant received from Home Office	<b>19,877,678</b>	19,752,000
Transfer to deferred income	<b>(229,555)</b>	0
Total grant in aid	<b>19,648,123</b>	19,752,000
Revenue grant received from Home Office	<b>19,877,678</b>	19,752,000
Capital grant received from Home Office	<b>204,322</b>	100,000
Total grant received	<b>20,082,000</b>	19,852,000
Transfer to Government reserve in respect fixed assets acquisitions	<b>(204,322)</b>	(100,000)
Release from Government grant reserve in respect of depreciation charged	<b>164,799</b>	192,343
Transfer to deferred income	<b>(229,555)</b>	0
	<b>(269,078)</b>	92,343

**3 Other operating income**

	<b>2003-2004</b>	2002-2003
	£	£
Sport England grant	<b>140,000</b>	140,000
Bank interest	<b>86,334</b>	52,776
Sponsorships	<b>44,703</b>	112,900
Publication sales	<b>60,112</b>	82,216
Other sources	<b>103,249</b>	371,928
Raxen income	<b>68,351</b>	0
	<b>502,749</b>	759,820

#### 4 Salaries and wages

##### a Analysis of staff numbers

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

<b>Directorates</b>	<b>2003-2004</b>	2002-2003
Corporate affairs team	<b>8</b>	11
Countries and regions	<b>83</b>	88
Strategy and delivery	<b>20</b>	20
Finance and support services	<b>14</b>	16
Organisational development	<b>12</b>	15
Legal and professional	<b>41</b>	44
Communications and information	<b>15</b>	17
<b>Total</b>	<b>193</b>	211

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

	<b>2003-2004</b>	2002-2003
£40,000 - £44,999	<b>8</b>	6
£45,000 - £49,999	<b>8</b>	6
£50,000 - £54,999	<b>2</b>	2
£55,000 - £59,999	<b>0</b>	2
£60,000 - £64,999	<b>4</b>	2
£65,000 - £69,999	<b>0</b>	1
£85,000 - £89,999	<b>1</b>	0
£115,000 - £119,999	<b>1</b>	0
	<b>24</b>	19

*b Aggregate payroll*

CRE's aggregate payroll costs were as follows

	<b>2003-2004</b>	2002-2003
	£	£
<b>Commission members</b>		
Wages and salaries	<b>173,977</b>	223,012
Social security costs	<b>15,106</b>	20,053
	<b>189,083</b>	243,065
<b>Staff</b>		
Wages and salaries	<b>5,907,260</b>	6,108,804
Social security costs	<b>401,182</b>	418,716
Other pension costs	<b>1,873,023</b>	1,185,894
	<b>8,181,465</b>	7,713,414
<b>Staff on secondment</b>		
Wages and salaries	<b>323,588</b>	0
Social security costs	<b>41,419</b>	0
Other pension costs	<b>43,684</b>	0
<i>Less</i>		
Income from secondments	<b>(156,677)</b>	0
	<b>252,014</b>	0
<b>Agency staff</b>		
Wages and salaries	<b>484,032</b>	808,164
Social security costs	<b>5,850</b>	0
Other pension costs	<b>9,858</b>	0
	<b>499,740</b>	808,164
<b>Total employment costs</b>		
Wages and salaries	<b>6,888,857</b>	7,139,980
Social security costs	<b>463,557</b>	438,769
Other pension costs	<b>1,926,565</b>	1,185,894
<i>Less</i>		
Income from secondments	<b>(156,677)</b>	0
	<b>9,122,302</b>	8,764,643

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

	Salary including performance pay at 31 March 2004 (£000)	Real increase in pension at 60 at 60 (£000)	Total accrued pension at March 2004 (£000)	CETV at 31 March 2003 (nearest £000)	CETV at 31 March 2004 (nearest £000)	Real increase in CETV after adjusts for inflation and market investment factors (nearest £000)
Trevor Philips (Acting Chief Executive)	115-120	0-2.5	0-5	3	25	19
Daniel Silverstone (Chief Executive)	85-90	0-2.5	0-5	25	44	16
Kevin Ross (Finance director on secondment from Treasury)	60-65	0-2.5	0-5	3	20	14
Maxine Ayton (Director of Org Dev)	60-65	0-2.5	0-5	27	42	13
Dhamendra Kanani (Director of CRC)	60-65	0-2.5	0-5	26	38	10
Anthony Robinson (Legal Director)	60-65	0-2.5	0-5	3	14	10
Seamus Taylor (Director of Strat & Del)	60-65	0-2.5	0-5	14	20	4
Trish Evans (Director of Communications)	40-45	0-2.5	0-5	4	12	7

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

	Salary, including pension (£000)	Appointment date	Termination date
Trevor Phillips - Chair	100-105	March 2003	February 2007
Khurshid Ahmed	0-5	April 2002	March 2006
Mohammed Aziz	0-5	February 2004	January 2008
Ian Barr	0-5	April 2002	March 2006
Julia Chain	0-5	February 2004	January 2008
Prof. Jagdish Singh Gundara	0-5	April 2002	March 2006
Kay Hampton	15-20	April 2002	March 2006
Kamaljeet Jandu	0-5	June 2000	May 2004
Digby Jones	0-5	February 2004	January 2008
Gloria Mills	0-5	April 2002	March 2006
Cherry Short	0-5	May 2003	March 2006
Sarah Spencer	20-25	April 2002	March 2006

d Pension liabilities

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

The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission for Racial Equality is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out on 31 March 2003. Details can be found in the resource accounts of the Cabinet Office:Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2003-2004, employers' contributions of £808,765 were payable to the PCSPS (2002-2003: £785,894) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. From 1 October 2002, civil servants selected to be in one of three statutory based final salary defined benefit schemes within PCSPS (Classic, Premium and Classic Plus).

*i Classic Scheme*

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

*ii Premium Scheme*

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

*iii Classic Plus Scheme*

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

Pensions payable under classic, premium and classic plus are increased in line with the Retail Price Index.

Employees joining after 1 October 2002 could opt to open a partnership pension account, stakeholder pension with an employer contribution. None of the CRE staff have to date made this choice.

*By-analogy scheme and Commission for Racial Equality Pension and Life Assurance Scheme*

The Commission for Racial Equality has one unfunded and one funded defined benefit scheme. The first relates to current and former Commissioners. This fund is managed by the Home Office Pay and Pension Section and any pensions are administered by them in accordance with the standard rules (by-analogy with the PCSPS). The second liability arises from CRE Pension and Life Assurance Scheme and the members of that scheme are primarily employed by Racial Equality Councils. This fund is managed by Norwich Union.

An actuarial valuation was carried out on both schemes as at 31 March 2003 and 31 March 2004. The by-analogy scheme was valued by Government Actuary's Department and the CRE Pension and Life Assurance Scheme was valued by Watson Wyatt, independent actuaries.

*i By-analogy Scheme*

The BBA Pension Scheme is an unfunded defined benefit scheme. The most recent formal actuarial valuations took place as at 31 March 2003 and 31 March 2004.

*Assumptions*

	<b>31 March 2004</b>	31 March 2003
Increase in pensionable salaries	<b>3.9%</b>	4.9%
Increase in pensions in payment	<b>2.4%</b>	3.4%
Gross rate of return (discount rate)	<b>6.0%</b>	7.0%
Price inflation	<b>2.4%</b>	3.4%

*Present value of scheme assets*

	<b>31 March 2004 £000</b>	31 March 2003 £000
Present value of scheme liabilities	<b>794</b>	685

*Analysis of amount charged to operating profit*

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

*Analysis of amount charged to other finance charges*

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

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

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

*Movement in deficit during the year*

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

The actuarial valuation at 31 March 2004 showed an increase in the deficit from £685,100 to £794,000. Contributions are determined as 3.5% of capped pensionable salary.

*History of experience gains and losses*

	<b>31 March 2004 £000</b>	31 March 2003 £000
Experience gains and losses on scheme liabilities	<b>1</b>	0
Percentage of scheme liabilities	<b>0.1%</b>	
<b>Total amount recognised in statement of total recognised gains and losses</b>	<b>87</b>	0
Percentage of scheme liabilities	<b>11.0%</b>	

ii Commission for racial equality pension and life assurance scheme

The Commission for Racial Equality Pension and Life Assurance Scheme is a funded defined benefit scheme. The most recent formal actuarial valuation took place as at 1 July 2001. Subsequent approximate updates of the Scheme liabilities, on which the figures below are based, took place on 1 July 2003 and 1 July 2004.

As the Scheme is closed to new members, the current service cost on the prescribed Projected Unit valuation method will increase as the members of the Scheme approach retirement.

During the accounting period the following contributions were paid into the Scheme

	By the members (% of pensionable salary)	By the employers (% of pensionable salary)
Members employed by the CRE	1.5	62.0
Other members - Category A	6.5	57.0
Other members - Category B	6.0	29.2
Special contributions		£4.05m

<b>Assumptions</b>	<b>31 March 2004 % pa</b>	31 March 2003 % pa
Inflation rate	<b>2.5</b>	2.5
Discount rate	<b>6.0</b>	6.0
Expected return on assets	<b>5.0</b>	5.2
<i>Expected rate of salary increases</i>		
Category A	<b>5.0</b>	5.0
Category B	<b>4.0</b>	4.0
<i>Rate of pension increases in payment</i>		
Category A	<b>5.0</b>	5.0
Category B	<b>2.5</b>	2.5
Deferred pensioners are potentially entitled to different increases in payment, depending on their joining and leaving dates.		
<i>Rate of pension increases in deferment</i>		
Category A	<b>5.0</b>	5.0
Category B	<b>Statutory</b>	Statutory

*Scheme assets and expected rate of return*

	<b>31 March 2004</b>		31 March 2003	
	<b>Market value (£m)</b>	<b>Expected rate of return % pa</b>	Market value (£m)	Expected rate of return % pa
Equities	<b>4.9</b>	<b>7.62</b>	4.7	7.62
Bonds	<b>14.8</b>	<b>4.75</b>	14.1	4.50
Net current assets	<b>4.9</b>	<b>3.53</b>	0.9	4.04
<b>Total</b>	<b>24.6</b>	<b>5.00</b>	19.7	5.20

*Components of defined benefit cost*

	<b>2004 £m</b>	2003 £m
<i>Analysis of amounts charged to operating profits</i>		
Current service cost	<b>1.1</b>	1.4
Past service costs	<b>0.0</b>	0.0
<b>Total charged to operating profit in respect of DB members</b>	<b>1.1</b>	1.4

*Analysis of amount credited to other financial income*

Interest on pension scheme liabilities	<b>1.2</b>	1.1
Expected return on assets in the pension scheme	<b>(1.2)</b>	(1.1)
Net charge (credit) to other finance income	<b>0.0</b>	0.0
<b>Total P and L charge before deduction for tax</b>	<b>1.1</b>	1.4

*Analysis of amounts recognised in STRGL*

(Gain) loss on assets	<b>0.5</b>	(0.3)
Experience (gain) loss on liabilities	<b>(0.3)</b>	(0.3)
(Gain) loss on change of assumptions (financial and demographic)	<b>0.0</b>	0.0
Currency (gain) loss	<b>0.0</b>	0.0
<b>Total (gain) loss recognised in STRGL before adjustment for tax</b>	<b>0.2</b>	(0.6)

*History of experience gains and losses*

	<b>2004</b>	2003
	<b>£m</b>	£m
<i>(Gain) loss on scheme assets</i>		
Amount	<b>0.5</b>	(0.3)
% of scheme assets at end of period	<b>2.3%</b>	1.5%
<i>Experience (gain) loss on scheme liabilities</i>		
Amount	<b>(0.3)</b>	(0.3)
% of scheme liabilities at end of period	<b>1.5%</b>	1.5%
<i>Total actuarial (gain) loss recognised in STRGL</i>		
Amount	<b>0.2</b>	(0.6)
% of scheme liabilities at end of period	<b>1.1%</b>	2.9%

*Reconciliation to the balance sheet*

	<b>31 March</b>	31 March
	<b>2004</b>	2003
	<b>£m</b>	£m
Market value of scheme assets	<b>24.6</b>	19.7
Actuarial value of scheme liabilities	<b>(21.9)</b>	(20.6)
<b>Surplus (deficit) in the scheme</b>	<b><u>2.7</u></b>	<u>(0.9)</u>

*Analysis of the movement in surplus (deficit) in the scheme during the period*

	<b>31 March</b>	31 March
	<b>2003 to</b>	2002 to
	<b>31 March</b>	31 March
	<b>2004</b>	2003
	<b>£m</b>	£m
<b>Surplus (deficit) in the scheme at beginning of period</b>	<b>(0.9)</b>	(1.1)
Contributions paid	<b>4.9</b>	1
Current service cost	<b>(1.1)</b>	(1.4)
Actuarial gain (loss)	<b>(0.2)</b>	0.6
<b>Surplus (deficit) in the scheme at end of period</b>	<b><u>2.7</u></b>	<u>(0.9)</u>

**5 Prior period adjustment**

In the year the Commission for Racial Equality fully implemented FRS 17 (Retirement Benefits) in relation to its pension schemes. As this is a change in accounting policy FRS 3 requires that the previous year's figures are restated in order that they are comparable.

The implementation resulted in the charging of an additional liability of £685,100 from the BBA scheme and an additional liability of £20,600,000 from the CRE scheme to be recognised as at 31 March 2003. This was offset by allowing for an additional asset of £19,700,000 from the CRE scheme to be recognised as at 31 March 2003. This reduced Net Assets by £1,585,100.

The FRS required that current service costs accruing in the year be recognised, as well as setting pension contributions made in the year against the pension liability rather than treated as an expense. The cost of maintaining the liability in the year has also been provided for.

The effects of these adjustments on brought forward reserves are summarized below

	By-analogy scheme	CRE scheme 2003-2004	<b>Total</b>
<b>Reserves</b>			
Pension liability brought forward	685,100	20,600,000	<b>21,285,100</b>
Pension asset brought forward	0	(19,700,000)	<b>(19,700,000)</b>
<b>Reserves brought forward as restated</b>	<b>685,100</b>	<b>900,000</b>	<b>1,585,100</b>

The effect on the comparative figures of this change in accounting policy is as follows

	2002-2003 Statement of total recognised gains and losses			<b>Total</b>
	Balance sheet	Income and expenditure	Other	
As previous	(947,252)	(593,636)	(85,265)	<b>(678,901)</b>
Pension liabilities at 31 March 2002	(1,100,000)	0	0	<b>0</b>
Current service cost	(1,400,000)	(1,400,000)	0	<b>(1,400,000)</b>
Contributions paid	(1,000,000)	(1,000,000)	0	<b>(1,000,000)</b>
Net actuarial losses	(85,100)	0	(85,100)	<b>(85,100)</b>
Total additional recognised loss	(1,585,100)	(400,000)	(85,100)	<b>(485,100)</b>
<b>As restated at 31 March 2003</b>	<b>(2,532,352)</b>	<b>(993,636)</b>	<b>(170,365)</b>	<b>(1,164,001)</b>

## 6 Other operating costs

	2003-2004 £	2002-2003 £
Rent	<b>785,758</b>	1,062,387
Rates	<b>187,980</b>	279,999
Dilapidations for Elliot House	<b>0</b>	400,000
Provision for dilapidations	<b>175,847</b>	0
Provision for compensation for early retirement	<b>1,637,199</b>	0
Maintenance, cleaning, heating and lighting	<b>500,761</b>	1,142,259
Office supplies, printing and stationery	<b>391,614</b>	982,031
Postage and telephone	<b>330,130</b>	508,638
Audit fees - internal	<b>26,181</b>	52,131
Audit fees - external	<b>50,500</b>	35,500
Legal services/professional fees	<b>627,908</b>	809,195
Travel and subsistence/recruitment/staff training	<b>405,638</b>	774,745
Research and library services	<b>50,212</b>	317,235
Race equality council grant	<b>4,373,497</b>	4,418,407
Complainant aid	<b>250,000</b>	424,100
Publicity and information services	<b>111,084</b>	546,673
Stock write off	<b>74,028</b>	355,891
Conferences, seminars and meetings	<b>141,380</b>	127,850
Miscellaneous	<b>143,175</b>	39,219
Computer services	<b>420,804</b>	464,553
<b>Total</b>	<b>10,683,696</b>	12,740,813

**7 Fixed assets**

	Computer equipment £	Furniture and office equipments £	<b>Total</b> £
Cost at 1 April 2003	852,605	373,801	<b>1,226,406</b>
Revaluation	0	0	<b>0</b>
Loss on revaluation	(92,222)	(339)	<b>(92,561)</b>
Additions	187,756	56,519	<b>244,275</b>
Disposal	(181,852)	(55,368)	<b>(237,220)</b>
Transfers	105,646	(105,646)	<b>0</b>
<b>At 31 March 2004</b>	<b>871,933</b>	<b>268,967</b>	<b>1,140,900</b>
Depreciation at 1 April 2003	750,172	220,439	<b>970,611</b>
Revaluation	0	0	<b>0</b>
Loss on revaluation	(83,392)	(205)	<b>(83,597)</b>
Provided in the year	98,906	65,893	<b>164,799</b>
Disposal	(164,959)	(49,889)	<b>(214,848)</b>
Transfers	46,745	(46,745)	<b>0</b>
<b>At 31 March 2004</b>	<b>647,472</b>	<b>189,493</b>	<b>836,965</b>
Net book value at 31 March 2003	102,433	153,362	<b>255,795</b>
<b>Net book value at 31 March 2004</b>	<b>224,461</b>	<b>79,474</b>	<b>303,935</b>

**8 Debtors and prepayments**

	<b>2003-2004</b> £	2002-2003 £
Trade debtors	<b>112,330</b>	161,370
Other debtors	<b>39,318</b>	43,652
Interest accrued	<b>3,676</b>	0
Pension debtors	<b>450,000</b>	4,500,000
Prepayments	<b>320,427</b>	186,738
<b>Total</b>	<b>925,751</b>	4,891,760

**9 Stock**

	<b>2003-2004</b> £	2002-2003 £
Stock	<b>32,986</b>	114,324

**10 Creditors: amounts due within one year**

	Note	2003-2004 £	2002-2003 £
Trade creditors		<b>108,137</b>	1,154,723
Other creditors		<b>7,283</b>	106,820
Accruals		<b>904,841</b>	0
Pension creditor		<b>255,443</b>	4,500,000
Deferred income	20	<b>407,644</b>	176,575
<b>Total</b>		<b><u>1,683,348</u></b>	<b><u>5,938,118</u></b>

**11 Provision for liabilities and charges**

	Dilapidation provision £	Early retirement provision £	<b>Total</b> £
At 1 April 2003	0	298,545	<b>298,545</b>
Provisions made in the year	175,847	1,637,199	<b>1,813,046</b>
Utilised	0	(108,472)	<b>(108,472)</b>
<b>At 31 March 2004</b>	<b><u>175,847</u></b>	<b><u>1,827,272</u></b>	<b><u>2,003,119</u></b>

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

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

**12 Pension liability/asset**

	By-analogy scheme £
At 1 April 2003	(685,100)
Current service cost	(21,600)
Actuarial gain (loss)	(87,400)
<b>Liability at 31 March 2004</b>	<b><u>(794,100)</u></b>
	CRE pension scheme £
At 1 April 2003	(900,000)
Contributions paid	4,900,000
Current service cost	(1,100,000)
Actuarial gain (loss)	(200,000)
Asset at 31 March 2004	<u>2,700,000</u>
<b>Net pension asset at 31 March 2004</b>	<b><u>1,905,900</u></b>

**13 Reserves**

	Income and expenditure reserve £	Government grant reserve £	Revaluation reserve £	<b>Total</b> £
Balance at 1 April 2003	(1,211,798)	236,092	28,454	<b>(947,252)</b>
Prior year adjustment	(1,585,100)	0	0	<b>(1,585,100)</b>
Adjusted balance at 1 April 2003	(2,796,898)	236,092	28,454	<b>(2,532,352)</b>
Profit for the year	336,045	0	0	<b>336,045</b>
Pension gain	4,900,000	0	0	<b>4,900,000</b>
Actuarial loss/(gain)	(287,400)	0	0	<b>(287,400)</b>
Grant deferred for additions	0	204,322	0	<b>204,322</b>
Released from depreciation	0	(164,799)	0	<b>(164,799)</b>
Depreciation due to revaluations	0	0	(134)	<b>(134)</b>
<b>Balance at 31 March 2004</b>	<b>2,151,747</b>	<b>275,615</b>	<b>28,320</b>	<b>2,455,682</b>

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

	<b>2003-2004</b> £	2002-2003 £
<b>Operating surplus/(deficit) less other income</b>	<b>(331,503)</b>	(1,945,799)
Depreciation	<b>164,799</b>	184,497
Unrealized loss on revaluation of fixed assets	<b>8,829</b>	7,846
Pension provision	<b>1,118,000</b>	400,000
Provision for early retirements and dilapidations	<b>1,813,046</b>	0
(Increase)/decrease in stocks	<b>81,338</b>	(44,328)
(Increase)/decrease in debtors	<b>(80,315)</b>	(4,329,934)
Increase/(decrease) in creditors	<b>(4,568,338)</b>	4,936,595
<b>Net cash outflow from operating activities</b>	<b>(1,794,144)</b>	(791,123)

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

	<b>2003-2004</b> £	2002-2003 £
Opening balance	<b>27,532</b>	50,084
Increase/(decrease) in cash	<b>2,946,044</b>	(22,552)
<b>Closing balance</b>	<b>2,973,577</b>	27,532

**16 Capital commitments**

	<b>31 March</b> <b>2004</b> £000	31 March 2003 £000
Commitments contracted	<b>0</b>	0
Authorised but not contracted	<b>75,876</b>	0

**17 Commitments under operating leases**

	2003-2004 Buildings £000	2003-2004 Equipment £000	<b>2003-2004 Total £000</b>	2002-2003 Total £000
<b>Leases expiring</b>				
Less than one year	19,172	0	<b>19,172</b>	131,754
Between two and five years	520,693	56,807	<b>577,500</b>	0
Over five years	94,000	0	<b>94,000</b>	605,905
<b>Total</b>	<b>633,865</b>	<b>56,807</b>	<b>690,672</b>	<b>737,659</b>

**18 Contingencies**

There were no material contingent liabilities.

**19 Financial targets**

The Home Office set a financial target for the Commission at the beginning of 2003-2004 to recoup the brought forward deficit on the income and expenditure reserve during 2003-2004. This target was fully achieved

**20 Deferred income**

As at 1 April 2003	176,575
Income received	231,069
<b>As at 31 March 2004</b>	<b>407,644</b>

**21 Post balance sheet events**

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

There are no other post balance sheet events to report.

**22 Related party transactions**

The Home Office is considered to be a related party to the Commission. During the year ended 31 March 2004, the Home Office provided the CRE with Grant in Aid of £20,082,000. There were no other related party transactions entered into by the CRE, its managerial staff or other related parties during the financial year ended 31 March 2004.

**23 Financial instruments**

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

The CRE is not therefore exposed to significant liquidity risks, interest rate risk or foreign currency risk.

**24 Losses and special payments**

<b>Losses statement</b>	<b>£</b>
Losses - two cases	81,592.57
Special payments - four cases	128,762.40

*Details of special payments*

In 2003-2004, four special payments were made amounting to £86,750 including a payment of £25,000 to the former chief executive, following his resignation with effect from 31 March 2004. The three other payments were compromise agreements made to staff to settle any future compensation claims. In addition, during 2003-2004 the CRE took the decision to make payments to staff for signing confidentiality agreements for variations to their employment contracts and at the year end CRE accrued £42,012.40 in respect of these payments which were made 2004-2005. These payments were considered to be novel and contentious, for which retrospective approval was sought and obtained.

*Details of losses*

During 2003-2004, it was decided to write off stock worth £74,028 and debtors amounting to £7,563 as these were considered non-recoverable.

For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400  
Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

DG Ref: B73012 5636WC

Printed in the UK for The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office  
08/05

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

**Online**

[www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline

Lo-call 0845 702 3474

E-mail [book.orders@tso.co.uk](mailto:book.orders@tso.co.uk)

Textphone 0870 240 3701

**TSO Shops**

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

ISBN 0-10-328529-6



9 780103 285290