

# 2005

ANNUAL REPORT OF THE  
**COMMISSION FOR RACIAL EQUALITY**

1 JANUARY 2005 – 31 DECEMBER 2005

WITH AUDITED FINANCIAL ACCOUNTS FOR  
THE PERIOD 1 APRIL 2005 – 31 MARCH 2006

To the Right Honourable Ruth Kelly MP,  
Secretary of State for the Department for  
Communities and Local Government

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# FOREWORD

**By Trevor Phillips, chair**

Two words come to mind when I look back on 2005: celebration and tribulation. In any given year all organisations have highs and lows, but, in the business we call race, the highs can be life-changing and the lows soul-destroying.

Never was this more clearly illustrated than during two days last summer. On 6 July, Britain was riding high on a wave of euphoria after winning the chance to stage the 2012 Olympic Games, based on a vision of a diverse, multi-ethnic, multicultural city. London, as Lord Coe reminded us, was offering the world a Games that showed us the future as it could be. And the world said that a tomorrow that looks like London today would do just fine.

Of course, tomorrow came, and brought tragedy with it. The images of strangers of different races and religions comforting each other as they emerged from the London bombings showed a city united in the face of terror. The events of 7/7 sparked a national debate about citizenship, 'Britishness', and the place of religion in public life. We repeated our case for integration, based on three essential components: equality, participation and interaction.

In September, I warned that Britain was 'sleepwalking to segregation', and that to reverse the trend we needed to create more opportunities for people of different races to meet, give ethnic minorities a greater say in the big decisions, and do more to make equality for all a reality.

Our progress on race was questioned again after the horrific murder of 18-year-old Anthony Walker in July, and the disturbances in Birmingham in October. Tragedy in New Orleans and riots in France and Australia reminded us that the mixture of inequality, race and powerlessness can be a fatal cocktail, and that we are not alone in our quest for integration. We stepped up our international work, sharing best practice and exchanging ideas with our counterparts across the globe.

Back home, in November we celebrated 40 years of law against racial discrimination in Britain. We have come a long way in the four decades since the first Race Relations Act was introduced: a company can no longer refuse to hire someone because of their race; a hotel cannot turn someone away because of their colour; and a club cannot have rules about dress that exclude people from some racial groups.

These changes may have come about as a result of changes in the social climate or for economic or cultural reasons. But they were underpinned and made part of our morality and sense of justice because of the law. That is why our legal work continues to lie at the heart of the CRE's mission. In 2005, we dealt with over 1,000 complaints of racial discrimination. And many more individuals were helped by the local racial equality organisations that we funded to the tune of over £3.3 million.

Last year we also concluded one of the largest formal investigations in the CRE's history, into the police service of England and Wales. While notable efforts have been made in recent years to help rid the service of the 'institutionally racist' tag that it has carried about since the Stephen Lawrence inquiry, our investigation showed that it still has a long way to go before we have a service where all officers treat the public and their colleagues fairly and

**Two words come to mind when I look back on 2005: celebration and tribulation**



with respect, regardless of their ethnic origin. We made 125 recommendations, and were encouraged by the support they attracted from all concerned. We hope that continued leadership from the top will translate into action at all levels and help melt what we described in March as the ‘ice in the heart’ of the police service.

The best weapon we have to tackle institutional failure or systemic inequality is the statutory duty to promote race equality. It compels over 43,000 public authorities to think about how their policies, and the way they provide services, affect people from different racial groups. This means putting racial equality at the heart of everything they do, whether this involves providing council housing, closing a hospital, opening a school, deciding who shares prison cells, or proposing a new law in parliament. Last year, we ran a campaign reminding public authorities that they had to update their race equality schemes or policies by 31 May. As a result, many more public authorities are now aware of the duty, and the penalties they will incur if they do not comply with the law.

Towards the end of the year, we launched our revised statutory code of practice on racial equality in employment. The code aims to help employers bring their policies and practices into line with new and amended legislation, including a much more powerful Race Relations Act, and reflects the substantial body of case law built up since the Act came into effect in 1977. We hope employers in all sectors will take full advantage of the code, and use it to attract the best talent wherever they find it.

We also have a mandate to keep the law under review, and we were active here throughout 2005. As the Equality Bill progressed through parliament, we lobbied ministers to make sure its provisions, including the proposals for a single Commission for Equality and Human Rights, were in the best interests of equality generally, and racial equality in particular.

At the start of the twenty-first century, the great issue of our times is this: can the peoples of a multi-ethnic and multi-faith world share the planet in peace? Can we cross the lines of difference to share a time when people’s talents and endeavours become more important than their colour or their ethnic background? And can people from diverse traditions have the same dreams and ambitions and work together to realise them? Although most people want the answer to be a resounding yes, making this a reality will be our biggest challenge for the future.



**Trevor Phillips**

**The great issue of our times is this: can the peoples of a multi-ethnic and multi-faith world share the planet in peace?**

# LEGISLATING FOR EQUALITY

We responded to several important legislative proposals in 2005, but the plan for a single equality organisation continued to dominate our work with parliament.

## EQUALITY BILL

In our last annual report, we commented on the government's plan to create a statutory organisation to replace the existing race, disability and sex equality commissions. The new commission would also be responsible for equality in the areas of sexual orientation, religion or belief, age and human rights. In July 2004 we stated that, as it stood, the blueprint for the Commission for Equality and Human Rights (CEHR) might weaken the cause of equality overall, and racial equality in particular. Certain concerns were then addressed, but in November some questions still remained. We therefore began the year determined to continue lobbying for a strong, effective and unified institutional and legal framework that would ensure equality in Britain.

The Equality Bill was introduced in parliament on 2 March 2005. The bill confirmed that the CEHR would be established in 2007, with the CRE expected to join in 2009. We welcomed this phased entry process, but continued to lobby on other parts of the bill, in both the Lords and the Commons. We were concerned that the new commission would not be sufficiently independent of government, and were successful in persuading the government to amend the bill, so that the CEHR would be under as few constraints as possible when determining its activities, timetable and priorities.

However, we remained concerned that there was still no obligation for the CEHR to consider every application for assistance from individuals who think they might have been discriminated against, and that race might be diluted in a single equality organisation. During the year, several of our stakeholders, including racial equality councils and national ethnic minority networks, made the case for a statutory race committee, similar to the disability committee that had been agreed, with powers to dispense grants for local racial equality work. We therefore called for this issue to be considered as part of a wider question of the best way for the CEHR to operate. We also stressed that it was vital that local expertise, built up over the past 30 years through a network of racial equality councils, should not be lost when setting up the CEHR.

In November, the government announced where the new body would be located. We had always maintained that the CEHR's headquarters should be based in London, with a strong regional presence and offices in Wales and Scotland. London is still the centre of government in the UK, and for the CEHR to be a powerful, influential organisation, it needs to be close to those making key decisions about national policies and laws. We were therefore very disappointed when the government announced that the headquarters would be in Manchester, albeit with a significant presence in London.

Towards the end of 2005, we announced our view that a new organisation should be set up, in addition to the CEHR, to continue the CRE's work in

**We lobbied for a strong, effective and unified institutional and legal framework that would ensure equality in Britain**

**It is important that the legislation recognises the need to achieve a balance between the right to free speech and an individual's right to practice their religion without fear**

building good community relations, following our closure in 2009. We intended to consult widely on this proposal in early 2006.

The Equality Bill also contained proposals to protect people from unlawful discrimination and harassment in the provision of services, on grounds of religion or belief. In our briefing on the bill, which was published in June, we welcomed the proposals, but also requested clarification on certain clauses, to make sure the legislation would protect individual victims of discrimination, and not the religion or belief itself. We also said that the definitions of indirect discrimination and harassment should be consistent with those used in the Employment Equality (Religion or Belief) Regulations 2003, and called for a clearer explanation of what 'public authority' meant in relation to this legislation. We reiterated these points in our briefing for the report stage in the House of Lords in October. In November, we prepared a briefing for the second reading in the House of Commons, setting out our concern that protection from harassment on grounds of religion or belief had been removed from the bill during its reading in the Lords. Regrettably, this was not reinserted.

#### **RACIAL AND RELIGIOUS HATRED BILL: INCITEMENT TO RELIGIOUS HATRED**

Since 2001, several attempts have been made to make incitement to religious hatred a criminal offence. In summer 2005, parliament debated this issue again, as part of the Racial and Religious Hatred (RRH) Bill.

In March, we published a briefing on the Serious Organised Crime and Police Bill 2004. The bill originally contained proposals to extend existing legislation on racial hatred to protect individuals from incitement to religious hatred. We welcomed the proposals, citing anecdotal evidence that attacks motivated solely by religion had increased, and that new legislation would send a powerful message that such behaviour is unacceptable. It would also help to remove an anomaly in the law whereby people from some religious groups (for example, Jews and Sikhs) are protected by laws prohibiting incitement to racial hatred, because the courts have also recognised them as racial groups, while others (for example, Christians and Muslims) are not.

We argued that it was important that the legislation recognises the need to achieve a balance between the right to free speech and an individual's right to practise their religion without fear. We emphasised that the law should protect individual believers, not the belief, and therefore called for the law against blasphemy, which protects only Christianity, to be repealed, as recommended by the Law Commission in 1985. We felt this would show that the bill's purpose was not to restrict criticism or ridicule of religion – a concern shared by many of the bill's opponents. Regrettably, our recommendation was not accepted.

We repeated our concerns in a briefing for the second reading of the RRH bill in the House of Lords in October. In February 2006, an amended version of the bill was passed, ensuring that people could only be prosecuted for acts that were 'intended' to stir up religious hatred, and not those that were 'likely' to do so.



## IDENTITY CARDS BILL

In November 2003, the government announced its intention to introduce a national identity card. Throughout 2005, we briefed both houses of parliament at each reading of the Identity Cards Bill. We also published a response to the Home Office's race equality impact assessment (REIA) of the bill, and met Home Office representatives to discuss our concerns about how the scheme would work in practice.

Evidence from information on stops and searches by the police, and from other research studies, suggested that people from ethnic minorities would be more likely to be asked to produce an identity card. If this differential treatment were to be replicated in the operations of public services, or in recruitment procedures, people from ethnic minorities might well be asked disproportionately more often than others to produce an identity card, to prove identity or entitlement to services. This could lead to their being unlawfully discriminated against on racial grounds.

We advised the Home Office that making the scheme compulsory for foreign nationals before extending it to UK citizens might be discriminatory under the European Convention on Human Rights. We also pointed out that its possible effects on vulnerable groups – particularly Gypsies and Irish Travellers, refugees and irregular migrants – would need to be considered.

Finally, we raised a number of concerns about the REIA. The Home Office had decided that the legislative proposal was not relevant to racial equality, and had therefore carried out only a partial REIA. We argued that there should be a full assessment of the bill, to see how it might affect people from different racial groups, and that the REIA should draw on wider evidence. To this end, we gave the Home Office a list of further sources of evidence.

## IMMIGRATION, ASYLUM AND NATIONALITY BILL

The Immigration, Asylum and Nationality (IAN) Bill implements key elements of the Government's five-year strategy on asylum and immigration, which was published by the Home Office in February 2005. Some of the strategy's provisions need primary legislation to take effect; the bill therefore forms part of the strategy's wider implementation. The bill is arranged into five sections: appeals; employment; information; claimants; and general.

Our concerns were focused on the provisions on appeals and employment. In our parliamentary briefings, we expressed concern about the removal of appeal rights for students and work permit holders, in particular. We considered that this might have an adverse impact on people of certain nationalities.

The bill sought to strengthen the requirement on employers to carry out documentation checks. We repeated earlier concerns that the risk of racial discrimination, and of adverse impact on good race relations, outweighed any benefits to be gained from such a requirement. It is our experience that, to avoid liability, some employers prefer to recruit only nationals from the European Economic Area. Also, we believe that that checks by employers stigmatise ethnic minority workers.

## CELEBRATING 40 YEARS

Last year, the CRE celebrated 40 years of law against racial discrimination in Britain. At a commemorative event on 8 November – 40 years to the day since the first Race Relations Act was passed – our chair, Trevor Phillips, unveiled a CRE exhibition tracing the history of race relations since 1965.

Longstanding racial equality campaigners, including former CRE commissioners and members of its predecessor organisations, were among the guests at the evening reception at Browns, in London. Paul Stephenson (pictured above, with Trevor Phillips), dubbed the 'British Rosa Parks', spoke of the bus boycott he had launched in Bristol in 1963, which had galvanised support for a law against racial discrimination.

The exhibition, which looked at the social and political factors that had shaped the law over the past four decades, was also displayed at a Confederation of British Industry (CBI) conference in December. We also produced a leaflet, and created a dedicated website, to take the exhibition to a wider audience.

## **Our concerns about the Immigration, Asylum and Nationality Bill were focused on the provisions on appeals and employment**

We sought the following amendments to the bill:

- the re-instatement of full appeal rights for students and work permit holders;
- immunity from prosecution and deportation for the victims of trafficking, to protect them and to encourage reporting to the police; and
- a requirement for the secretary of state to follow the advice from the CRE given in consultation on the Home Office's code of practice for employers on how to avoid racial discrimination while seeking to prevent illegal working.

We welcomed the extension of the remit of the chief inspector of prisons to immigration detention centres.

### **THE FUNDAMENTAL RIGHTS AGENCY**

In 2003, the European Council of Ministers agreed to create a new Fundamental Rights Agency (FRA) for the European Union, which would be broadly similar, though by no means identical, to the CEHR (see p 6). The FRA's remit would cover all areas of equality, except gender, which would be covered by a separate institute.

In 2005, we held meetings with those responsible for setting up the FRA and, to make sure racial equality was not overlooked, we proposed amendments to a parliamentary report on the organisation. We also submitted written evidence to a House of Lords inquiry into the FRA. European Union foreign ministers were expected to adopt the EU regulation setting up the FRA in June 2006.

# TOWARDS INTEGRATION

Last year, we continued the debate we initiated in 2004 on how to build an integrated society. We identified three essential components of integration: equality, participation and interaction. Through a programme of seminars, conferences and speeches, we explained that, in this context, 'equality' means achieving equal opportunities and life chances for everyone living in Britain today; 'interaction' refers to the need to improve relations between people from different ethnic or cultural backgrounds, and to avoid segregated communities; and 'participation' means ensuring that people from all ethnic groups are represented in decision-making structures, for example, in local government and schools, and involved in civil society, for example, through volunteering.

## BUILDING AN INTEGRATED SOCIETY

Our vision of an integrated society is one where an individual's origins or background do not determine their destiny. To develop our ideas, and to launch our guide to good race relations (see p 15), we held a conference on integration on 12 July 2005. Our chair, Trevor Phillips, described the challenges public policy-makers and others face in building an integrated society in Britain.

Coming in the immediate wake of the London bombings on 7 July, the conference sparked a national debate on the meaning of integration and how best to achieve it. While opinions about the way forward differed, it was clear that commentators from across the political spectrum, and throughout the media, appreciated our arguments.

In September, at a lecture organised by the Manchester Council for Community Relations, Trevor Phillips warned that Britain was 'sleepwalking to segregation'. He spoke of residential and educational segregation, as well as the growing tendency for different groups of people to inhabit separate cultural and social worlds: 'The fact is that we are a society which, almost without noticing it, is becoming more divided by race and religion. We are becoming more unequal by ethnicity. If we allow this to continue, we could end up ... living in a Britain of passively co-existing ethnic and religious communities, eyeing each other uneasily over the fences of our differences.' The speech received a large amount of media coverage and sparked fresh debate about our integration agenda.

Towards the end of the year, we hosted a series of seminars across England to explore the concept of integration with organisations from the public, private and voluntary sectors, and began making plans to extend these to Scotland and Wales in 2006.

We worked with organisations such as the Smith Institute to develop concepts of 'Britishness' and citizenship, and invited Professor Robert Putnam of Harvard University to talk to us about the role that social capital can play in developing integration. We also began to build relationships with organisations working on race and integration in other countries; their experiences further informed our thinking.

Following the London bombings, we took part in 'Preventing Extremism

**Our vision of an integrated society is one where an individual's origins or background do not determine their destiny**



**Women march to the spot where Isiah Young-Sam was murdered during riots in Lozells, Birmingham, in October. The CRE set up meetings to help reduce tensions between communities.**

Together', a Home Office initiative consisting of working groups on youth, women, education, regional and local initiatives, imams and mosques, community security, and tackling extremism and radicalisation. The subsequent report, *Tackling Extremism and Radicalisation*, outlined the main difficulties Muslims face in Britain today, and made recommendations on promoting integration.

With other members of the Local Government Association's cohesion working group, we also wrote to all local authority leaders to remind them of their statutory duty to promote good race relations, and the importance of working towards an integrated society.

Following disturbances in Birmingham in October, Trevor Phillips called a meeting of community and voluntary sector representatives in Lozells to discuss how local people could work together to reduce tension and increase interaction between different ethnic groups. We played an important role by helping local organisations develop immediate operational responses and urging those present to maintain contact with each other and continue the discussions they had begun.

As part of our work to increase participation in local and national decision making at all levels, we worked with Operation Black Vote to develop a scheme in which ten people from ethnic minority backgrounds spent six months shadowing CRE commissioners. The scheme was designed to encourage more people from ethnic minorities to apply for public office.

## ASYLUM AND IMMIGRATION

In 2005, we launched our new migration strategy. This focuses on influencing public attitudes to migration, reducing tensions between new migrants and others, reducing exploitation of migrants, and helping new migrants to adjust to life in Britain.

We organised two seminars on immigration and employment. The first, held jointly with London Metropolitan University on 5 September, examined equal opportunities policies. The second, with the Trades Union Congress on 5 December, considered the exploitation of migrants and questions of racial equality, with particular focus on the information new migrants need. Through a series of workshops in June, we helped to collect examples of how migrants have been successfully integrated in Britain.

We also responded to a number of government consultations, including *Selective Admission: Making Migration Work for Britain*. We submitted evidence to relevant select committees, and to a European Union consultation on the *Proposal for a Directive of the European Parliament and of the Council on Common Standards and Procedures in Member States for Returning Illegally Staying Third-Country Nationals*.

## SAFE COMMUNITIES INITIATIVE

The Safe Communities Initiative (SCI) was launched in March 2003 to provide information and advice on promoting integration and good race relations, tackling extremism and preventing conflict within communities. SCI's work in 2005 reflected our commitment under *Improving Opportunity, Strengthening Society* – the government's strategy to increase racial equality and community cohesion – to continue to support individuals and organisations working to reduce community tensions.

SCI is led and advised by an independent advisory group, chaired by Perry Nove, former commissioner of the City of London Police. Voluntary, faith and governmental organisations and departments are represented on the advisory group.

In 2005, SCI produced a report outlining ten cases it had been involved in, including working with Gypsies and Irish Travellers in Cottenham and Firle, and supporting local agencies as they responded to the Caia Park disturbances in Wrexham in 2003. The report, based on interviews with staff from the CRE and other organisations, considered how far the aims of each project had been met, and offered advice on good practice. The report was planned for publication in spring 2006.

Following the London bombings in July, SCI set up a temporary intelligence gathering and reporting system (the SCI observatory) to provide information on the scale and frequency of racial attacks and harassment in Britain. Using intelligence gathered by CRE staff, local racial equality organisations and partners in 11 cities, reports were produced daily, and then weekly as tensions began to ease. The observatory also fed into the meetings held by the Home Office's community tension monitoring group, which representatives of the SCI team attended. The final report was submitted on 23 September.

SCI also advised the Local Government Association on the production of a new guide, *Leading Cohesive Communities: A guide for local authorities and chief executives*, which was scheduled for publication in February 2006.

In February, SCI joined the Home Office and a local charity, the Active Faith Communities Programme, in organising a seminar for Muslim community representatives in West Yorkshire. The discussions focused on local issues and concerns, and how these might promote or hinder integration.

With the CRE Midlands office, SCI organised a national conference in Birmingham, bringing together representatives from public authorities and voluntary organisations to discuss ways of using the law and the statutory duty to promote race equality to monitor and prevent organised race hate crime. A report of the conference was later distributed to participants.

**Following the London bombings, SCI gathered intelligence on the scale and frequency of racial attacks and harassment in Britain**

## Gypsies and Irish Travellers

During the year, SCI continued to monitor potential local flashpoints involving Gypsies and Irish Travellers, producing good practice and guidance when necessary. When SCI was alerted to a possible eviction involving 60 caravans in Basildon, Essex, the team collected intelligence, visited the site, and advised the CRE's law enforcement team.

As a result, CRE commissioners decided to intervene in a judicial review of Basildon Council's decision to evict the Irish Travellers (see p 27).

In Cottenham, SCI ran a workshop for local faith leaders, who had been acting as mediators between local residents, local authorities, and Gypsies and Irish Travellers. The concerns they raised were used to draw up guidance on alternatives to eviction.

SCI was represented at multi-agency forums in Tolney Lane and Firle, and gave the Metropolitan Police advice on incitement to racial hatred and hate crime, to help them deal with a media campaign against Gypsies and Irish Travellers.



**Bonfire night 2003 in Firle, East Sussex: one of the incidents that led the CRE's Safe Communities Initiative to become involved in multi-agency forums concerned with tackling hostile attitudes towards Gypsies and Irish Travellers.**

# REGULATING FOR EQUALITY

## THE RACE EQUALITY DUTY

In 2001, the Race Relations Act was amended to give around 43,000 public authorities a statutory duty to promote race equality (also referred to as the race equality duty). The aim was to help them to provide fair and accessible services, and to improve equal opportunities in employment. The race equality duty requires public authorities to pay 'due regard' to the need to eliminate unlawful racial discrimination and to promote equality of opportunity and good race relations. Some authorities are also bound by specific duties; for example, they must publish a race equality scheme (or race equality policy, in the case of schools and further and higher education institutions), listing the functions they have identified as being relevant to race equality, and describing their arrangements for meeting the duty. Public authorities in England and Wales listed under Schedule 1A of the Act had to review their list of functions, policies and proposed policies by 31 May 2005 (in Scotland, the deadline was 30 November 2005). In line with our commitments under *Improving Opportunity, Strengthening Society* (IOSS), the government's strategy to increase racial equality and community cohesion, we continued to work closely with public sector inspectorates and service providers to help them meet the race equality duty.

### Inspection, audit and guidance

Inspectorates, such as the Audit Commission and the Office for Standards in Education (Ofsted), are not only bound by the race equality duty but are also responsible for making sure that other public authorities are meeting it. We continued to work closely with inspectorates throughout the year, encouraging them to make racial equality part of their standards and inspection processes, to carry out reviews of racial equality, to develop comprehensive race equality schemes, and to share their information with us. During 2005, all the key inspectorates revised or developed their methodologies, indicators or guidance, and we responded to several inspectorates' consultations, including one from the children and learners inspectorate, and one on the proposal to create a single criminal justice inspectorate.

In line with a recommendation from our formal investigation of the police service of England and Wales (see p 21), Her Majesty's Inspectorate of Constabulary (HMIC) decided to inspect six police forces in early 2006, to see how well they were meeting the race equality duty. We advised on the terms of reference, and scope, of the inspection, and look forward to seeing the report and any follow-up action. We also advised the probation and courts' administration inspectorates on how to cover racial equality effectively during their inspections.

In December, we announced a new joint monitoring project with the Healthcare Commission and the Mental Health Act Commission, to see how mental health service providers were putting the Department of Health's strategy, *Delivering Race Equality in Mental Health*, into effect. The aim of the strategy was to tackle any disparities in the way people from ethnic minorities were treated when using or accessing mental health services. The project will run from February to June 2006.

**We monitored the way central government departments and public sector inspectorates were complying with the law in their own race equality schemes; not one of them was fully compliant**

Between January and April 2005, we monitored the way central government departments and public sector inspectorates were complying with the law in their own race equality schemes. We found that not one of the schemes was fully compliant. We are currently monitoring the departments' revised schemes.

We took part in the inter-departmental group on racial equality, set up by the Home Office's Race Equality Unit to advise policy officers across Whitehall, and continued to attend meetings of the public service agreements project board, which monitors progress by central government departments in meeting their racial equality targets.

We continued to work with the Audit Commission on several projects, including revision of the comprehensive performance assessment (CPA). In October, the Audit Commission published a new framework, *CPA – The harder test*, which includes a commitment to publish a summary judgment on how well each council has performed in the areas of equality, diversity and customer satisfaction, and to take this into account in the overall rating for each council. We shall be monitoring the way this commitment is fulfilled, as the CPA reports are published.

Information on the Fire and Rescue Service suggests that it has responded patchily to the race equality duty, and that ethnic minority staff are still significantly under-represented in the workforce. In 2004, the Audit Commission was given responsibility for best value inspections of the Fire and Rescue Service, and produced a customised version of the CPA for the service. We worked with the Audit Commission to make sure its assessment framework included racial equality.

### **Race equality impact assessments**

As part of the race equality duty, most public authorities have to carry out race equality impact assessments (REIAs), to consider the likely effects a policy or legislative proposal might have on people from different racial groups. Throughout 2005, we emphasised the importance of REIAs in helping public authorities to develop sound policies that promote racial equality. We monitored the performance of Whitehall departments in carrying out REIAs on new policies, and requested copies of their REIAs for specific policies. We achieved a notable success when, following our intervention, the Department of Health announced that it was delaying the passage of the Mental Health Bill, partly so that a full REIA could be carried out.

### **Promoting good race relations**

In July, in line with our commitments under IOSS, (see p 14) we launched *Promoting Good Race Relations: A guide for public authorities*. The guide, produced as a CD-ROM and as web pages on the CRE website, gives public authorities advice on the steps they need to take to promote good race relations. It defines the common principles that should govern all activities to promote good race relations, and identifies examples of good practice in all sectors. New examples will be added to the website as good practice evolves.

**A guide to help public authorities meet the general duty to promote good race relations was launched on the CRE website, and as a CD-ROM.**





## Local government

In 2005, the government's Beacon Councils scheme included racial equality as one of its themes. We worked with the Office of the Deputy Prime Minister and the Home Office to draw up a prospectus for the racial equality strand of the scheme, which was sent to all local authorities.

We supported the July conference at which the three councils that were awarded beacon status – Bristol, Gravesham and Tower Hamlets – showcased their good practice. We went on to work with these councils to publicise their open days, and to plan an annual 'beacon legacy' event.

We also took part in the discussions on revising the 'best value' performance indicators for local government, for use from April 2006. We argued for a new indicator to measure the extent to which elected council members reflected the ethnic make-up of their communities. However, this was turned down after consultation with local authorities, which felt that they had little, if any, control over councils' composition. We hope this question will be considered again in future, as we believe authorities can take steps to encourage fair representation. The national census of local councillors in England, published in June, showed that, although people from ethnic minorities made up 8.4% of England's population, they accounted for just 3.5% of elected members in 2004, up by only 0.8% since 1997.

## Housing and planning

In January, we began work on revising the statutory codes of practice on racial equality in rented and non-rented housing. We decided to combine the guidance on both types of housing and, in May, published consultation drafts of separate codes for England, Scotland and Wales. We made further amendments to the codes, taking account of comments received during the consultations, and prepared them for ministerial approval in 2006.

### ■ Gypsies and Irish Travellers inquiry

In October 2004, we launched an inquiry into whether local authorities were meeting the race equality duty and promoting socially integrated communities, through the internal arrangements they made for providing and managing Gypsy sites (authorised and unauthorised) and through their policies and services in these areas. The inquiry also examined whether they were providing mainstream services in a way that benefited all racial groups, including Gypsies and Irish Travellers, and that promoted good race relations in their areas. The methodology comprised:

- a. a detailed questionnaire, sent to all local authorities in England and Wales;
- b. an open call for evidence, inviting views and information from a wide range of stakeholders; and
- c. visits to nine selected local authorities, local police forces and health organisations, and interviews with Gypsies and Irish Travellers and other local residents and, when relevant, the neighbouring county council.

## RACE IN THE MEDIA AWARDS

Following a year's break in 2004, the CRE's relaunched Race in the Media Awards (RIMA) returned in June.

The ceremony, at London's Curzon cinema, was hosted by Rory Bremner (pictured above, with Youth Award winners CBBC's *Kerching!*, presented by June Sarpong), and attended by celebrities and key figures in the media industry.

Thierry Henry won the Media Personality of the Year award for his strong stance against racism in football, most notably by initiating Nike's 'Stand Up, Speak Up' campaign. Other winners, in categories covering national and regional television, radio, newspapers and magazines and new media, included the BBC (Media Organisation of the Year), *Coronation Street* (TV Soap), *The Bill* (TV Drama), *Wondrous Oblivion* (Film Features) and the *Guardian* (National Newspaper).

On the night, Trevor Phillips, our chair, paid tribute to the winners: 'They have all helped to challenge negative stereotypes and increase understanding about the many different communities that make up Britain. After 13 years of trying to get the media to pay any attention at all to race issues, the quality of tonight's winners shows just how far we've come.'

We received 236 responses to the questionnaire, with many local authorities also submitting extra information, and 300 responses to the call for evidence. All nine selected local authorities took part fully in the research. The report, scheduled for publication in May 2006, will contain detailed recommendations for local authorities on planning, providing and managing Gypsy sites, as well as for police forces, the government and other local, regional and national agencies working in this area. In particular, the recommendations should help local authorities to implement the new system for providing public and private Gypsy sites that is currently being developed by the government, while meeting their responsibilities for racial equality.

### Education

During 2005, we worked with education organisations on attainment, behaviour and attendance in compulsory education, commented on inspection frameworks and identified areas for joint work with Ofsted and the Higher Education Funding Council for England.

We also produced a template for assessing race equality policies, which schools and further and higher education institutions could use to standardise their approaches and to develop good practice.

In June, we hosted a seminar on the under-achievement of black boys in education. Baroness Howells chaired the seminar and speakers included Professor Gus John, Dr Tony Sewell, Dr Carl Parsons, Dr Leon Paul Tikly and Professor Jagdish Gundara, a CRE commissioner. As well as considering why three out of four boys of African-Caribbean origin were failing to get five good GCSE passes, participants also discussed disproportionate exclusion rates, and the role that parents can play in their children's education.

The seminar followed a BBC documentary in March about a US scheme, where some black boys were taught separately for certain lessons. Our chair, Trevor Phillips, suggested that although the scheme might not be appropriate for Britain, it might still hold lessons for us. The scheme, which had been piloted by Professor Stan Mimms, who also spoke at the seminar, had resulted in a 12 per cent increase in attainment levels in only a few months.

### Health and social care

In 2005, we worked with the NHS to improve their procedures for monitoring patients by ethnicity. As a result, after years of little progress, the use of reliable data on ethnicity is now becoming standard practice. From April 2006, for the first time, under the *Quality and Outcomes Framework*, GPs will have to keep records of the ethnic background of all new patients. We also contributed to new guidance produced by the Department of Health (DoH), *A Practical Guide to Ethnic Monitoring in the NHS*, which emphasised the importance of using ethnic monitoring data as a planning and performance management tool.

One area of continuing concern was the difficulties experienced by senior doctors with international qualifications in reaching the grade of consultant. In 2005, we began work with the Post Medical Education Training Board, to make sure these doctors' qualifications are fairly assessed, and that

**As a result of our work with the NHS to improve their procedures for monitoring patients by ethnicity, the use of reliable data on ethnicity is now becoming standard practice**

they have the same access to training opportunities as doctors with qualifications from the European Economic Area.

We have also been involved in a DoH programme to improve equality of opportunity for people with learning disabilities. In 2005, we worked with the Disability Rights Commission (DRC), and the Valuing People team at the DoH, to produce a guide on racial equality and learning disabilities. The guide was aimed at learning disability partnerships, the local multi-agency organisations set up to ensure greater access to employment, housing and other key services for people with learning disabilities. The DRC planned to publish the guide in 2006.

### Criminal justice

During the year, we contributed to the strategy for extending ethnic monitoring to stops, as well as stops and searches (in line with recommendation 61 of the Stephen Lawrence inquiry report). We commented on a draft manual on stops and searches by the Home Office and the police service, giving detailed practical advice, and agreed a number of amendments, to prevent discriminatory use of police powers. We wrote to the Home Office asking for a breakdown, by ethnicity, of stops and searches under the Terrorism Act in 2005, as well as clarification of the extent to which 'racial profiling' was occurring, and the legal basis for this. Following an exchange of correspondence, we planned to follow this up in 2006.

We met senior officials from the Crown Prosecution Service (CPS) and were very encouraged by statistics showing marked progress towards racial equality in employment at the CPS. We were particularly pleased that they had undertaken a detailed race equality impact assessment (REIA, see p 15) of their staff appraisal system. We also responded to a consultation on their REIA of the way decisions are made on whether to charge defendants.

When we published the findings of our formal investigation into the prison service in 2003, the service agreed to implement a detailed action plan to promote racial equality. We continued to work with the prison service to monitor progress against this plan and its race equality scheme. We developed a vision for the service based on good leadership, culture change and sharing of good practice, and identified three main areas of work over the next three years: complaints, monitoring and training. Our commissioners had regular meetings with the director-general of the prison service, and also set up links with private prisons and the National Offender Management Service.

In December, Her Majesty's Inspectorate of Prisons published *Parallel Worlds: A thematic review of race relations in prisons*. We were on the advisory group for both this review and another, of foreign national prisoners. We also submitted written evidence to the Zahid Mubarek inquiry and took part in a seminar the inquiry organised on racism and religious intolerance at the end of September.



Jess Hurd / reportdigital.co.uk

**During the year, we contributed to the strategy for extending ethnic monitoring to stops, as well as stops and searches.**

## EMPLOYMENT

In 2005, we provided advice on a number of government initiatives and projects. These included the Cabinet Office's 10-point plan to improve diversity at senior management levels of the civil service, and the Lyons Review (see 'Relocation review', below).

### Employment code of practice

In 2005, we completed work on revising our statutory code of practice on racial equality in employment. The revised code gives employers, trade unions, recruitment agencies, professional organisations and individual workers in Britain practical guidance on how to avoid unlawful racial discrimination and harassment in employment. It outlines employers' legal responsibilities under the Race Relations Act, and recommends procedures and practices that will help ensure fair and equal treatment for everyone.

The revised code was launched in November 2005, giving employers enough time to adopt the policies and systems they would need before it came into effect on 6 April 2006.

We produced a summary leaflet, and gave presentations to stakeholders across England, to raise awareness of the revised code. The code and leaflet were also translated into Welsh.

### Relocation review

In 2003, as part of a wider programme to reform public services, the government asked Sir Michael Lyons to examine the scope for relocating a substantial number of public sector activities from London and the south-east of England to other parts of Britain. The resulting review, *Well Placed to Deliver? Shaping the pattern of government services*, was published in March 2004. Towards the end of 2005, we developed guidance for government departments and non-departmental public bodies that were considering relocating. The aim was to make sure that departments took account of the implications for racial equality when drafting relocation proposals, and carried out full race equality impact assessments. We held seminars on the guidance for the Office of Government Commerce, the Cabinet Office, the Trades Union Congress, and the Office of the Deputy Prime Minister.

## WORKING WITH BUSINESS

### Procurement

In November, we jointly organised a round-table meeting with the Confederation of British Industry (CBI) and the Ethnic Minority Employment Task Force, of which our chair, Trevor Phillips, is a member. The meeting, held at the City offices of the law firm Berwin Leighton Paisner, and attended by organisations such as Lloyds TSB and the Office of Government Commerce, discussed ways of promoting racial equality in public procurement. Similar events were planned for 2006.

'Supplier diversity' refers to initiatives that are designed to give ethnic minority businesses access to market opportunities in supply chains in the



The new *Statutory Code of Practice on Racial Equality in Employment* was published in November, and was due to come into effect in April 2006.

private, public and voluntary sectors, and to show large purchasing organisations the benefits of working with a diverse range of businesses. Anecdotal research indicates that ethnic minority-owned businesses are less likely to be awarded these lucrative contracts.

In 2005, we commissioned the Centre for Research into Ethnic Minority Entrepreneurship at De Montfort University to produce a guide for purchasing organisations to working with a greater range of suppliers. It will cover the importance and the benefits of supplier diversity, look at any obstacles, and suggest how organisations should develop supplier diversity programmes. We consulted a range of stakeholders on a draft version of the guide, including the CBI, the Chartered Institute of Purchase and Supply, the Federation of Small Businesses, Scottish Enterprise and local councils. We planned to publish the guide in 2006.

### **Oldham United campaign**

In 2005, we commissioned an independent evaluation of Oldham United, a campaign which we helped to pilot in Oldham in 2003/4, to help local businesses promote community cohesion. The campaign was developed in response to the disturbances in Oldham in 2001, to show how businesses can

help to bring people together to improve race relations. The evaluation report concluded that the campaign had been a success and was a model that could be used elsewhere, particularly where communities were divided along lines of race or faith.



### **Race equality duty: a pilot project for the private sector**

In 2005, we held two seminars and private meetings on the race equality duty, which only applies to public authorities, for organisations in the private and voluntary sectors. We distilled the essence of the duty, to reduce the amount of paperwork, and 10 private and voluntary organisations agreed, in principle, to meet its requirements for the duration of the three-year project, starting in 2006. We are optimistic that the project will help us to find ways of using the race equality duty more broadly in future.

**We held seminars and private meetings on the race equality duty for organisations in the private and voluntary sector, distilling the essence of the duty to reduce the amount of paperwork**

# 4 USING OUR LEGAL POWERS

In 2005, we concluded a formal investigation into the police service of England and Wales, and continued a partnership agreement with the Ministry of Defence. Also, a non-discrimination notice following our investigation into the London Borough of Hackney expired. We also intervened in three legal cases, and obtained leave to intervene in another.

## FORMAL INVESTIGATIONS

### The police service of England and Wales

Our annual report for 2004 included details of our findings from stage one of this investigation of employment matters in the police service, headed by Mr Justice Calvert-Smith. The investigation continued into the early part of 2005 and the final report was published in March. While it commended many initiatives already taken, such as the new national assessment centre for police recruitment ('SEARCH'), a radical new model for initial training and fresh guidelines on diversity training, it identified many areas of weakness throughout the police service and the organisations associated with it. A common theme was a failure to deliver or, sometimes, even be aware of the statutory duty to promote race equality (also referred to as the race equality duty). For example, 'SEARCH', while generally being a fairer system of selecting new constables, had not been fully assessed for its effects on racial equality. The same was true of new national operating standards, which define levels of competence for recruitment, promotion and training. Lastly, no police force carried out all the ethnic monitoring required under the race equality duty. Police grievance and discipline procedures were found to be cumbersome and ineffective in dealing with race complaints, and the new staff appraisal system did not effectively identify officers' performance in ensuring equality of opportunity.

In July, the Home Secretary fully accepted all but three of the report's 125 recommendations. By the end of 2005, a number of recommendations had already been met, and work on many more was well underway.

### London Borough of Hackney

In December 2000, we issued the London Borough of Hackney with a statutory five-year non-discrimination notice, following our formal investigation of persistent discrimination in employment.

This notice expired in December, when CRE officers met council and trade union representatives to discuss how to proceed. Officers had analysed information they had collated from an inspection carried out in 2004 and had concerns about the completeness and accuracy of monitoring data, as well as evidence of continuing adverse impact on certain ethnic groups. We agreed with the council that we would continue to monitor its arrangements for meeting the specific duties on employment under the race equality duty. We planned to produce a report of the investigation for consideration by our legal committee in 2006.



Mr Justice David Calvert-Smith and Trevor Phillips at the launch of the report of CRE's formal investigation into the police service in England and Wales.

**TABLE 1: APPLICATIONS FOR ASSISTANCE RECEIVED, BY REGION AND COUNTRY, 2005**

CRE office	EMPLOYMENT		NON-EMPLOYMENT		OUT OF SCOPE		TOTAL	
	Jan – Dec 2004	Jan – Dec 2005	Jan – Dec 2004	Jan – Dec 2005	Jan – Dec 2004	Jan – Dec 2005	Jan – Dec 2004	Jan – Dec 2005
Manchester	33	34	87	86	0	0	120	120
Edinburgh	21	21	24	39	3	0	48	60
Birmingham	28	26	26	34	0	0	54	60
Cardiff	15	28	11	21	0	0	26	49
London and South	198	429	109	310	1	0	308	739
<b>Total</b>	<b>295</b>	<b>538</b>	<b>257</b>	<b>490</b>	<b>4</b>	<b>0</b>	<b>556</b>	<b>1,028</b>
% of total	53%	52%	46%	48%	1%	0%	100%	100%

Note: Some figures differ from those published in the 2004 annual report, due to classification errors. The figures for Manchester include the area previously covered by the Leeds office.

## FORMAL AGREEMENTS

### Ministry of Defence

We continued to monitor the Ministry of Defence's progress against targets for ethnic minority representation in the armed forces, as part of our second partnership agreement (the original agreement began in 1998, and was renewed in 2003). The ministry responded positively to our concerns about its difficulties in reaching these targets and we hope to be able to continue working with it after the agreement ends in July 2006.

## ADVICE, ASSISTANCE AND REPRESENTATION

In 2005, we received 1,028 applications for assistance. This represented an increase of 85% on applications received in 2004. As Table 3 shows, almost two-thirds of applications for assistance were from men. Of the 477 applications from Black applicants, 214 came from Black Africans (up 95% on 2004), and 213 from Black Caribbean applicants (up 157% on the previous year). The number of applicants from Asians – mainly Indians (88) and Pakistanis (85) – rose from 166 (or 30% of the total) in 2004 to 196 (or 19% of the total) in 2005; however, as a proportion of the total number of applications in 2005, this represented a fall of around 38%.

In 2005, 503 applicants were given full advice and assistance, while 10 were offered advice and assistance limited to conciliation (see Table 2). Three applicants (one Black African, one Black Caribbean and one White), received full CRE representation. At the end of the reporting period, two of these remained pending, awaiting a hearing, and negotiations were under way for settling the third.

Just over half (52%) of the applications for assistance received in 2005 were related to employment. Most applications (53%) came from the public sector, with the largest number (158), as 2004, coming from the courts, police, prison and probation services (see Table 4).

Three cases were settled by our legal affairs officers in 2005, for a total amount of £4,300.

## CASE LAW AND INTERVENTIONS

### ■ *Igen Ltd & Others v Wong*

Following statutes arising from various EU Directives

**TABLE 2: CRE LEGAL COMMITTEE DECISIONS, 2005**

	Jan – Dec 2004	Jan – Dec 2005
Full CRE legal representation	1	3
Limited CRE representation	3	0
Representation jointly with others	-	2
Full CRE advice and assistance	485	503
Limited CRE advice and assistance	12	10
Representation by RECs	27	39
Representation by trade unions	9	10
Representation by others	29	21
<b>TOTAL</b>	<b>566</b>	<b>588</b>

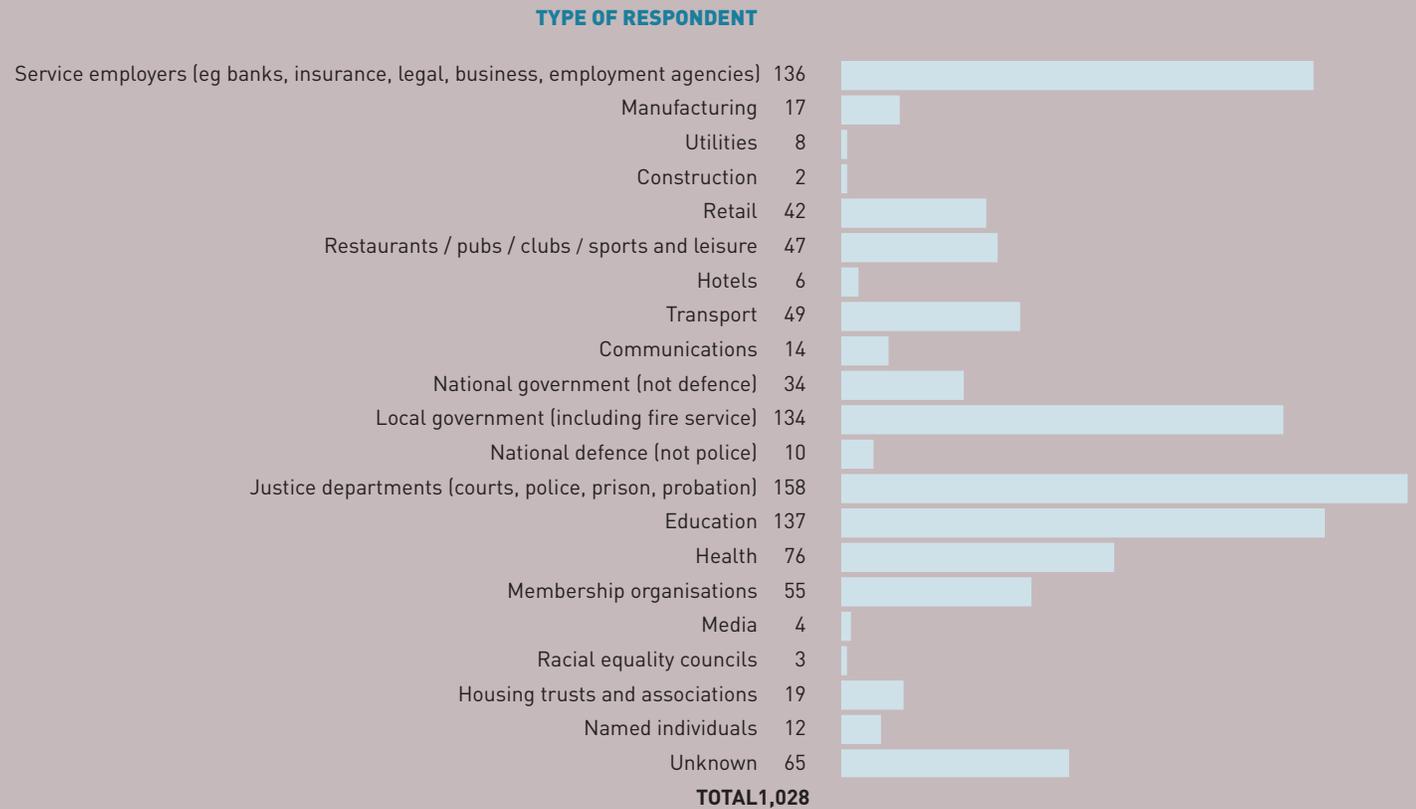
Note: Where representation or advice and assistance was limited, this was restricted to conciliation. In addition, a total of 24 applications were either out of scope or out of time, and 52 were withdrawn.

**TABLE 3: APPLICATIONS RECEIVED, BY ETHNIC GROUP AND SEX, 2005**

	MALE		FEMALE		TOTAL	
	Jan – Dec 2005	(2004)	Jan – Dec 2005	(2004)	Jan – Dec 2005	(2004)
White	53	(35)	45	(19)	98	(54)
Mixed	9	(2)	2	(1)	11	(3)
Asian	141	(127)	55	(39)	196	(166)
Black	296	(140)	181	(77)	477	(217)
Chinese	4	(7)	11	(4)	15	(11)
Other	142	(73)	89	(32)	231	(105)
<b>Total</b>	<b>645</b>	<b>(384)</b>	<b>383</b>	<b>(172)</b>	<b>1,028</b>	<b>(556)</b>

Note: The 'Other' category includes those who did not state their ethnic origin, as well as Gypsies and Irish Travellers, and Jews, who are protected groups under the Race Relations Act. We received 12 applications from Gypsies and Irish Travellers and three from Jews in 2005.

**TABLE 4: APPLICATIONS RECEIVED, BY INDUSTRIAL CLASSIFICATION OF RESPONDENT, 2005**



(such as the Race Relations Act (Amendment) Regulations 2003 in the case of racial discrimination), the law now states that once claimants in discrimination cases have identified facts from which a tribunal could conclude that unlawful discrimination has taken place, employers have to prove that they did not discriminate. The evidence needs to show that an employer's actions were in no way related to a worker's sex, race, disability, sexual orientation or religion or belief, in order to defeat the claim. If their explanation is not adequate, the tribunal must conclude that discrimination did take place.

We, along with the Disability Rights Commission and the Equal Opportunities Commission, had been concerned that regulations relating to the burden of proof were not being implemented consistently or correctly by employment tribunals. In February, we jointly intervened in the case of *Igen Ltd & Others v Wong*, in the Court of Appeal, to request clear guidance for employment tribunals on this issue in cases of direct discrimination.

The Court of Appeal approved and strengthened the guidelines issued in *Barton v Investec Securities Ltd* (2003, ICR 1205), and confirmed – in this and two other conjoined cases – that the shifting burden of proof requires tribunals to adopt a two-stage test:

*Stage one*

1. The claimant has to prove, on the balance of probabilities, facts from which the tribunal could conclude, in the absence of an adequate explanation, that the respondent has committed an unlawful act of discrimination.
2. At this stage, a tribunal should consider what inferences could be drawn from these facts, and must assume that there is no adequate explanation for them. It must not take the employer's explanation into account at this stage.

*Stage two*

3. If the claimant has proved facts from which conclusions could be drawn that the respondent has treated the claimant less favourably, then the burden of proof moves to the respondent.

**We continued to offer most applicants a full advice and assistance service**

4. It is then for the respondent to prove, on the balance of probabilities, that the treatment was not on the grounds of race, sex, disability, religion or belief or sexual orientation.

■ ***Saggar v Ministry of Defence***

In April, the Court of Appeal handed down its judgment in this case, which concerned an allegation of discrimination at a military hospital in Cyprus between September 1998 and December 1999. Until 16 December 1999, the Race Relations Act (RRA) stated that an employee was to be regarded as being employed at an establishment in Great Britain (GB), unless he or she worked 'wholly or mainly outside' GB. The court held that, when determining whether or not a claimant worked wholly outside GB, the relevant period was the whole period of employment. The law has changed since this case was brought and the test of whether the RRA applies in such situations has been widened. The law now states that it is unlawful for an employer to discriminate on grounds of race or ethnic origins against an employee who works 'at an establishment in GB', even if the employee works some of the time outside GB. Only if they work 'wholly outside' GB are they not protected. However, the judgement in the Saggar case is still relevant to cases involving discrimination on grounds of nationality or colour.

■ ***Ali v Office for National Statistics***

The increasing emphasis on pleading the type of racial discrimination claimed (that is, direct or indirect) at an early stage was entrenched by the Court of Appeal decision in this case. Mr Ali claimed that he was racially discriminated against when applying for two different jobs at the Office for National Statistics. In his original application, he asked the tribunal to consider whether he had been victimised or discriminated against on racial grounds contrary to the 1976 RRA. He won a claim of direct discrimination, but when this was overturned on appeal, the Employment Appeals Tribunal (EAT) sent the case back to the tribunal to be reheard. Mr Ali then tried to amend his claim to include indirect as well as direct discrimination. However, the tribunal decided that, even though his original claim referred to racial discrimination in general, this amounted to a brand new claim, which was being brought late. The tribunal noted that direct discrimination and indirect discrimination are two different types of unlawful acts and, therefore, a person who alleged in his original application to the tribunal that he had been directly discriminated against must seek permission to amend his or her claim outside the time limit, to include a claim of indirect discrimination.

■ ***Elias v Secretary of State for Defence***

In June, we were given leave to intervene in a judicial review of this case. The case concerned the refusal by the Ministry of Defence (MoD) to pay an 81-year-old British subject, born in Hong Kong, compensation under an *ex gratia* scheme for interned civilians held by the Japanese and prisoners of war during the Second World War.

For a civilian internee to qualify, he or she had to have been British and either have benefited from a payment made from an earlier 1950s scheme based on liquidated Japanese assets, or to have been born in the UK, or have had a parent or grandparent born in the UK. This 'birth link' criterion was held to have resulted in unlawful indirect discrimination on grounds of national origin.

In addition, we claimed that the MoD had failed to meet the race equality duty in a number of areas (see p 26). In particular, the MoD should have considered whether the compensation scheme raised issues that were relevant to racial equality, considered the likely effects of the policy on people from different racial groups, identified any adverse impact and then decided how best to remedy this. The judge agreed, commenting that, 'given the obvious discriminatory effect of this scheme, I do not see how in this case the Secretary of State could possibly have properly considered the potentially discriminatory nature of this scheme and assumed that there was no issue which needed at least to be addressed'.

#### ■ ***Empower Scotland Ltd v Khan***

In September, the EAT upheld a claim of victimisation brought by an employee of Ethnic Minorities Participating On Wider Economic Responsibilities (Empower) Scotland against a colleague. The case illustrates the links between racial and religious discrimination, especially in relation to Muslims.

In his grievance, Mr Khan, a Muslim of Pakistani origin, claimed that Mr Singh, an Indian Sikh, made sweeping statements, such as, 'you Pakistanis are all the same', and 'you Muslims are all troublemakers'. The judge said that, 'given that 90 per cent of Pakistanis are Muslim, and given that the maker of the statement considers that all Muslims are troublemakers, it follows that a Pakistani who is a Muslim is a troublemaker'. He quoted Lord Steyn, who said, 'in law context is everything'. The EAT dismissed the employers' appeal, saying that there was 'a sound basis' for the tribunal's finding that the claimant was abused on grounds of his Pakistani national origin.

#### ■ ***Dattani v Chief Constable of West Mercia Police***

A tribunal can draw an inference of discrimination from an employer's non-existent or evasive reply to a race relations questionnaire (the statutory RR65 form). The decision in this EAT case established that the same inference can be drawn from replies made outside the statutory procedure; for example, in the employer's notice of appearance. The appeal tribunal's reasons were that, under the law, an individual can choose whether or not to use the RR65 form, and that all employers should be treated equally, regardless of whether the questions were asked under the statutory procedure.

#### ■ ***Attorney General Reference No. 5 [2005] EWCA Crim 889***

The Attorney General sought the opinion of the Court of Appeal on a point of law regarding the definition of 'racial group' for the purposes of the Crime and Disorder Act 1998.



Imperial War Museum

**Former internees at Stanley Camp, Hong Kong, after liberation from captivity by Japanese forces in 1945. British subjects only received compensation if they had a 'birth link' to Britain, and the judgment in the Elias case was that the Ministry of Defence had failed in its duty by not properly considering the 'obviously discriminatory' effect of this rule.**

The case involved a common assault on a general practitioner (GP) by the mother of a young patient at his surgery. Just before the assault, the woman referred to the GP as an ‘immigrant doctor’. The prosecution argued that the assault was racially aggravated as, in this context, the term ‘immigrant’ implied hostility to the GP on the grounds of his membership of a racial group as defined by section 28(4) of the Crime and Disorder Act 1998; ‘a group of persons defined by reference to race, colour, nationality (including citizenship) or ethnic or national origins’.

The trial judge ruled that there was no case to answer, as the term ‘immigrant’ does not denote membership of a specific racial group, simply by implying that someone is non-British.

We applied to intervene in the Court of Appeal hearing. We submitted that such a construction would be contrary to the language, object and purpose of the legislation, when read in context. The definition of a racial group, like the definition of direct racial discrimination, refers not only to colour, race and ethnic origins but also to nationality (including citizenship), as well as to national origins. The use of the term ‘immigrant’ can, when read in context, indicate evidence of hostility towards, and adverse treatment of, someone who belongs to a group defined by reference to these grounds, just as it could indicate unlawful racial discrimination, contrary to the RRA.

The Court of Appeal upheld this approach. It ruled that the trial judge should have let the jury decide whether someone who was an immigrant to Britain, and therefore not British, could be a member of a racial group, and whether the use of the term ‘immigrant doctor’ demonstrated hostility.



The CRE website was relaunched in May with a new design and navigation scheme.

## ENFORCEMENT OF THE RACE EQUALITY DUTY

Section 71(1) of the RRA imposes a statutory duty on listed public authorities to have due regard to the need to promote race equality (also referred to as the race equality duty). This requires public authorities to eliminate unlawful racial discrimination and to promote equality of opportunity and good race relations. It is enforced in the courts by judicial review, although the CRE can include compliance with the duty in any formal investigation involving listed authorities.

### Testing the race equality duty

In June, the case of *Elias v Secretary of State for Defence* was the first to consider the race equality duty. Besides finding that a compensation scheme had resulted in indirect discrimination on grounds of national origins (see p 24), the court also found that the MoD had not carried out a race equality impact assessment. There had been no careful attempt to assess whether the scheme

## **We received many complaints about public authorities failing to consider racial equality in their work, and remained alert to the potential for judicial review**

raised issues relevant to racial equality, although the possibility was raised; nor was any attempt made to assess the extent of any adverse impact, or to find ways of eliminating or minimising such impact. The MoD accepted the need to review the scheme, but, as both sides decided to appeal on the indirect discrimination element of the judgment, the scope of any review will not be clear until all legal proceedings have been concluded.

### **Judicial review**

We received many complaints about public authorities failing to consider racial equality in their work – especially in respect of the requirement to conduct race equality impact assessments of proposed policies – and remained alert to the potential for judicial review (JR). In 2005, we dealt with eight new cases involving possible breaches of the race equality duty and potential JR action. We obtained leave to intervene in a JR claim involving the decision by a local authority to evict a large group of Irish Travellers from an unauthorised encampment (see p 13). We felt that the case, due to be heard in spring 2006, raised important questions about local councils' duty to promote race equality.

### **The specific duties**

Public authorities have additional specific duties to help them meet the race equality duty (see p 14). Only the CRE can enforce non-compliance with these duties. We have developed compliance procedures, whereby we issue a warning letter to authorities indicating how their race equality scheme, policy, and/or employment arrangements may be non-compliant, and give them the opportunity to rectify any deficiencies. If we receive a satisfactory response, no further action is taken. However, if we do not, our legal affairs committee decides whether to serve a compliance notice on the authority.

We are pleased to report that the compliance process continues to work well. In 2005, we dealt with 13 cases under section 71D of the Race Relations Act. We sent formal warning letters to all 13 authorities and served compliance notices on two of them, both schools, when they failed to provide a satisfactory response within the required timescale. In the first case, the school produced a revised, compliant policy; the second case remained ongoing at the end of 2005. Of the remaining 11 cases, one authority responded satisfactorily and 10 cases were ongoing. In addition, as a precursor to the use of our compliance procedures, we issued 33 letters to Whitehall departments and inspectorates regarding their performance in respect of the race equality duty. We planned to follow up these letters in 2006.

# WORKING WITH OTHERS

Our work with partner organisations continues to be of vital importance in helping to share best practice, both in Britain and internationally.

## RACIAL EQUALITY COUNCILS AND OTHER PARTNERS

The network of racial equality councils (RECs) across Britain plays an important role in promoting racial equality locally, and we rely on their local knowledge, support and advice to help develop national policy. This was particularly apparent following the London bombings in July, when RECs and other community-based organisations provided us with intelligence about local tensions (see p 12). We also funded a pilot training programme to help organisations we fund to develop skills in fundraising and drafting business plans.

We held regular meetings with representatives from RECs and other local racial equality organisations during the year, and gave support to a number of local networks. We worked closely with the British Federation of Racial Equality Councils (BFOREC), and gave financial and logistic support to the organisation's 2005 conference. Our chair, Trevor Phillips, gave a keynote speech at the conference, and senior CRE staff ran workshops. We held two summits at our London office for Trevor Phillips to meet BFOREC members, to develop new ideas, discuss concerns and share information.

We continued to receive information from RECs across the country on the projects they had been running with funding from our Getting Results programme (see appendix 3).

### Prince's Trust

With a CRE grant of £19,000, the Prince's Trust ran the ShaRed Road community integration project, a residential scheme to increase interaction between refugees, asylum seekers and others in Glasgow. More than 120 young people from different backgrounds took part in a range of activities, from drama and music to sport and outdoor pursuits. Film-making was the most popular activity, and film topics included Scottish Refugee Week, the general election, the G8 summit, the World Youth Congress and the Edinburgh International Fringe Festival.

Through observation and user surveys (including a follow-up survey after three months), participants' progress was evaluated, to see what they had acquired from the scheme. As well as assessing their confidence, and the skills they had obtained, the young people were asked to consider whether their attitudes to others had changed.

### Plymouth REC

Part of the grant received by Plymouth REC was used to develop a drop-in service for female asylum seekers and refugees. In 2005, at least 20 women used the service, where, through one-to-one sessions or group discussion, they could talk confidentially about issues such as racial discrimination, domestic violence, concerns about safety and marital difficulties. The REC offered direct support, and referred participants to other agencies, where appropriate. A crèche was provided and the women, whose ethnic origins

**Our work with partner organisations continues to be of vital importance in helping to share best practice both in Britain and internationally**

included African, Chinese, Iranian, Kosovan, Bangladeshi, Moroccan, Eritrean and Somali, also took part in a variety of activities, including arts and crafts.

### **London's Week of Peace**

In September, Hammersmith and Fulham Black and Minority Ethnic Network worked with the local council to organise an event to celebrate London's Week of Peace. Local residents and community groups came together in a show of unity. Music was provided by a Brazilian samba band and an African percussion group. Filipino dancers performed, as local schoolchildren pinned leaves with messages of peace to a peace tree. Guests and residents also wrote peace pledges in a book, which was then displayed at various locations in the borough.

Hammersmith and Fulham Council leader, Stephen Burke, said: 'For centuries people from all over the world have co-existed side by side in our borough. Our strength is our diversity and the multicultural nature of our borough makes it a vibrant and exciting place. Those who seek to divide us will only succeed in making us all stronger.'

## **PARLIAMENTARY AND POLITICAL ENGAGEMENT**

In the autumn of 2005, CRE staff and commissioners attended the Labour, Liberal Democrat and Conservative party conferences. Our chair, Trevor Phillips, was a keynote speaker at a number of fringe events on hate crime, workplace diversity and equality in education. We also co-hosted, with disability charity SCOPE, the 'Equal-tee-hee' comedy night at the Labour party conference.

### **Race Equality Champions**

In 2005, we launched our 'Race Equality Champions' initiative. The 'champions' are a cross-party group of parliamentarians who are committed to working closely with us to make sure that racial equality is part of the political agenda. We also set up a public affairs section within the CRE website, to give parliamentarians access to all our latest news and briefings.

### **Absolutely Equal**

We are part of the 'Absolutely Equal' group, which hosted events at all three party conferences. The other partners are the Equal Opportunities Commission, the Disability Rights Commission, Equal Rights on Age, and Stonewall. The group is sponsored by Barclays.

### **General election**

We held several meetings with representatives from political parties, and organisations with an interest in racial equality, to make sure that campaigners in the general election remained committed to the need to promote good race relations.

We published a guide, *Elections and Good Race Relations*, and sent copies to all candidates standing in the May 2005 general election, the chief executives of all local authorities, and party leaders and chairs.



**The celebrations at London's Week of Peace, organised by CRE-funded Hammersmith and Fulham Black and Minority Ethnic Network.**

## **We have worked more closely with the Council of Europe to share information on racial equality, and religion or belief**

A reception to welcome newly-elected ethnic minority MPs was held in Westminster in July, and attended by several ministers, shadow ministers and party chairs.

### **Equality and Diversity Forum**

The CRE is a member of the Equality and Diversity Forum (EDF), a network of UK equality organisations. We contributed to the EDF's seminar series, where academics and other professionals led discussion on topics relating to equality. The seminars will feed into the government's discrimination law review, as well as its Equalities Review, which is chaired by Trevor Phillips. The two reviews were launched in February 2005 as part of the government's decision to set up a single equality commission.

### **Disability Rights Commission and Equal Opportunities Commission**

We continued to attend meetings of the DRC and EOC, to share best practice and develop sound equality policies.

## **EUROPEAN INSTITUTIONS**

### **Council of Europe**

In October, our chair, Trevor Phillips, and CRE staff met Rene Van den Linden, president of the Parliamentary Assembly of the Council of Europe, to discuss the EU fundamental rights agency (see p 9) and our work on integration. Following this meeting, we worked more closely with the Council of Europe to share information on racial equality, and religion or belief.

### **European Commission**

We maintained strong relationships with officials in the relevant Directorates-General (Justice and Home Affairs, and Employment and Social Affairs) and members of the commissioners' cabinets responsible for anti-discrimination provisions, the fundamental rights agency proposals, employment, migration and integration. In April, we responded to the Commission's consultation on ethnic minorities in the workplace, and were also involved in the organisation's Stop Discrimination campaign.

### **European Parliament**

We worked closely with MEPs involved in racial equality work, in particular with members of the all-party Anti-Racism and Diversity Intergroup. We also maintained links with members of the relevant parliamentary committees, such as the Civil Liberties Committee and the Employment and Social Affairs Committee. As a result, our position on integration was included as part of the first European Parliament report on the subject, due to be adopted in June 2006.

## European Monitoring Centre on Racism and Xenophobia

We continued to work with senior officers at the European Monitoring Centre on Racism and Xenophobia (EUMC), the Vienna-based agency responsible for racial equality at an EU level, as it prepares to transfer its functions to the new fundamental rights agency.

## Equinet

Equinet is a network of 28 equality organisations working in 23 EU member states. Members are defined as independent, specialised equality organisations, with a legal basis and a specific mandate to help victims of discrimination, to give independent advice and to carry out independent investigations. Equinet's aim is to support the uniform implementation of EU anti-discrimination law and the levelling-up of legal protection for victims of discrimination. We work with other Equinet partners regularly to discuss issues of mutual concern and to share experience and expertise. In 2005, we took part in Equinet working groups on sharing information, interpreting EU anti-discrimination law and forming policy.

## OTHER INTERNATIONAL WORK

As well as building closer links with our European partners, we also established a wider international CRE presence. We worked with foreign media to increase our profile abroad and to promote our integration agenda to a global audience. Our work received media coverage in over 20 countries, most substantially in the French, Dutch, German, Indian, Australian, American and Canadian press.

During the year, we welcomed delegations from Australia, Japan, Sierra Leone, Norway, Canada, France and Hungary, among others. We explained the role of the CRE, shared advice and exchanged expertise. We also held informal meetings with embassy representatives from Denmark, Indonesia and Kazakhstan.

We established and maintained links with the Canadian and Australian high commissions, and worked closely with the French and Dutch embassies.

## France

The ethnic demographics of France and Britain are similar, and both countries faced social tensions in 2005. We held meetings throughout the year with the *Haute autorité de lutte contre les discriminations et pour l'égalité* (HALDE), France's new national equality body. In December, we met the French interior minister, Nicolas Sarkozy, and our chair, Trevor Phillips, spoke at a convention on social justice in Paris, organised by France's centre-right party, the *Union pour un mouvement populaire* (Union for a Popular Movement).

Jacques Brinin / PA/Empics



The CRE met the French Interior Minister, Nicolas Sarkozy, in December, following the disturbances throughout France during the autumn.

## **Our research programme increased considerably during 2005**

### **Netherlands**

The debate on integration and immigration also continued in the Netherlands. Trevor Phillips met the Dutch MP, Peter van Heemst, to discuss integration in Rotterdam, one of the country's most ethnically diverse cities. The Netherlands faces similar challenges to Britain, and we held meetings with senior Dutch civil servants in the Ministry of Justice to share best practice on integration.

### **Canada**

With its longstanding tradition of multiculturalism and open debate on racial equality, Canada is an important partner for us. We worked with Canadian academics specialising in multiculturalism policy and established links with the Canadian High Commission, leading to joint work and advice sharing.

### **Australia**

Public debate on immigration, diversity and racial equality peaked in December following social disturbances in Sydney. Trevor Phillips met Senator Amanda Vanstone, Minister for Immigration and Multicultural Affairs, to discuss the CRE's work and structure, and Britain's approach to race relations.

### **United Nations**

We responded to a UN consultation on the implementation of the UN Declaration on Human Rights Defenders. Our response set out the CRE's role in relation to defending human rights, and assessed the UK's progress on implementing the Declaration.

## **RESEARCH**

Our research programme grew considerably during 2005. We repeated our 2004 benchmark survey work into public attitudes on race and racism in Britain, and supplemented it with surveys on attitudes towards immigration (YouGov), careers in the print media industry (MORI, planned for publication in 2006), and what drives racial equality work at the local authority level in London (ICM). We began updating our factsheets on the demography of Britain, ethnicity and employment, and education. We planned to publish the updated 'factfiles' in 2006.

We contributed to a research project, run by the Runnymede Trust, exploring the effects of anti-social behaviour measures. We also contributed to Race Equality West Midlands' research on identifying levels of residential segregation by racial group, and supported work by the Institute for Public Policy Research on public attitudes towards asylum seekers and refugees. In addition, we commissioned independent research into racial equality in the private sector in Cardiff (Strategic Marketing); ethnic minority experiences in the print media industry (Working Lives Research Institute); levels of ethnic minority participation in local strategic partnerships (Black Training and Enterprise Group); supplier diversity (Centre for Research in Ethnic Minority Entrepreneurship, De Montfort University – see p 20); and local government's

impact on racial equality in England (Centre for Local Policy Studies).

We published *Citizenship and Belonging: What is Britishness?* This report, commissioned from ETHNOS, summarised how British people from different ethnic backgrounds perceive, and identify with, 'Britishness'. Through a series of focus groups in England, Scotland and Wales, the research found that most participants had a common understanding of 'Britishness'. However, Scottish and Welsh participants identified more strongly with their respective countries than with Britain. Only ethnic minority participants in England, who associated England with white people only, defined themselves primarily as British.

We also commissioned the Communication Research Centre at Loughborough University to conduct a discourse analysis of 'Britishness', looking at how the concept was used by politicians and portrayed in the media in the run up to the last three general elections. We planned to publish the final report in spring 2006.

## RACIAL EQUALITY IN FOOTBALL

In 2004, CRE research into the football industry revealed that significant disparities continued to exist in the game. Although players from some ethnic minorities were over-represented across the leagues, there were disproportionately fewer players of Asian origin. However, the research focused on under-representation in club management. Following publication of our findings, we drafted a series of action plans, setting out the steps that the governing organisations for football should take to tackle racial inequality.

Our work with the football industry has been guided by our special advisers, Garth Crooks and Paul Elliot. In September, we recruited Dr Chris Gamble to support the project. By the end of the year, most organisations were making good progress in putting their action plans into practice, and we will continue to monitor progress, as well as providing advice and support where required.

## SPORTING EQUALS

Sporting Equals was established in October 1998 by Sport England, in partnership with the CRE, to promote racial equality in sport. During 2005, Sporting Equals relocated from Leeds to Birmingham, recruited new staff, developed a new communications strategy, relaunched their newsletter and developed new marketing materials.

In March, Sporting Equals was awarded £2 million from the government's Invest to Save Budget for its Sport for Communities project. This is a national initiative, funded from 1 April 2005 to 31 March 2008. Sponsored by the Department for Culture, Media and Sport, it aims to support the government's vision of promoting social inclusion and community cohesion by providing an appropriate infrastructure in sport. The project, aimed particularly at people from ethnic minorities, refugees and new migrants, will help to develop integrated sports activities in inner-city areas. It will also help to provide employment opportunities in sport.

Sporting Equals' charter, standards and factsheets were used as a model by other organisations, including the Local Government Association, the Kick It Out campaign, Sports Council Northern Ireland, and the Scottish Ethnic Minority Sports Organisation.

Sporting Equals' director, Novlette Rennie, spoke at conferences in Greece and Rotterdam, to provide other European countries with a model for promoting racial equality in sport. She also presented the Football Association with the intermediate level of the Race Equality Standard, before a match between England and Austria at Old Trafford. In September, Novlette was shortlisted for Woman of the Year at the GG2 Leadership and Diversity Awards. GG2 is the website of Asian news weekly *Garavi Gujarat*.

# APPENDICES

# APPENDIX 1

## MEMBERS OF THE COMMISSION FOR RACIAL EQUALITY

1 JANUARY 2005 – 31 DECEMBER 2005

### TREVOR PHILLIPS

CRE chair (March 2003–). After leaving university, Trevor began a career in television, initially as a researcher with London Weekend Television (LWT), before becoming head of current affairs, and a well-known face for both LWT and the BBC. He has campaigned on equality issues throughout his adult life, and successfully initiated the Windrush season, which raised the profile of black history. He has combined his media career with voluntary work, has been chair of the Runnymede Trust, and is currently a trustee of several leading charities working to serve ethnic minority communities. He was chair of the London Assembly from May 2000 to February 2003.



### SARAH SPENCER

CRE deputy chair (April 2003–April 2005), CRE commissioner (April 2002–). Sarah is Associate Director of the Centre for Migration, Policy and Society at the University of Oxford. She is chair of the Equality and Diversity Forum, the network of national equality bodies. A member of the British Council's Law and Governance Committee, Sarah is also a fellow of the Royal Society of Arts. She served as a member of the government task forces on the Commission for Equality and Human Rights (2003-5), the Human Rights Act (1998–2001), and the Commission on the Future of Multi-Ethnic Britain (1998–2000). She was a consultant to the Cabinet Office and Home Office on migration policy, and general secretary of the National Council for Civil Liberties (1985–9). Sarah has published widely on human rights, equality, migration and policing issues.



### KAY HAMPTON

CRE deputy chair (April 2003–), CRE commissioner for Scotland (April 2002–). Kay is currently a lecturer in sociology at Glasgow Caledonian University. As the former research director of the Scottish Ethnic Minorities Research Unit, she researched and published widely on racism, ethnicity and discrimination. Kay has also been employed by the University of Durban-Westville, South Africa. She has been closely associated with the voluntary sector in Scotland since 1994, and is currently a board member of the Scottish Refugee Council.



**MOHAMMED AZIZ**

CRE commissioner (February 2004–). Mohammed is the founding chief executive officer of the Forum against Islamophobia and Racism, and the British Muslim Research Centre. He was also appointed as a commissioner for the Equal Opportunities Commission in April 2005. He completed his LLB and LLM at University College London and was called to the Bar in 1996. Mohammed specialises in religious discrimination and advises government departments and statutory agencies. He is currently a director of FaithWise Ltd, and an advisor to the Muslim Council of Britain. He is also a member of the government's steering group on the Commission for Equality and Human Rights, a board member of the European Network against Racism, a council member of Liberty and trustee of the East London Mosque and London Muslim Centre. Mohammed also sits on two honours committees.

**JULIA CHAIN**

CRE commissioner (February 2004–). Julia is the managing director of the Kite Consultancy plc. She read anthropology and law at Girton College, Cambridge, and qualified as a solicitor at Herbert Smith in 1984 after spending two years in New York at Shearman and Sterling. After practicing as a lawyer specialising in corporate affairs, Julia became a managing partner of Garretts, the first inter-disciplinary law firm set up by the accounting firm Andersens. In 1998, Julia joined the board of T-Mobile as general counsel, where she remained until 2004. Julia is a trustee of the Jewish Association for Business Ethics and a member of the Academic Counsel of BPP Professional Education plc, the UK's leading training organisation for lawyers. She is also a member of the Board of Management of Golders Green Synagogue in north London.

**KHURSHID AHMED**

CRE commissioner (April 2002–). Khurshid is a non-executive director of the Dudley Group of Hospitals NHS Trust. He was previously assistant chief executive and head of the Race Relations and Equal Opportunities Unit at Birmingham City Council. He also served on the official inquiry into the Danall disturbances in Sheffield in 1995/6. He chairs the National Association of British Pakistanis, the Dudley Race Equality Council, and the Dudley Community (Strategic) Partnership. He is also chair of the Dudley North constituency Labour Party.



**SIR DEXTER HUTT**

CRE commissioner (April 2004–). Sir Dexter was educated in Guyana and England and graduated with a degree in social sciences from Birmingham University. He then taught in Handsworth and Coventry before becoming headteacher of Ninestiles School in Birmingham in 1988. Sir Dexter received a knighthood for services to education in 2003. He is heavily involved in school improvement both locally and with the Department for Education and Skills. He is now executive headteacher of the Ninestiles Federation of Schools (Ninestiles, Waverley and the International School) and chief executive of Ninestiles Plus, a company which provides training and consultancy in the field of school improvement.

**PROFESSOR JAGDISH SINGH GUNDARA**

CRE commissioner (April 2002–). Jagdish is professor of education at the University of London, and holds the UNESCO chair in intercultural studies and teacher education at the Institute of Education. He has been deputy secretary-general of the Indian Ocean International Historical Association, director and vice-chairperson of the International Broadcasting Trust, and was a founding member of the International Association for Micro-States Studies and the European Intercultural Parliamentary Group. He is a founder and president of the International Association for Intercultural Education, and a trustee and chairman of the Scarman Trust. He received the Bhai Vir Singh International Award from the Dalai Lama for his work in education in socially diverse societies. He also received an award from the Indian Council of World Affairs for his contribution to intercultural and international understanding. Jagdish is a fellow of the Royal Society of Arts and has written a number of publications and articles on social, cultural and educational issues.

**IAN BARR**

CRE commissioner (April 2002–). Ian graduated from Salford University with an honours degree in industrial administration. Since 1999, he has been managing director of Astar Management Consultants Limited, a diversity consultancy. He was group human resources director at Scholl plc (1995–8), the main board director responsible for human resources at NFC plc (1989–95), and before then personnel director at Chloride Group plc. Ian also held senior personnel management appointments at British Leyland. He is a member of the CBI's Equality and Diversity Forum, and has served on its Employment Policy Committee and East of England Council. Ian was a founder member of the leadership group for the 'Race for Opportunity' campaign. He is also a trustee and treasurer of the Windsor Fellowship educational charity and a member of the advisory board of Leeds Business School. He served as the CRE's acting deputy chair from August 2002 until February 2003.



**KAMALJEET JANDU**

CRE commissioner (June 2000–). Kamaljeet is a trained economist and the national diversity manager for Ford Motor Company Ltd. He was formerly policy development officer with the Trades Union Congress (TUC), where he was responsible for racial equality and employment policy, organised trade union support for the Stephen Lawrence Family Campaign, and set up a task group on institutional racism. Kamaljeet has written numerous publications on diversity and race. He was the European TUC representative on the European Commission Economic and Social Affairs Committee working on the Equal Treatment Directive, and was on the advisory panel to the Fourth National Survey on Ethnic Minorities. He was a member of the committee responsible for the Race Relations (Amendment) Act 2000.

**SIR DIGBY JONES**

CRE commissioner (July 2003–). Sir Digby has been the director-general of the Confederation of British Industry (CBI) since January 2000. After some time in the Royal Navy, he started his career in law and specialised in corporate finance, becoming senior partner at Edge & Ellison in 1995, before moving to KPMG as vice-chairman of corporate finance in 1998. Some of his many roles outside the CBI include non-executive directorships of Alba plc and Leicester Tigers Rugby Club, and membership of the National Learning and Skills Council. He is also involved in a wide range of charitable activities, and is vice-president of UNICEF.

**GLORIA MILLS**

CRE commissioner (April 2002–). Gloria is the president of the TUC General Council and Executive, the first black woman ever to be elected to the position. She sits on the TUC's Women's Committee, and chairs its Race Relations Committee. She also sits on the European Trade Union Confederation and the Employment Appeals Tribunal. Gloria's early career was in law publishing. She held various positions in the print unions NATSOPA and SOGAT. She was also a regional officer and senior national officer for the National Union of Public Employees. She pioneered equal rights campaigns and played a key role in developing and implementing the Stephen Lawrence Action Plan, the Race Relations (Amendment) Act 2000 and the EC Article 13 directives. In 1993, she was appointed director of equal opportunities at UNISON. Gloria has written articles and publications on equality, and is a specialist practitioner in race, employment and equal pay. She is a member of the Labour Party National Policy Forum, and was awarded the MBE in 1999 for services to the trade union movement.



### **CHERRY SHORT**

CRE commissioner for Wales (April 1998–March 2003; May 2003–). Cherry is a councillor on Cardiff County Council, and a national member of the Home Office’s Race, Education and Employment Forum. She is also a member of the government task force responsible for implementing ‘Welfare to Work’ and ‘New Deal’ programmes in Wales. She chairs the Cardiff Council Gypsy Sites Committee and is a member of the Cardiff County Equal Opportunities Committee. She is also a management committee member of Children in Wales, race advisor to Cardiff University’s Social Work Diploma Programme, and a former chair of Cardiff and the Vale Racial Equality Council. She is co-author of *Working with Difference* (CCETSW, 1997), and was senior fellow at the Institute of Government and Public Affairs at the University of Illinois (1999–2001).



### **CHARLES SMITH**

CRE commissioner (April 2004–November 2005). Charles sadly passed away in November.



# APPENDIX 2 COMMITTEES OF THE COMMISSION FOR RACIAL EQUALITY

[AT 31 DECEMBER 2005]

There are currently eight committees and three advisory boards, covering all aspects of our work, and how we govern ourselves.

## AUDIT

Khurshid Ahmed (chair)

## COMMUNITIES AND PARTNERSHIPS

Kay Hampton (chair)	Khurshid Ahmed
Julia Chain	Kamaljeet Jandu
Gloria Mills	Cherry Short

## FINANCE AND MODERNISATION

Trevor Phillips (chair)	Ian Barr
Kay Hampton	Sarah Spencer

## LEGAL AFFAIRS

Julia Chain (chair)	Mohammed Aziz
Jagdish Singh Gundara	Gloria Mills

## PRIVATE SECTOR

Ian Barr (chair)	Julia Chain
Gloria Mills	Sarah Spencer

## POLICY AND PUBLIC SECTOR

Sarah Spencer (chair)	Mohammed Aziz
Jagdish Singh Gundara	Dexter Hutt

## COMMUNICATIONS AND RESEARCH

Trevor Phillips (chair)	Mohammed Aziz
Jagdish Singh Gundara	Dexter Hutt

## REMUNERATION

Dexter Hutt (chair)	Khurshid Ahmed
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## SCOTLAND ADVISORY BOARD

Kay Hampton (chair)

## WALES ADVISORY BOARD

Cherry Short (chair)

## LONDON AND SOUTH ADVISORY BOARD

Kamaljeet Jandu (chair)

# APPENDIX 3 STAFF, OFFICES AND RESOURCES

## RACE EQUALITY SCHEME

Our first race equality scheme (RES), produced in 2002, set out a three-year plan for us to comply with the statutory duty to promote race equality (referred to as the race equality duty). We reviewed the RES in May, before publishing our second scheme, which covers the period 2005-8, online.

### The CRE's race equality scheme 2005/8

Our new RES builds on the progress made through the first to tackle racial discrimination and include racial equality in everything we do. It focuses on bringing racial equality into the mainstream of the CRE's work, through senior management and collective responsibility. It also provides more detailed guidance for staff on how to conduct race equality impact assessments (REIAs), and the detailed three-year action plan sets clear targets and performance indicators.

The revised scheme also states what information we will publish under the Freedom of Information Act, while explaining the steps we will take to investigate patterns of inequality identified by our monitoring.

### Race equality impact assessment (REIA) and consultation

During the year, we consulted on and assessed the impact of a number of internal and external policies and procedures. The most significant was our strategy for the English regions.

We proposed to create a central information and assistance centre (IAC), as well as nine CRE 'hubs' in the English regions. An initial screening of the strategy was carried out in May 2005. It revealed that it was relevant to the race equality duty and a full REIA, including consultation, was carried out. We received 60 responses to the draft strategy, sent to over 500 organisations in May, and amended a number of the proposals accordingly. For example, the number of IAC officers was increased from eight to ten.

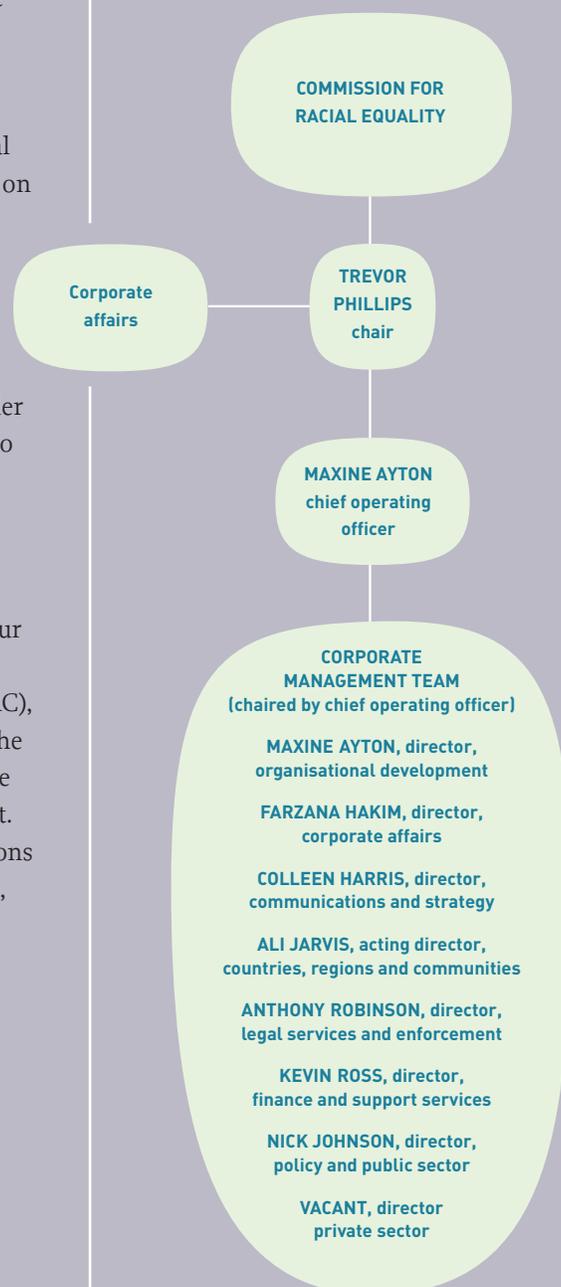
The REIA found no evidence that the strategy would have an adverse impact on staff or customers of different ethnic groups. However, there is potential for adverse impact if the process for selecting staff for re-deployment and promotion is not administered diligently. We therefore developed a monitoring strategy so that any evidence of adverse impact identified during the recruitment and selection process could be fully investigated, and action taken to mitigate or eliminate the impact.

## CRE INFORMATION AND SERVICES

Ensuring access to the information and services we provide is important to us. As part of our strategy for the English regions (see above), we proposed to create the IAC, a 'one-stop shop' call centre. This will take on the work of our information services team, as well as some of the functions carried out by legal affairs officers and policy staff. To assist the IAC, we continued to develop a knowledge management programme, to make sure our employees

## CRE SENIOR MANAGEMENT

at 31 December 2005



**APPENDIX TABLE 1: PERMANENT STAFF IN POST AT 31 DECEMBER 2005,  
BY ETHNIC ORIGIN, SEX, AND GRADE, IN FULL-TIME EQUIVALENTS**

	Chief Exec		Band A2		Band A1		Band B		Band C		Band D		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
<b>White</b>															
British	0	0	2	1	2	3	12	7	6	13	3	4	25	28	53
English	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1
Scottish	0	0	0	0	0	0	0	0	0	1	0	0	0	1	1
Welsh	0	0	0	0	0	0	0	1	1	0	0	0	1	1	2
Irish	0	0	0	0	1	0	1	0	0	1	1	1	3	2	5
Other White	0	0	0	0	3	1	3	2	1	5	0	2	7	10	17
Subtotal	0	0	2	1	6	4	16	10	8	20	4	8	36	43	79
<b>Mixed background</b>															
White & Black Caribbean	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
White & Black African	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
White & Asian	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Mixed	0	0	0	0	1	1	0	0	0	1	0	0	1	2	3
Subtotal	0	0	0	0	1	1	0	0	0	1	0	0	1	2	3
<b>Asian or Asian British</b>															
Indian	0	0	0	1	1	3	0	5	7	6	0	1	8	16	24
Pakistani	0	0	0	0	1	1	0	0	0	1	1	0	2	2	4
Bangladeshi	0	0	0	0	0	0	0	0	0	1	0	0	0	1	1
Other Asian	0	0	0	0	1	0	0	1	0	0	0	0	1	1	2
Subtotal	0	0	0	1	3	4	0	6	7	8	1	1	11	20	31
<b>Black or Black British</b>															
Caribbean	0	0	1	2	2	2	2	10	2	11	5	7	12	32	44
African	0	0	0	0	2	1	4	0	2	5	0	5	8	11	19
Other Black	0	0	0	0	0	0	0	0	0	1	0	1	0	2	2
Subtotal	0	0	1	2	4	3	6	10	4	17	5	13	20	45	65
<b>Chinese, Chinese British or other ethnic group</b>															
Chinese	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1
Other background	0	0	1	0	0	2	1	0	0	4	0	0	2	6	8
Subtotal	0	0	1	0	0	2	1	0	0	4	0	1	2	7	9
No response	0	0	0	0	0	0	2	1	3	2	0	0	5	3	8
<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>14</b>	<b>14</b>	<b>25</b>	<b>27</b>	<b>22</b>	<b>52</b>	<b>10</b>	<b>23</b>	<b>75</b>	<b>120</b>	<b>195</b>

Note: Figures include staff on fixed-term contracts, and staff seconded to the CRE.

have full knowledge of, and access to, information held by the CRE, so that we can provide service users with the information they require.

## EMPLOYMENT MONITORING DATA

The information below relates to the financial year 2004/5. The only exception to this is the workforce profile, which is a snapshot of the workforce as at 31 December 2005.

**Staff in post**

Of the 195 permanent staff in post at 31 December 2005; 79 (41%) were from the White group, 31 (16%) were from the Asian or Asian British group; 65 (33%) were from the Black or Black British group; and 9 (5%) were from the Chinese, Chinese British or other ethnic group. Eight people (4%) chose not to respond to the request for ethnic origin information remained.

**Applications for employment**

We received 357 applications for employment in 2004/5. Of these, 178 (50%) were from White applicants; 74 (21%) were from Black applicants; 79 (22%) were from Asian applicants; 18 (5%) were from applicants of mixed background; and 8 (2%) were from Chinese applicants, or from other ethnic groups. In 33 instances, applications were from internal candidates applying for promotion.

Only 19 offers of employment were made, which means that 5% of applicants were successful. White applicants had a success rates of 6%, compared with 5% for Black or Asian applicants. This is an improvement on the 2003/4 figures, which showed a clear disparity between the success rates of different ethnic groups.

Of the total number of applications, 116 (32%) were from men, while 241 (68%) were from women. Of the successful candidates, 12 (63%) were women (consistent with the percentage of women who applied). Male applicants were more likely (6%) to receive a job offer than female applicants (5%). However, this was an improvement on 2003/4, when only 1.3% of women received an offer of employment.

**Applications for financially assisted training**

Two employees, both White, one male and one female, successfully applied for financially assisted training. One was a Band B and the other a Band D employee.

**Staff attending in-house training**

White employees (46%) were most likely to attend in-house training during 2004/5, followed by Black (28%) and Asian (22%) employees. The remaining 4% were classified as belonging to the Mixed or Chinese or other ethnic groups. Almost two-thirds of staff attending in-house training courses were female (45, or 61%) and 29 (39%) were male.

**Staff involved in grievance procedures**

Only two grievances were made, both by female employees at Band C grade. One employee was Asian and the other Black.

**APPENDIX TABLE 2: PERFORMANCE RATING FOR STAFF APPRAISALS IN 2005, BY ETHNIC ORIGIN**

	Excels in role		Performing well		Acceptable		Below standard	
	No.	%	No.	%	No.	%	No.	%
Asian	5	28	11	61	2	11	0	0
Black	6	15	28	72	5	13	0	0
Chinese/Other	1	0	0	0	0	0	0	0
Mixed	0	0	0	0	0	0	0	0
White	14	31	30	67	1	2	0	0
All groups	26	25	69	67	8	8	0	0

**Staff subject to disciplinary procedures**

Two members of staff, one male and one female, both Black and in Band C posts, were disciplined during the reporting period.

**Leavers**

During the period monitored, 30 people left the CRE's employment. Of these, 11 were White, five Black, six Asian, and three from other ethnic groups. The ethnicity of the remaining five was not recorded.

**Performance appraisal**

We use four ratings when conducting performance appraisals: 'excels in role', 'performing well', 'acceptable' and 'below standard'. Table 2 above shows the distribution in numbers among the five broad ethnic groups.

# APPENDIX 4 SECTION 44 FUNDING

(31 MARCH 2005 – 1 APRIL 2006)

**To receive funding, organisations must be focused on achieving real and meaningful changes**

The Getting Results funding programme is an important part of the CRE's integration agenda. This was the final year of the three-year, phased implementation of our new policy framework for funding local racial equality work, under section 44 of the Race Relations Act. The shift to an approach which measures results has helped us to show how racial equality service providers in the voluntary and community sectors play an important role in tackling unlawful discrimination, and in promoting good race relations, throughout Britain.

The allocation of funding under the Getting Results programme is based on whether an application meets our outcome-based funding criteria. To receive funding, organisations must demonstrate how they intend to achieve real and measurable change in the work they have presented in their applications.

In 2005, we focused on setting up better services for promoting racial equality through the organisations we funded. The three priority areas for 2005 were:

- brokering effective relationships to promote good race relations and tackle racial discrimination;
- supporting victims of racial harassment and discrimination; and
- improving the ability of organisations that work to promote good race relations and tackle racial discrimination.

We granted 83 awards, totalling £3,092,385, to various organisations in England, Wales and Scotland.

We monitor the effectiveness of our funding decisions. We also monitor the extent and effectiveness of racial equality services provided across the country (including those not funded by ourselves), so that we can consider how to address any potential gaps in provision. This year, to avoid any gaps in service, we gave an additional £182,500 to organisations in areas considered to be in greatest need, through a capacity-development fund.

Through improved monitoring and evaluation, and closer work with the voluntary and community sectors, we identified areas for improvement, which we will address in 2006 by making our capacity-development programme more comprehensive.

During 2005, we provided financial assistance to the organisations listed opposite.

RECIPIENT	FROM CRE (£)	RECIPIENT	FROM CRE (£)
Age Concern Tower Hamlets	30,000	London Discrimination Unit	48,417
Arlington Novas Regeneration	30,000	Manchester CCR	22,500
Avon and Bristol Law Centre	34,870	Medway REC	30,100
Aylesbury Vale REC	22,000	Milton Keynes REC	35,000
Bath & North East Somerset REC	33,000	North Kensington Law Centre	16,000
Bedford REC	32,312	North Staffordshire REC	51,770
Bexley Council for Racial Equality	33,800	North Wales REN	32,500
Birmingham RAP	25,000	North West Kent REC	61,500
Black Training and Enterprise Group	50,000	Northamptonshire REC	68,825
Bolton REC	25,000	Norwich and Norfolk REC	62,500
Bradford Law Centre	26,000	Nottingham and Nottinghamshire REC	86,076
Bristol REC	26,900	Oldham REC	34,900
Bromley REC	23,000	Oxfordshire REC	30,000
Carmarthenshire AVS	32,500	Peterborough REC	35,000
Central Scotland REC	53,952	Plymouth & District REC	30,935
Charnwood REC	30,000	Preston & Western Lancashire REC	67,890
Cheshire Halton & Warrington REC	56,100	Race Equality Action for Lewisham	20,000
Citizens Advice and Rights, Fife Ltd	26,000	Race Equality First	65,745
Derby REC	35,000	Race Equality in Newham	20,000
Devon and Exeter REC	26,419	Race Equality Partnership Croydon	30,786
Dudley REC	11,500	Race Equality Partnership Kensington & Chelsea	10,000
Ealing REC	35,000	Race Equality Sandwell	20,000
East Staffordshire REC	8,000	Race Equality West Midlands	12,000
Edinburgh & Lothians REC	26,000	Reading Council for Racial Equality	32,500
Enfield REC	26,000	Redbridge REC	75,000
Essex REC	25,000	Rochdale Centre of Diversity	14,300
Gloucester Law Centre	30,000	Rugby REC	20,000
Gorbals Initiative	25,000	Sheffield REC	92,500
Grampian REC	41,000	Slough REC	30,000
Greenwich Council for Racial Equality	55,106	Southwark Race and Equalities Council	35,000
Hammersmith & Fulham BME Network	38,000	Sutton Racial Equality	20,000
Haringey REC	67,000	Swansea Bay REC	40,742
Harrow Council for Racial Equality	23,000	Swindon REC	37,000
Hillingdon REC	20,000	Tameside REC	163,580
Hounslow REC	55,000	Telford & Wrekin Race, Equality and Diversity IG	32,500
Hull Asylum Seekers Support Group	22,240	The 1990 Trust	50,000
Kirklees REC	43,000	The Princes Trust (Scotland)	19,000
Leeds REC	41,800	Valleys REC	17,846
Lincolnshire REC	20,534	Watford REC	42,000

RECIPIENT	FROM CRE (£)	RECIPIENT	FROM CRE (£)
West Midlands Discrimination Advisory Service	94,440	Wycombe REC	32,500
West of Scotland REC	36,000	York REN	15,000
Wiltshire REC	35,000	<b>Total</b>	<b>3,092,385</b>

# APPENDIX 5

# FINANCIAL ACCOUNTS

(1 APRIL 2005 – 31 MARCH 2006)

## MANAGEMENT COMMENTARY

### INTRODUCTION

1. The statement of accounts on pages 67-85 reports the results of the Commission for Racial Equality (the Commission) for the year from 1 April 2005 to 31 March 2006. It has been prepared on an accruals basis and in accordance with the Accounts Direction given by the secretary of state for the Home Department under paragraph 17 of the Race Relations Act 1976 (the Act) as amended.

### HISTORY

2. The Commission is a non-departmental public body (NDPB) 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 Department is answerable to Parliament for the Commission, and is responsible for making financial provision for its needs.

3. The Act provides that the members of the Commission be appointed by the secretary of state for the Home Department. The secretary of state also appoints a chair with the endorsement of the prime minister. The Commission's chair, Trevor Phillips, was appointed dual chair/chief executive and accounting officer from 1 April 2005. During 2005-06, the Commission operated from offices in London, Birmingham, Manchester, Cardiff and Edinburgh.

Following the announcement during May 2006, the Home Office has ceased to be the sponsoring department for the Commission. Responsibility now resides with the Department for Communities and Local Government (DCLG).

### PRINCIPAL ACTIVITIES

4. 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.
5. 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;

- c. gives advice and assistance to individuals;
  - d. undertakes, commissions or supports (financially or otherwise) research and educational activities; and
  - e. issues statutory codes of practice containing such practical guidance as the Commission thinks fit for the elimination of discrimination and the promotion of equality of opportunity between different racial groups.
6. The Commission exists to work for a just and integrated society that gives everyone an equal chance to work, learn and live free from fear of discrimination, racism and prejudice. In pursuit of this the Commission has adopted two key strategic aims:
- a. to work towards the best possible legacy for race equality, for the Commission, its staff and its stakeholders as it moved towards the Commission for Equality and Human Rights;
  - b. to develop, promote and deliver against a framework for an integrated society using our three tenets of equality, participation and interaction as our guiding principles.
7. Full details of the Commission's activities for the period 2005-06 are contained within the annual report 2005, which highlights the Commission's many achievements and shows progress against each of the targets set for the four corporate objectives.
8. The Commission is responsible for keeping the working of the Race Relations Act under review and has presented three major reviews of legislation to government, in 1985, 1992 and 1998. The third review, reinforced by the recommendations of the Stephen Lawrence Inquiry, resulted in the passing of the Race Relations (Amendment) Act 2000. The Commission has produced a statutory code of practice to help public authorities to implement the Act. More information on the Race Relations (Amendment) Act 2000 is contained in the annual report 2001.

### COMMISSION MEMBERS

9. Commission members are appointed under the Act for a period of four years. During the year ended 31 March 2006, the Commission's members were:

Mr Trevor Phillips	(chair)
Dr Kay Hampton	(deputy chair)
Professor Sarah Spencer	
Mr Kurshid Ahmed	
Mr Ian Barr	
Ms Cherry Short CBE	
Sir Digby Jones	
Ms Julia Chain	
Professor Jagdish Singh Gundara	
Ms Gloria Mills CBE	
Mr Kamaljeet Jandu	
Mr Mohammed Aziz	
Charles Smith (to November 2005)	
Sir Dexter Hutt	

## REGISTER OF MEMBERS' INTERESTS

10. The Commission maintains a register of members' interests, which is available for inspection at the Commission, by arrangement.

## CORPORATE GOVERNANCE

11. This statement of accounts includes a statement of internal control on pages 63-64.

The Commission takes corporate governance and the principles set out in the Turnbull Report seriously, and is always actively seeking to achieve compliance. The Commission has a risk management strategy which has been designed to enable senior management to identify the risks to the achievement of its business objectives, to assess the impact of those risks, to design mitigating solutions and to delegate ownership of the processes. More detail is given in the statement of internal control on pages 63-64.

12. Operating and financial systems have continued to be developed throughout the year to respond to the Commission's needs. The Commission's systems of internal control have been designed to safeguard the Commission's assets, to maintain proper accounting records and to ensure that the financial statements agree with the underlying records. 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 of internal control (pages 63 – 64) includes an assessment of the effectiveness of internal control as at 31 March 2006 and the steps that have been taken since then to continue this process.

13. During 2005-06, the Home Office Audit and Assurance Unit provided the internal audit services to confirm that governance measures are in place throughout the Commission. The internal auditors' remuneration for 2005-06 was £50,805, (£32,808 in 2004-05). The internal auditors also conducted additional work for the Commission during the year 2005-06.

The external audit is carried out by the National Audit Office, 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 2005-06 was £47,000 (£48,000 in 2004-05). The National Audit Office did not perform any non-audit work for the Commission in 2005-06.

14. 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 Appendix 2 of the annual report 2005.

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

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

### RESULTS FOR THE YEAR

17. The accounts for the year ended 31 March 2006 are set out on pages 67 – 85. The notes on pages 71 to 85 form part of the accounts.

In accordance with schedule 1 paragraph 17 of the Act, the Commission's statement of accounts covers the year ended 31 March 2006. 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 Department.

18. The Commission received £19.100 million in Grant-in-Aid in the year ended 31 March 2006 (£17.361 million in 2004-05) consisting of £18.664 million for revenue expenditure and £436 thousand for capital expenditure.

19. Net operating expenditure during the year ended 31 March 2006 amounted to £19.531 million resulting in a retained surplus in the income and expenditure account for the year of £166 thousand.

20. As mentioned in the statement of internal control (see page 63), the Commission has taken steps to strengthen its financial management, and is exercising control over spending commitments through closer monitoring of directorates' monthly spending and performance against monthly forecasts.

21. At 31 March 2006, the cumulative deficit was £1.204 million on the income and expenditure account, and the cumulative surplus was £740 thousand on the government grant reserve.

22. During the year, the Commission transferred £436 thousand to the government grant reserve for capital expenditure and transferred out £338 thousand to the profit and loss account to match the depreciation charges.

### CHARITABLE DONATIONS

23. No charitable donations were made in the year ended 31 March 2006.

### KEY ASSETS AND LIABILITIES

24. During the year 2005-06, the Commission purchased fixed assets in the amount of £436 thousand. Further information can be found at notes 6 and 7 to the financial statements. The Commission has utilised provisions in the amount of £15,526,744 against liabilities recognised during the year. A provision of £22,000 was made during the year. Further details can be found at note 12 in the financial statements.

### PENSIONS AND PENSION LIABILITIES

25. The remuneration report at pages 56-61 gives details of the Commission's pension arrangements and related liabilities.

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

## ACTIVITIES IN THE YEAR

### Legislating for equality

27. During the year, we responded to several legislative proposals, including the Equality Bill which was introduced in Parliament on 2 March 2005. We published a briefing on the Serious Organised Crime and Police Bill 2004, which originally contained proposals to extend the existing legislation on racial hatred.

### Buiding an integrated society

28. We continued to promote our vision of an integrated society, and raise awareness of our views on the causes of segregation, and the barriers to an integrated society. We launched our guide to good race relations and held a conference on integration. We hosted a series of seminars and worked with other organisations to influence the decision-making process towards this end.

### Asylum and immigration

29. In 2005, we launched our new migration strategy, organised two seminars on immigration and employment and responded to a number of government consultations on asylum and immigration.

### Safe Communities Initiative

30. The Safe Communities Initiative (SCI) was launched in March 2003. During the year it set up an intelligence gathering unit on racial attacks, advised the Local Government Association, and organised seminars and a national conference to promote SCI's work.

### Gypsies and Irish Travellers

31. During the year, the SCI continued its monitoring role, offering good practice and guidance where necessary.

Full details on all the above activities are available on pages 10 – 13 of the Commission's annual report.

## POST BALANCE SHEET EVENTS

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

support for the Human Rights Act 1998, and will promote human rights values and standards more generally.

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

- **Promote equality of opportunity.** The CEHR will work to promote a greater understanding that equality and human rights are important for everyone, and are key foundations of a fair, successful and cohesive society. It will also play an important role in widening understanding and appreciation of the benefits that diversity can bring.
- **Challenge discrimination.** As a regulatory body, the CEHR will have a duty to work towards eliminating discrimination. It will challenge unlawful discrimination both through the services it provides directly and by supporting other organisations that help individuals secure their right to fair treatment. In some instances it will provide legal representation and support to individuals.
- **Promote human rights.** The new body will play an important role in promoting a culture of respect for human rights, by providing systematic advice and guidance to public bodies. It will also promote human rights as a framework of core values that can underpin cohesive communities.
- **Promote citizenship and a cohesive society.** The CEHR will work at community as well as national level to support activities that promote common core values, create a shared understanding of citizenship and help build inclusive communities.

On 16 February, the Equality Bill was enacted, which merged the Commission for Racial Equality, the EOC and the DRC into the CEHR.

The CEHR will become operational from 2007 but the Commission for Racial Equality is expected to join in 2009. However, the Commission is taking part in the steering group and other associated committees. These groups have been set up to identify and lead the work needed to establish the CEHR as a fully functioning organisation, including exploring options for the new body, its role, functions, priorities, governance arrangements and structure. Further information on the CEHR can be found on pages 6 and 7 of the Commission's annual report.

## COMPLIANCE WITH PUBLIC SECTOR PAYMENT POLICY

33. 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 suppliers' standard terms, provided that the relevant invoice is properly presented, and is not subject to dispute. During 2005-06, analysis shows that 91 per cent of invoices sampled were paid within 30 days (79 per cent in 2004-05). The Commission is aware of the need to increase the number of invoices settled within agreed payment terms, and is working towards this.

## EQUAL OPPORTUNITIES

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

## STAFF CONSULTATION AND DEVELOPMENT

35. 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 days, brain storming sessions and the annual staff conference. Training programmes are run throughout the year for all staff, with the emphasis on training in core competencies. Specialised training is encouraged and financial assistance offered in higher and further education courses relevant to the Commission's work.

## DISABLED EMPLOYEES

36. 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 who may become disabled to continue in their employment.

## FUTURE DEVELOPMENTS

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

Signed on behalf of the Commission for Racial Equality



**Trevor Phillips**

Chief Executive and Accounting Officer

11 July 2006

## REMUNERATION REPORT

### SERVICE CONTRACTS

The Commission was served by 14 commissioners during the year to 31 March 2006. Commissioners are appointed by the secretary of state for the Home Department, who also determines their remuneration, for a term of four years.

The chief executive and directors are appointed on merit, following a fair and open competition. They hold appointments which are open-ended until they reach the normal retiring age of 60, or until the Commission ceases to exist in its current form. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in their contracts of employment. The directors' remuneration is set by reference to the Commission's remuneration policy.

### REMUNERATION POLICY

Before pay negotiations can commence, ministerial approval must be sought to agree the pay remit, via the Commission's sponsor body (this was the Home Office in 2005-06).

Salaries are formally negotiated by the PCS and Amicus trade unions at the Joint Negotiation Committee with the chief executive, or, in his/her absence, with the chief operating officer, the corporate lawyer and the head of human resources.

Following negotiations, a ballot of union members takes place to confirm their acceptance of the pay offer.

### REMUNERATION

The remuneration paid during the year 2005-06 was as follows:

COMMISSIONERS	2005-06 £	2004-05 £
Trevor Phillips, chair	149,696	120,360
Khurshid Ahmed	13,451	8,056
Mohammed Aziz	3,200	4,866
Ian Barr	3,807	3,370
Julia Chain	3,915	3,930
Jagdish Singh Gundara	3,200	3,200
Kay Hampton, deputy chair	26,290	29,693
Dexter Hutt	3,957	3,227
Digby Jones	3,467	3,200
Gloria Mills	4,270	3,200
Cherry Short	4,813	4,808
Charles Smith (until November 2005)	2,360	4,244
Sarah Spencer	17,014	26,850
Kamaljeet Jandu	3,239	3,411

<b>DIRECTORS</b>		<b>2005-06</b>	<b>2004-05</b>
		<b>£'000</b>	<b>£'000</b>
Maxine Ayton	Chief Operating Officer / Director of Organisational Development	Declined	Declined
Kevin Ross	Director of Finance and Support Services	60 - 65	50 - 55
Farzana Hakim	Director of Corporate and Government Relations	50 - 55	50 - 55
Anthony Robinson	Director of Legal Services and Enforcement	60 - 65	60 - 65
Nick Johnson	Director of Policy and Public Sector	50 - 55	40 - 45
Colleen Harris	Director of Strategy and Communication	Declined	Declined
Brenda Stern	Director of Private Sector (until 31 August 2005)	25 - 30	30 - 35
Alan Christie	Director of Private Sector (from 13 March 2006)	0 - 5	-
Alison Jarvis	Director of Countries, Regions and Communities (from 7 February 2005)	45 - 50	5 - 10

£200,201 was paid to third parties in respect of directors seconded to the Commission.

Maxine Ayton and Colleen Harris have declined their consent to the publication of details of their remuneration from the Commission.

'Salary' includes gross salary, performance pay, London weighting allowance and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Commission and thus recorded in these accounts.

There are no elements of the commissioners' or directors' remuneration which are subject to performance conditions. No benefits in kind are paid to commissioners or directors.

## PENSION BENEFITS

Pension benefits for former chairs of the Commission are provided under a 'by analogy scheme'. This scheme is unfunded and relates to current and former chairs of the Commission. 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).

The most recent actuarial valuations of the scheme took place in March 2006 and March 2005.

## ASSUMPTIONS

	<b>31 MARCH 2006</b>	<b>31 MARCH 2005</b>
	<b>%</b>	<b>%</b>
Increase in pensionable salaries	4.0	2.5
Increase in pensions in payment	2.5	2.5
Gross rate of return (discount rate)	5.4	6.1
Price inflation	2.5	2.5

**PRESENT VALUE OF SCHEME ASSETS**

	<b>31 MARCH</b> <b>2006</b> <b>£'000</b>	<b>31 MARCH</b> <b>2005</b> <b>£'000</b>
Present value of scheme liabilities	818	796

**ANALYSIS OF AMOUNT CHARGED TO OPERATING PROFIT**

	<b>31 MARCH</b> <b>2006</b> <b>£'000</b>	<b>31 MARCH</b> <b>2005</b> <b>£'000</b>
Current service cost	23	18

**ANALYSIS OF AMOUNT CHARGED TO OTHER FINANCE CHARGES**

	<b>31 MARCH</b> <b>2006</b> <b>£'000</b>	<b>31 MARCH</b> <b>2005</b> <b>£'000</b>
Interest on pension liabilities	45	46

**ANALYSIS OF AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)**

	<b>31 MARCH</b> <b>2006</b> <b>£'000</b>	<b>31 MARCH</b> <b>2005</b> <b>£'000</b>
Experience (gains) and losses on the scheme liabilities	(53)	(11)
Changes in assumptions underlying the present value of the scheme liabilities	0	19
<b>Total actuarial losses / (gains)</b>	<b>(53)</b>	<b>8</b>

**MOVEMENT IN DEFICIT DURING THE YEAR**

	31 MARCH 2006 £'000	31 MARCH 2005 £'000
Deficit in the scheme at beginning of the year	796	794
<b>Movement in year:</b>		
Change in real return	56	-
Current service cost	23	18
Employee contributions	4	4
Interest cost	45	46
Benefit payments	(53)	(74)
Actuarial losses / (gains)	(53)	8
Deficit in the scheme at end of the year	818	796

The actuarial valuation at 31 March 2006 showed an increase in the deficit from £796,000 to £818,000. Contributions are determined at 3.5 per cent capped pensionable salary.

**HISTORY OF EXPERIENCE (GAINS) AND LOSSES**

	31 MARCH 2006	31 MARCH 2005
Experience (gains) and losses on scheme liabilities	£22,000	(£11,000)
Percentage of scheme liabilities	2.7%	1.4%
Total amount recognised in statement of total recognised gains and losses	(£53,000)	£19,000
Percentage of scheme liabilities	(6.5%)	2.4%

**CASH EQUIVALENT TRANSFER VALUES (CETV)**

MEMBER	SALARIES AND OTHER ALLOWANCES (IN BAND OF £5K)	ACCRUED PENSION AND LUMP SUM AT AGE 60 (IN BANDS OF £2.5K)	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT AGE 60 (IN BANDS OF £2.5K)	CETV AT		REAL INCREASE IN CETV AFTER ADJUSTMENT FOR INFLATION, INVESTMENT RETURNS AND MEMBER CONTRIBUTIONS (NEAREST £K)	EMPLOYER CONTRIBUTIONS TO PARTNERSHIP PENSION ACCOUNT (NEAREST £100)
				31 MARCH 05 (NEAR EST £K)	31 MARCH 06 (NEAR EST £K)		
Trevor Phillips	125 – 130	5 – 7.5	0 – 2.5	47	73	22	0

Pension benefits for directors are provided under the Principal Civil Service Pension Scheme (PCSPS). Pension benefits accruing to the directors during the financial year ended 31 March 2006 are as follows:

<b>DIRECTOR</b> <b>£'000</b>	<b>REAL INCREASE</b> <b>IN PENSION AT 60</b> <b>£'000</b>	<b>TOTAL ACCRUED</b> <b>PENSION AT 60</b> <b>AT MARCH 2006</b> <b>£'000</b>	<b>CETV AT</b> <b>31 MARCH 2005</b> <b>£'000</b>	<b>CETV AT</b> <b>31 MARCH 2006</b> <b>£'000</b>	<b>REAL INCREASE</b> <b>IN CETV AFTER</b> <b>ADJUSTMENTS</b> <b>FOR INFLATION</b> <b>£'000</b>
Maxine Ayton	Declined	Declined	Declined	Declined	Declined
Kevin Ross	Declined	Declined	Declined	Declined	Declined
Farzana Hakim	Declined	Declined	Declined	Declined	Declined
Anthony Robionson	Declined	Declined	Declined	Declined	Declined
Nick Johnson	Declined	Declined	Declined	Declined	Declined
Colleen Harris	Declined	Declined	Declined	Declined	Declined
Brenda Stern	Declined	Declined	Declined	Declined	Declined
Alan Christie	Declined	Declined	Declined	Declined	Declined
Alison Jarvis	Declined	Declined	Declined	Declined	Declined

All directors have declined their consent to the publication of the details of their pension benefits.

## CIVIL SERVICE PENSIONS

Pension benefits are provided to employees of the Commission through the PCSPS. From 1 October 2002, employees may be in one of three statutory based 'final salary' defined benefit schemes. These are Classic, Premium and Classic Plus.

These schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under these schemes are increased annually in line with changes in the Retail Price Index.

From 1 October 2002, new entrants to the PCSPS may choose between membership of the premium scheme or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

### Classic Scheme

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings. Benefits accrue at the rate of 1/80 of pensionable salary for each year of service.

In addition, a lump sum equivalent to three years' pension is payable on retirement.

### Premium scheme

Employee contributions are set at the rate of 3.5 per cent of pensionable earnings. Benefits accrue at the rate of 1/60 of final pensionable salary for each year of service. There is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum).

### Classic Plus scheme

This is a variation of the premium scheme, but benefits in respect of service before 1 October 2002 are calculated broadly in the same manner as in the Classic Scheme.

## PARTNERSHIP PENSION ACCOUNT

This 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 selection of approved products. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 percent 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).

Further details about the civil service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## 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 a member leaves a scheme and chooses to transfer benefits accrued in their former scheme. The pension figures shown relate to 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 CETV figures and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the civil service pension arrangements and for which the Civil Service Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme, at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the scheme actuary. The CETV figure for 31 March 2005 has been restated using the new factors, so that it is calculated on the same basis as the CETV figure for 31 March 2006.

## REAL INCREASE IN CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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 Commission for Racial Equality



**Trevor Phillips**

Chief Executive and Accounting Officer

## STATEMENT ON THE COMMISSION FOR RACIAL EQUALITY'S AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES

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Under Paragraph 17 of the Race Relations Act 1976, the secretary of state for the Home Department has directed the 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 the accruals basis and must give a true and fair view of the state of affairs of the Commission and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Commission 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 for the Home Department, including the relevant accounting 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 head of the Race Equality Unit has designated the chairman as accounting officer of the Commission. 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 Commission's assets, are set out in the accounting officers' memorandum, issued by the Treasury and published in *Government Accounting*.

## STATEMENT OF INTERNAL CONTROL

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### 1. 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 (the Commission's) policies, aims and objectives, 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 a Grant-in-Aid from the Home Office, through the Race Equality Unit (REU), as its sponsoring body.

### 2. 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. The system of internal control has been in place in the Commission for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. CAPACITY TO HANDLE RISK

The Commission has a risk management strategy, which forms the basis of a risk reduction plan. This strategy is approved by the Audit Committee, which, along with the corporate management team, regularly reviews the risk register in the light of Home Office guidelines. Staff are trained to identify risks to the achievements of the Commission's objectives, and to measure the impact of those risks.

### 4. THE RISK AND CONTROL FRAMEWORK

At the Commission the main processes for identifying, evaluating and managing risk are incorporated in a risk register. The risk register identifies the risks facing the Commission at a corporate level. These are classified into strategic, financial, regulatory/reputational and operational risks. These risks have been incorporated into a risk reduction plan designed to mitigate these risks, and ownership of each risk has been assigned at director level. The Commission has a risk champion to act as the facilitator for risk management and to provide a focal point for future risk management activity.

### 5. 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 by 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 and a plan to address weaknesses and a plan to ensure continuous improvement of the system is in place.

The Home Office Audit and Assurance Unit (AAU) is the internal auditor to the Commission. Reviews were carried out during 2005-06 on human resources staffing policies and processes, business continuity planning, financial control framework, internet purchase order system (IPOS), managed IT support service arrangements, corporate planning and performance, corporate governance and risk management and section 44 funding.

The internal audit has concluded that the operational control environment within the commission during the year was less than adequately controlled. The business continuity planning, financial control framework, corporate governance and risk management, and section 44 funding audits all identified areas where additional work is still needed to ensure adequate controls are in place.

Corrective action is being taken to address these issues and significant progress has been made. The recommendations have either been implemented or are in the process of being implemented. New internal control procedures and enhanced management information, have been introduced. Work is in progress to implement continuous monitoring and feedback on risk management as well as the development and embedding of risk assessment into key objectives. The corporate risk register is reviewed at regular intervals as part of the business planning process. Operational risk registers are being developed and will be reviewed regularly for relevance and mitigating policies. These measures will ensure active and effective risk management by the Commission.

The Audit Committee is fully involved in this process and receives regular reports on the work of the internal and external auditors. The committee will be receiving regular reviews on the corporate risk register .

The Commission continues to take risk management and audit assurance to the heart of the business in accordance with the principles and guidance set out in the Cadbury and Turnbull reports.

Signed on behalf of the Commission for Racial Equality



**Trevor Phillips**  
Chief Executive and Accounting Officer

11 July 2006

## CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

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I certify that I have audited the financial statements of the Commission for Racial Equality (the Commission) for the year ended 31 March 2006 under the Race Relations Act 1976. These comprise the income and expenditure account, the balance sheet, the cashflow statement and statement of recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### RESPECTIVE RESPONSIBILITIES OF THE COMMISSION, THE CHIEF EXECUTIVE AND THE AUDITOR

The Commission and accounting officer are responsible for preparing the annual report, the remuneration report and the financial statements, in accordance with the Race Relations Act 1976, and directions made thereunder by the secretary of state with the consent of the Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the statement of the Commission's and accounting officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view, and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Race Relations Act 1976 and directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the annual report is not consistent with the financial statements, if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 63–64 reflects the Commission's compliance with HM Treasury's guidance on the statement of internal control, and I report if it does not. I am not required to consider whether the accounting officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the annual report 2005, the unaudited part of the remuneration report and the management commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### BASIS OF AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis,

of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and accounting officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

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

## OPINION

In my opinion:

- the financial statements give a true and fair view, in accordance with the Race Relations Act 1976 and directions made thereunder by the secretary of state with the consent of the Treasury, of the state of the Commission's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Race Relations Act 1976 and directions made thereunder by the secretary of state with the consent of the 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  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

18 July 2006

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	NOTE	2005-06 £	2004-05 £
<b>OPERATING INCOME</b>			
Grant-in-Aid and other funding	2	18,664,148	31,586,025
Other income	3	715,757	779,383
<b>Total operating income</b>		<b>19,379,905</b>	<b>32,365,408</b>
<b>OPERATING COSTS</b>			
Staff costs	4	9,141,091	8,545,190
Other operating costs	5	10,050,108	9,809,264
Unrealised loss on revaluation of fixed assets		22,633	73,574
Depreciation		338,374	245,334
Notional cost of capital		(21,013)	29,316
		<b>19,531,193</b>	<b>18,702,678</b>
Exceptional item (REC pension payment)		0	14,900,000
<b>Total operating costs</b>		<b>19,531,193</b>	<b>33,602,678</b>
<b>Surplus / (deficit) before appropriations</b>		<b>(151,288)</b>	<b>(1,237,270)</b>
Transfers from reserves		338,374	245,334
Notional cost of capital		(21,013)	29,316
<b>Retained surplus / (deficit) for the year</b>		<b>166,073</b>	<b>(962,620)</b>

**STATEMENT OF RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2006**

	2005-06	2004-05
	£	£
Retained surplus / (deficit) for the financial year	166,073	(962,620)
Net gain / (loss) on revaluation of tangible fixed assets	(22,633)	(107)
Actuarial surplus / (deficit)	53,000	(2,708,000)
Grant-in-Aid received for capital expenditure	435,852	674,525
Recognised gains and losses for the financial year	632,292	(2,996,202)

## BALANCE SHEET AS AT 31 MARCH 2006

	NOTE	2005-06 £	2004-05 £
<b>FIXED ASSETS</b>			
Tangible assets	6	595,349	462,416
Intangible assets	7	144,720	202,398
<b>Total</b>		<b>740,069</b>	<b>664,814</b>
<b>CURRENT ASSETS</b>			
Stocks	8	13,890	17,371
Debtors	9	438,389	15,785,833
Cash at bank and in hand	10	2,553,901	1,692,257
<b>Subtotal current assets</b>		<b>3,006,180</b>	<b>17,495,461</b>
Creditors (amounts falling due within one year)	11	(2,984,416)	(2,210,659)
<b>Net current assets</b>		<b>21,764</b>	<b>15,284,802</b>
<b>Total assets less current liabilities</b>		<b>761,833</b>	<b>15,949,616</b>
Provisions for liabilities and charges	12	(407,258)	(15,934,002)
Pension liability	12	(818,100)	(796,100)
<b>Total</b>		<b>(463,525)</b>	<b>(780,486)</b>
<b>CAPITAL AND RESERVES</b>			
Income and expenditure reserve	13	(1,203,594)	(1,445,300)
Government grant reserve	13	740,069	664,814
<b>Total</b>		<b>(463,525)</b>	<b>(780,486)</b>

Signed on behalf of the Commission for Racial Equality



**Trevor Phillips**

Chief Executive and Accounting Officer

11 July 2006

## CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2006

	NOTE	2005-06 £	2004-05 £
<b>CASH FLOW</b>			
Net cash inflow / (outflow) from operating activities	14	145,887	(2,060,703)
Other receipts	3	715,757	779,383
Capital expenditure on fixed assets	6,7	(435,852)	(674,525)
Net cash inflow / (outflow) before financing		425,792	(1,955,845)
<b>FINANCING</b>			
Grant-in-Aid for capital expenditure		435,852	674,525
Increase / (decrease) in cash in the period		861,644	(1,281,320)

Signed on behalf of the Commission for Racial Equality



**Trevor Phillips**

Chief Executive and Accounting Officer

11 July 2006

# NOTES TO THE ACCOUNTS

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## 1. ACCOUNTING POLICIES

### a. Basis of accounts

These financial statements have been prepared in accordance with the Accounts Direction given by the secretary of state for the Home Department, with the consent of the Treasury. The accounts have therefore been prepared in accordance with applicable accounting standards and form directed by the 2005-06 Financial Reporting Manual (FReM). The accounting policies contained in FReM follow the UK's Generally Accepted Accounting Practice (UK GAAP) for companies, to the extent that it is meaningful and appropriate to the public sector. Where FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The Commission's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### b. Accounting conventions

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks.

### c. Grant-in-Aid

Grant-in-Aid received for revenue expenditure is credited to income in the year in which it is received. Grant-in-Aid for capital expenditure is credited to the government grant reserve. Each year, an amount equal to the depreciation charge on the fixed assets acquired through Grant-in-Aid will be released from the government grant reserve to the income and expenditure account.

### d. Other income

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

### e. Fixed assets

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

### **f. Depreciation/amortisation**

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

- IT hardware, up to four years
- Software systems and licences, three years
- Furniture and office equipment, five years

### **g. Revaluation**

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

### **h. Cost of capital charge**

A charge reflecting the cost of capital used by the Commission is included in the operating costs. The charge is calculated at the real rate set by the Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities.

### **i. Stocks**

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

### **j. Research and development**

No research or development costs were incurred during the year.

### **k. Pension costs**

Past and present employees of the Commission are covered by the provisions of 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.

Chairs of the Commission are provided with individual defined benefit schemes which are broadly analogous with the PCSPS.

This scheme is unfunded and the Commission is liable for 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 scheme's liabilities arising from the passage of time is charged to the income and expenditure account. Actuarial gains and losses are recognised in the statement of total recognised gains and losses, and taken directly to reserves.

**l. Leases**

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

**m. Provisions**

The Commission provides 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 2.2 per cent in real terms.

**n. Value added tax**

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

**o. Dilapidations**

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

**p. Foreign exchange**

During the financial year 2005-06 the Commission had no foreign currency expenditure and no income was received in a foreign currency.

**q. Grants payable**

Payments of grants are made to racial equality councils and certain other voluntary organisations in the United Kingdom. Racial equality councils are bodies set up under the Race Relations Act 1976, to further the Commission's objectives.

**r. Third party assets**

The Commission does not hold any assets on behalf of third parties. No assets are held by any third parties on behalf of the Commission.

**2. GRANT-IN-AID**

	2005-06 £	2004-05 £
Revenue grant received from Home Office	18,664,148	16,686,025
<b>Total Grant-in-Aid</b>	<b>18,664,148</b>	<b>16,686,025</b>
Grant for wind-up of REC pension scheme	0	14,900,000
	0	14,900,000
<b>Revenue grant received</b>	<b>18,664,148</b>	<b>31,586,025</b>
Capital grant received for purchase of fixed assets	435,852	674,525
<b>Total grant received</b>	<b>19,100,000</b>	<b>32,260,550</b>
Transfers to government grant reserve in respect of fixed asset acquisitions	(435,852)	(674,525)
Release from government grant reserve in respect of depreciation charged	338,374	245,334
	(97,478)	(429,191)

**3. OTHER INCOME**

	2005-06 £	2004-05 £
Sport England grant	140,000	140,000
Croeso project	75,000	0
Invest to save	117,112	0
Bank Interest	61,623	145,359
Publication sales	7,596	27,776
Other sources	179,250	131,616
Raxen income	0	75,843
Secondment income	135,176	258,789
<b>Total other income</b>	<b>715,757</b>	<b>779,383</b>

## 4. STAFF NUMBERS AND RELATED COSTS

Staff costs comprise	2005-06					2004-05
	Total	Permanently employed staff	Others	Commissioners	Secondees	Total
Wages and salaries	7,456,116	5,896,171	1,040,833	92,582	426,530	7,152,683
Social security costs	505,149	492,052	0	3,885	9,212	491,777
Other pension costs	1,179,826	1,157,525	0	0	22,301	900,730
<b>Total net costs</b>	<b>9,141,091</b>	<b>7,545,748</b>	<b>1,040,833</b>	<b>96,467</b>	<b>458,043</b>	<b>8,545,190</b>

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. A full actuarial valuation was carried out at 31 March 2006. 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 2005-06, employer's contributions of £1,012,406 were payable to the PCSPS (2004-05 in £770,324) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay based on salary bands. The scheme's actuary reviews employer contributions every four years, following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. None of the Commission's employees belong to such a scheme.

## Average number of persons employed

Directorate	2005-06					2004-05
	Total	Permanently employed staff	Others	Commissioners	Secondees	Total
Corporate and government relations	27	14	0	13	0	12
Countries, regions and communities	52	51	0	0	1	80
Policy and public sector	20	20	0	0	0	23
Private sector	10	10	0	0	0	0
Finance and support services	13	11	0	0	2	17
Organisational development	18	18	0	0	0	15
Legal services and enforcement	42	42	0	0	0	43
Strategy and communications	28	27	0	0	1	18
<b>Total</b>	<b>210</b>	<b>193</b>	<b>0</b>	<b>13</b>	<b>4</b>	<b>208</b>

## 5. OTHER ADMINISTRATION COSTS

	NOTE	2005-06 £	2004-05 £
Rentals under operating leases		1,003,135	1,020,372
Research and library services		158,546	263,951
Other costs		8,766,427	8,483,941
Auditors' remuneration and expenses		47,000	41,000
Adjustment to pension provision	12, 13	75,000	0
<b>Total</b>		<b>10,050,108</b>	<b>9,809,264</b>

**6. TANGIBLE FIXED ASSETS**

	Information technology hardware £	Furniture and fittings £	Total £
Cost or valuation at 1 April 2005	810,363	304,654	1,115,017
Additions	303,599	93,342	396,941
Disposals	(10,139)	0	(10,139)
Reclassifications	0	0	0
Revaluations	(35,507)	2,490	(33,017)
<b>At 31 March 2006</b>	<b>1,068,316</b>	<b>400,486</b>	<b>1,468,802</b>

**DEPRECIATION**

At 1 April 2005	400,766	251,835	652,601
Charge in year	200,991	47,373	248,364
Disposals	(10,139)	0	(10,139)
Reclassifications	0	0	0
Revaluations	(19,453)	2,080	(17,373)
<b>At 31 March 2006</b>	<b>572,165</b>	<b>301,288</b>	<b>873,453</b>

<b>Net book value at 31 March 2006</b>	<b>496,151</b>	<b>99,198</b>	<b>595,349</b>
<b>Net book value at 31 March 2005</b>	<b>409,597</b>	<b>52,819</b>	<b>462,416</b>

**7. INTANGIBLE FIXED ASSETS**

	<b>Software licences</b>
	<b>£</b>
Cost or valuations at 1 April 2005	378,158
Additions	38,911
Disposals	0
Revaluations	(15,440)
<b>At 31 March 2006</b>	<b>401,629</b>
 <b>AMORTISATION</b>	
At 1 April 2005	175,760
Charge in year	90,009
Disposals	0
Revaluations	(8,860)
<b>At 31 March 2006</b>	<b>256,909</b>
<b>Net book value at 31 March 2006</b>	<b>144,720</b>
<b>Net book value at 31 March 2005</b>	<b>202,398</b>

**8. STOCKS AND WORK IN PROGRESS**

	<b>2005-06</b>	<b>2004-5</b>
	<b>£</b>	<b>£</b>
Stocks	13,890	17,371
Work in progress	0	0
<b>At 31 March</b>	<b>13,890</b>	<b>17,371</b>

**9(a). DEBTORS**

	2005-06	2004-05
	£	£
<b>ANALYSIS BY TYPE</b>		
<b>Amounts falling due within one year</b>		
Trade debtors less than one year	61,004	150,975
Trade debtors greater than one year	7,500	0
	<b>68,504</b>	<b>150,975</b>
<i>Less: Provision for doubtful debts</i>	0	(43,052)
Other debtors	43,805	497,206
Prepayments and accrued income	326,080	280,704
Home Office debtor for REC pension scheme wind-up	0	14,900,000
	<b>438,389</b>	<b>15,785,833</b>

**9(b). INTRA-GOVERNMENT BALANCES**

	2005-06	2004-05
	£	£
<b>Amounts falling due within one year</b>		
Balances with other central government bodies	0	15,361,750
Balances with local authorities	23,674	5,366
Balances with NHS trusts	0	0
Balances with public corporation and trading funds	0	0
Subtotal intra-government balances	<b>23,674</b>	<b>15,367,116</b>
Balances with bodies external to government	414,715	418,717
	<b>438,389</b>	<b>15,785,833</b>

**10 . CASH AT BANK AND IN HAND**

	2005-06 £	2004-05 £
Balance at 1 April	1,692,257	2,973,577
Net change in cash balances	861,644	(1,281,320)
<b>Balance at 31 March</b>	<b>2,553,901</b>	<b>1,692,257</b>
The following balances at 31 March were held at Lloyds TSB and cash in hand	2,553,901	1,692,257
<b>Balance at 31 March</b>	<b>2,553,901</b>	<b>1,692,257</b>

**11(a). CREDITORS**

	2005-06 £	2004-05 £
<b>ANALYSIS BY TYPE</b>		
<b>Amounts falling due within one year</b>		
VAT	689	1,078
Other taxation and social security	0	169,755
Trade creditors	667,846	740,146
Other creditors	351,532	255,007
Accruals and deferred income	1,923,016	1,044,673
	<b>2,943,083</b>	<b>2,210,659</b>
<b>Amounts falling due after one year</b>		
Finance leases	41,333	0
	<b>41,333</b>	<b>0</b>

**11(b). INTRA-GOVERNMENT BALANCES**

	2005-06 £	2004-05 £
Balances with other central government bodies	286,717	69,546
Balances with local authorities	2,500	6,207
Balances with NHS trusts	0	0
Balances with public corporations and trading funds	0	0
<b>Subtotal: intra-government balances</b>	<b>289,217</b>	<b>75,753</b>
Balances with bodies external to government	2,695,199	2,134,906
	<b>2,984,416</b>	<b>2,210,659</b>

**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	REC pension provision £	Legal provision £	Dilapidations provision £	Early departure costs £	By analogy pension liability £	Total £
Balance at 1 April 2005	15,164,508	43,025	139,386	587,083	796,100	16,730,102
Provided in the year	0	0	0	0	22,000	22,000
Provisions not required written back	0	0	0	0	0	0
Provisions utilised in the year	(14,966,173)	(43,025)	(72,462)	(445,084)	0	(15,526,744)
Unwinding of discount	0	0	0	0	0	0
Balance at 31 March 2006	198,335	0	66,924	141,999	818,100	1,225,358

**12.1 Early departure costs**

The Commission meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Commission provides for this in full when the early retirement programme becomes binding, by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 2.2 per cent in real terms.

**12.2 Legal provision**

The legal provision in respect of cases the Commission agreed to support under section 66 of the Race Relations Act 1976 was fully utilised in the year.

**12.3 Dilapidations provision**

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

**13. RESERVES**

	Income and expenditure reserve	Government grant reserve	Total
	2005-06	2005-06	2005-06
	£	£	£
Balance at 1 April 2005	(1,445,300)	664,814	(780,486)
Net surplus (deficit) for the year	166,073	0	166,073
Actuarial loss (gain)	53,000	0	53,000
Grant deferred for the purchase of fixed assets	0	435,852	435,852
Arising on revaluation during the year (net)	0	0	0
Transfer to income and expenditure reserve in respect of fixed assets written down in year	22,633	(22,633)	0
Released from depreciation	0	(338,374)	(338,374)
Depreciation due to revaluations	0	410	410
<b>Balance at 31 March 2006</b>	<b>(1,203,594)</b>	<b>740,069</b>	<b>(463,525)</b>

**14. NOTE TO THE CASH FLOW STATEMENT**

	2005-06	2004-05
	£	£
<b>Reconciliation of operating cost to operating cash flows</b>		
Net operating cost	(888,058)	(1,987,338)
Adjustments for non-cash transactions	414,007	310,908
(Increase) / decrease in stock	3,481	15,615
(Increase) / decrease in debtors	15,347,444	(14,860,082)
Increase / (decrease) in creditors	773,757	527,311
Increase / (decrease) in provision for other liabilities	(15,526,744)	13,930,883
Increase / (decrease) in pension liability	22,000	2,000
<b>Net cash outflow from operating activities</b>	<b>145,887</b>	<b>(2,060,703)</b>

**15. COMMITMENTS UNDER LEASES****15.(a) Operating leases**

<b>OBLIGATIONS UNDER OPERATING LEASES COMPRISE</b>	<b>2005-06</b>	<b>2004-05</b>
	<b>£</b>	<b>£</b>
<b>Land and buildings</b>		
Expiry within one year	513,532	58,500
Expiry after one year, but not more than five years	211,987	805,306
Expiry thereafter	108,000	94,000
	<b>833,519</b>	<b>957,806</b>
<b>Other</b>		
Expiry within one year	45,882	56,807
Expiry after one year, but not more than five years	0	0
Expiry thereafter	0	0
	<b>45,882</b>	<b>56,807</b>

**15.(b) Finance leases**

<b>OBLIGATIONS UNDER FINANCE LEASES ARE AS FOLLOWS</b>	<b>2005-06</b>	<b>2004-05</b>
	<b>£</b>	<b>£</b>
Rentals due within one year	16,000	0
Rentals due after one year, but not more than five years	25,333	0
Rentals due thereafter	0	0
Less interest element	0	0
	<b>41,333</b>	<b>0</b>

**16. CONTINGENCIES**

One contingent liability existed at 31 March 2005. This liability arose from legal action brought against the Commission which is yet to be resolved. The value of the contingent liability remains at £100,000.

**17. DEFERRED INCOME**

	£
As at 1 April 2005	428,950
Income received	6,140
Deferred in year	307,888
As at 31 March 2006	742,978

**18. CAPITAL COMMITMENTS**

	2005-06 £	2004-05 £
Commitments contracted	0	67,091
Authorised but not contracted	0	0

**19. POST BALANCE SHEET EVENTS**

After the balance sheet date, the lease on the Manchester premises was revoked. As a result, the amount of £158,242 of the liabilities disclosed in the Operating Leases Note 15 will not now be required for the old premises. New premises are being rented on a short-term lease until the planned accommodation is ready for occupation. The rental payments for this temporary accommodation will be offset against the liability disclosed above.

**20. RELATED PARTY TRANSACTIONS**

The Home Office is considered to be a related party to the Commission. During the year ended 31 March 2006, the Home Office provided the Commission with Grant-in-Aid of £19,100,000. There were no other related party transactions entered into by the Commission, its senior staff or other related parties during the financial year ended 31 March 2006.

## 21. FINANCIAL INSTRUMENTS

*FRS13, Derivatives and other Financial Instruments*, requires the disclosure of the role which financial instruments have had in creating or changing the risks the entity faces in undertaking its activities during the financial year 2005-06. Because of the largely non-trading nature of its activities and the way it is financed, the Commission is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 applies.

### **Liquidity risk**

The Commission's liquidity risk is low – as the Commission is an NDPB, the risk is underwritten by the Home Office. The levels of capital expenditure are managed from Grant-in-Aid received from the Home Office.

### **Interest rate risk**

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

### **Foreign currency risk**

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

## 22. FINANCIAL TARGETS

No financial targets were set for the 2005-06 year.

## 23. LOSSES AND SPECIAL PAYMENTS

During 2005-06, there were no losses or special payments.