



Women. Men. Different. Equal.
Equal Opportunities Commission

Annual Report & Accounts 2005-2006

equal opportunities commission

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2005-2006

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I am delighted to have been appointed chair of the Equal Opportunities Commission (EOC) at such an exciting time for the equalities agenda. Last year saw the 30th anniversary of the Sex Discrimination Act (SDA), and of the EOC itself – time for us to take stock of what has been achieved since then, but also a time for reflection on what more needs to be done. This is particularly timely as we approach the transition towards the Commission for Equality and Human Rights (CEHR).



In many respects we have made huge advances in gender equality over the last thirty years and the SDA has been successful in achieving what I described in my inaugural speech as chair as 'formal equality' for women. But despite these advances, equality is in reality only a thin veneer that too easily falls apart for women when they have children or take on caring responsibilities. There is no doubt that sex equality has progressed a long way, but often on terms that demand women live as men used to. And this comes, ironically, at a time when modern men have decided they want to live in a different way and spend more time with their families. We need more support for families of all shapes and sizes so that parents and carers can balance work and family life without paying a poverty penalty. This means better independent living services for older and disabled people and greater flexibility in working practices for carers, something that cannot be ignored given current demographic trends.

I was pleased to be invited to join the Women and Work Commission (WWC), which produced its landmark report earlier this year. The report took forward some of the EOC's recommendations for tackling occupational segregation, one of the key causes of the pay gap between men and women, which remains at 17% for women who work full-time and 38% for part-time women workers compared with full-time men's average pay. The package recommended by the WWC's report has the potential to deliver real change and I look forward to its implementation.

Looking forward to next year, the creation of the CEHR will mean that for the first time we are able to tackle the multi-faceted nature of discrimination and inequality holistically. Within this context we will be working to ensure that we take into the CEHR a strong gender legacy and part of that work will be to pass on to the CEHR what we see as the key goals for gender equality in future years.

I am also looking forward to working with Ruth Kelly in her new role as Minister for Women within the Department for Communities and Local Government (DCLG). Our work can make a real contribution both to Great Britain's productivity and to the quality of life that we all enjoy, as well as helping to achieve greater community cohesion since increasing women's economic participation also increases social mobility and reduces social exclusion.

Finally I should like to thank Tessa Jowell for her support as Minister for Women over the last year, and pay tribute to my predecessor, Julie Mellor, who stood down as Chair in June 2005, for her tremendous contribution to the EOC over the previous seven years.

During the last year, our research revealed a marked shift in opinion in favour of action to address gender inequality, demonstrating the considerable impact of the EOC's work.

Making the economic, as well as social, case for closing the pay gap was a key thrust of our work, using a strong evidence base and working with stakeholders to identify workable, imaginative solutions. Between 2004 and 2005, the proportion of opinion formers who believed that improving opportunities for women at work would make British business more competitive went up from 65% to 77%, with 53% (up from 40%) thinking that the Government should take action to close the pay gap.



Our investigation into flexible and part-time working, *Britain's Hidden Brain Drain*, found that 4 out of 5 part-timers, mostly women, are working below their potential, with 3.6m working in a lower level job than in the past. The Government is now extending the current right to request flexible working for parents of young children to carers, while other recommendations were taken up by the Women and Work Commission. During the year, we also worked to ensure that the results from our ground-breaking investigation into occupational segregation, *Free to Choose*, were taken on board. We started on two new two-year investigations. 'Transformation of Work' seeks to open up higher paid work to people who want to work flexibly, enabling employers to make better use of women's potential. Our second investigation into ethnic minority women is considering how employers can make better use of their skills and talents.

Making the economic and social case for better support for parents and carers remained a key part of our work. We continued to argue for a step change in state services and workplace support for modern families; and, in 2005, 67% of opinion formers (up from 48% in 2004) thought that a national system of state support for families was needed. Our research into new fathers and mothers uncovered a social revolution in roles. The Government's proposed improvements to maternity and paternity leave are an excellent response to this change. We helped push women's pensions up the agenda and were delighted that the issue was at the heart of the Pensions' Commission report, as well as the Government's recent White Paper proposals.

Our final report into pregnant women at work revealed that nearly half of pregnant women were experiencing some form of discrimination. The Government is already taking two of our investigation's three key recommendations forward. Our active programme of strategic law enforcement included support for a number of influential individual cases and work with the armed services and the Royal Mail to reduce sexual harassment.

Looking ahead, we are preparing for the forthcoming statutory duty on the public sector to promote equality and eliminate discrimination – a growing part of our work in future. We will continue to prepare for the new Commission for Equality and Human Rights, ensuring that the last thirty year's progress on gender equality continues.

None of this progress would have been possible without the skill, creativity and continuing dedication of the EOC's staff. My thanks to them.

The EOC's Mission

The EOC's mission, as the independent statutory body on gender equality for Great Britain, is to promote equality of opportunity for all men and women and to eliminate sex discrimination and discrimination against transsexual people. We are working to achieve the following vision for equality, as set out in our Corporate Plan 2005-2008.

Women. Men. Different. Equal.

This is what the world would look like once our vision had been achieved.

It's important that it's achieved for all women and men, regardless of ethnicity, faith or belief, disability, age and sexual orientation, and whatever their class or language.

Women's **economic potential** would be realised, leading to higher productivity, with:

- equal pay
- a family friendly economy
- equal choice in education, jobs and leisure
- proper rewards for skills in areas of work where women predominate, including the care sector
- equal power for women and men.

Caring would be shared and valued (practically and financially) with:

- real choice for men and women in how they share earning family income and looking after children or adult family members
- genuine choice for parents and carers in whether and how much to work
- real choice and support for carers of adults and those they look after, promoting independent living
- equal pensions for men and women.

Public services and policies **would meet the different needs of diverse women and men, with:**

- equal access
- policy and services tailored to different needs
- better employment practices delivering greater productivity and equality
- real choice for ill, frail and disabled people about care arrangements, including independent living.

To **eliminate discrimination** there would be:

- effective, consistent and modernised discrimination and human rights legislation
- an effective single equality and human rights body
- employers and employees aware of their rights and responsibilities with expert advice available when needed
- an end to institutional gender discrimination.

Key Achievements during 2005-06

During 2005-06 the EOC successfully delivered a challenging programme of work, which made a significant contribution towards meeting our three-year Corporate Plan objectives:

- Realising women's economic potential.
- Caring shared and valued.
- Better public services and policies.
- Eliminating discrimination.

The EOC is also making an important contribution to the creation of a successful Commission for Equality and Human Rights (CEHR).

The Commission's top priority remains to close the gender pay gap, which has halved – to 17% – in the last 30 years for full-time women workers, but remains at 38% for part-time women workers compared with full-time men's average pay.

Six years ago, the EOC began a staged programme of work to close the gender pay gap and to understand, raise awareness of, and identify solutions to its three major causes – occupational segregation, discrimination, including pay discrimination, and the effect of caring responsibilities. The aim was to address barriers to women realising their economic potential and to ensure that caring is shared and valued, removing any barriers to men taking a more active caring role, which in turn will enable women better to realise their economic potential as well as bringing wider social benefits. In recent years, we have used our statutory powers of General Formal Investigation (GFI) to provide compelling research on the scale and detail of the problems, linked to practical solutions for how government and employers could tackle each aspect of the pay gap.

Realising women's economic potential

In 2005-06, the EOC did much to raise awareness of the enormous economic potential of women and to take forward, with others, effective strategies that would enable Britain to make more of their skills and talents:

- The EOC's **investigation into occupational segregation, *Free to Choose: Tackling Gender Barriers to Better Jobs***, was completed in March 2005. It found that 80% of girls would or might be interested in working in non-traditional areas like construction and engineering, but lacked support. Key recommendations included the need to strengthen careers advice and provide information on pay; greater access to non-traditional work experience and apprenticeships; and the need for a national strategy to co-ordinate action. During 2005-06 the EOC has worked closely with the Government and others to take forward this agenda and many of its recommendations are now being taken forward, as celebrated at the EOC's 'One Year On' conference in March 2006. The Scottish Executive has set up a working group looking at how the specific recommendations of the investigation in Scotland can be taken forward. The issue of occupational segregation is now firmly on the national agendas in Scotland, England and Wales.
- The EOC also completed in 2005-06 its **investigation into flexible and part-time working, *Britain's Hidden Brain Drain***. It found that 4 out of 5 part-timers, most of whom are women, are working below their potential, with 3.6m part-timers in Britain

working in a lower level job than in the past – a hidden ‘brain drain’. Its recommendations included opening up the new right to request flexible working to all employees, training for middle managers in how to operate flexible working successfully and help for small employers. The Government is now extending the right to request to carers – a step in the right direction.

- The EOC’s Chair was a member of the **Women and Work Commission** that produced a landmark report during this period which, when implemented, will make a major contribution to closing the pay gap. The report reflects material from the EOC’s two earlier investigations and takes forward many of their recommendations.
- During the year, the EOC began a two-year **investigation into the Transformation of Work**, supported by the European Social Fund (ESF), to look at how to open up higher paid work to women and men who want to work flexibly and to enable employers to make better use of women’s economic potential.
- It also began another two-year **investigation into the employment, pay and progression of ethnic minority women**, particularly Pakistani, Bangladeshi and Black Caribbean women called, ***Moving on up?***. This is also part-funded by the ESF. Despite having higher qualifications, women from these backgrounds are at greater risk of unemployment than white women, are concentrated in a narrower range of occupations and sectors, are less likely to progress to managerial positions and Pakistani and Bangladeshi women are more likely to experience lower pay. The EOC is investigating the reasons for this disadvantage and working with Government, trade unions, employers and voluntary organisations on a strategy to make better use of the skills and talents of young ethnic minority women in particular, who are set to be a growing proportion of the future working age population.
- The EOC has continued to **work with employers** and others to help close the pay gap, in England, Scotland and Wales. It undertook its third research review of the proportion of employers undertaking pay reviews which confirmed that progress had stalled amongst private sector employers: while 61% of large public sector organisations have completed an equal pay review or have their first equal pay review in progress, just 39% have done so in the private sector. As a result, the EOC has been working with others to look at how employers can be encouraged to do more and how the law can be strengthened. This included the proposal that employers should undertake an **equality check** to look at whether they have a pay gap and to take appropriate action. The WWC has recommended that a voluntary equality check should be piloted.
- The EOC published its third assessment of women’s progress into top positions, ***Sex and Power: Who Runs Britain? 2006***, with companion publications in Scotland and Wales, which looked at progress after 30 years of the SDA. This attracted considerable interest in England, Scotland and Wales and demonstrated the likely slow pace of change if no further action is taken.

Caring shared and valued

The EOC also made significant progress in helping to remove barriers to the sharing of caring and to ensure that it is valued, raising awareness of the enormous pace of social change and campaigning for specific changes in areas like pensions where current rules penalise parents and carers. The EOC:

- Made a major contribution to getting the needs of women right at the heart of **pensions** reform, through our campaigning and influencing work with government

and others and through our publication of relevant research. We built up a new Women's Pensions Network of key stakeholders from age and women's groups, the pensions industry, Parliament and the unions to build consensus about the best way forward; and were pleased by the way in which women's needs were recognised in both the Pensions Commission report and the recent Government White Paper.

- Raised awareness of the **changing roles of fathers and mothers** through its groundbreaking research into the attitudes of new mothers and fathers. This showed that 4 out of 5 new dads would be happy to stay at home and look after their babies alone and more than half of new mothers no longer think that they are naturally better at caring than men.
- Campaigned for and secured commitments to important **changes to maternity and paternity leave** including the extension of paid maternity leave and the opportunity for mothers and fathers to choose who takes the second 6 months of leave.

Better public services and policies

In addition to closing the pay gap, the other priority for the EOC during this period has been to help create **better public services and policies** for women and men, in particular by helping public bodies to prepare for the forthcoming legislative duty on the public sector to eliminate discrimination and promote equality. This is the most significant change in sex equality law for thirty years, with far-reaching implications not just for the employees of the public sector but for the users of services; and it is also likely to make a major contribution to closing the pay gap. The EOC has a critical role in helping to ensure it achieves real change on the ground.

In 2005-06, the EOC developed and launched consultations on the British and Scottish Codes of Practice to support the new Gender Equality Duty (GED) and has been working with the Government to develop the specific duties that will be set out in regulations. Last year the EOC carried out a successful benchmarking survey of public bodies to assess the general level of awareness of the new gender duty. The survey highlighted two key points; firstly, that there is more awareness of the duty than expected, and secondly, that public bodies are under the impression that the duty covers only employment practices and does not apply to the provision of services. The EOC began a programme of awareness raising, which included a number of conferences and stakeholder events.

Eliminating discrimination

During the year the EOC has continued to carry out its statutory role to eliminate discrimination, supporting a small number of individual cases under Section 75 of the SDA, using its other unique statutory powers and providing wider support and information to individuals – and other organisations who advise individuals – through its Helpline, website and guidance and promotional activities. This work plays an important role in reducing discrimination and raising wider awareness of the law – and therefore in closing the pay gap. In 2005-06, the EOC had a very active programme of work, which included:

- Completion of its two-year investigation into **discrimination against pregnant women at work, *Greater Expectations***, which estimated that 30,000 women each year lose their jobs because of their pregnancy. It found that two of the key causes of pregnancy discrimination were lack of knowledge and understanding of maternity rights and a lack of dialogue and planning between employers and pregnant

employees. Amongst other recommendations, the report proposed that employers should be allowed to ask women to give a clear indication of their planned date of return from maternity leave and that women should be given a written statement of maternity rights and responsibilities at their first antenatal visit with a tear-off copy to give to their employer. The Government is taking these recommendations forward.

- Continuing **strategic enforcement work with major employers** where discrimination appears to be widespread. This included continuation of our work with the Royal Mail to reduce sexual harassment, as a result of a suspended formal investigation. Similar work to reduce sexual harassment was initiated during the year with the Ministry of Defence in relation to the armed services, again resulting from a suspended formal investigation. Investigations were suspended because both organisations developed effective Action Plans and agreed to work with us to make sure they were implemented. We issued proceedings under s.71 of the Sex Discrimination Act 1975 against Lidl Limited and Lidl UK GMBH. The proceedings were stayed subject to agreed terms which are confidential.
- The successful conclusion of a number of **key legal cases** where the EOC gave support under Section 75 of the SDA. These have led to significant strategic change e.g. *Alabaster v Woolwich Building Society* (which closed a loop hole preventing women on maternity leave from bringing pay claims) and *Fletcher & others v NHS Pensions Agency, Student Grants Unit and Secretary of State for Health* (which secured new rights for health service trainees on maternity leave).

The Commission for Equality and Human Rights (CEHR)

The Equality Bill received royal assent on 15 February 2006 allowing for the setting up of the CEHR and the introduction of the Gender Equality Duty. During the last year, we worked with other equality stakeholders to help create an effective CEHR and – by contributing to the Equalities Review and the newly launched Discrimination Law review – an effective statutory framework. By the time the Bill received royal assent it contained a number of amendments proposed by the EOC.

30th anniversary of the Sex Discrimination Act and the Equal Opportunities Commission

Last year marked the 30th anniversary of the creation of the EOC and the passing of the SDA. In partnership with the Fawcett Society, the EOC held a successful anniversary stakeholder event in November. There was also a media campaign to highlight what has been achieved over the last thirty years and what remains to be done in order to achieve gender equality. Our 30th anniversary celebrations coincided with the departure of our outgoing Chair, Julie Mellor, and the appointment of our new Chair, Jenny Watson.

Jenny Watson's inaugural speech as EOC Chair was given at the Institute of Public Policy Research where she set out her vision for the EOC over the coming years, calling for a new alliance between men and women and highlighting the point that today many women enjoy only a thin veneer of equality that falls apart when they take on caring responsibilities.

The EOC's achievements are set out in more detail against each of the Corporate Plan objectives in pages 11 to 22.

Strategies for Achieving our Objectives

We work with others to achieve our mission through:

- **Agenda setting:** genuinely engaging the public, using our authority, research and expertise to lead the debate, getting buy-in from those who can make change happen.
- **Capacity building:** creating the tools that will help others to promote change, building partnerships and alliances to share good practice.
- **Enforcement:** using our legal powers fully and confidently, both our powers to investigate discrimination and to support individual cases.

The EOC's vision will only be achieved if others take action. That is why a strategy of persuasion is at the heart of the way the EOC works. In all our agenda setting work in particular, we aim to make a persuasive case for change to others. We do this by demonstrating the importance of action, not just to deliver social justice and fair access to opportunity, but also because of the gains to the economy and individual businesses of realising women's economic potential; and because of the wider economic and social benefits of supporting and valuing the caring role that women, and increasingly men, are playing. Furthermore, we work closely with government, employers and other key stakeholders, not just through our formal influencing work but also drawing them into our projects from the beginning to help us define issues and identify solutions. The Advisory Groups to our General Formal Investigations have proved particularly effective in ensuring the recommendations are taken forward.

We use our work in the media to support our strategy of persuasion. It is designed to raise awareness of where change is needed amongst the general public and opinion formers and to help build a consensus around action required to achieve it. Our media work has been successful in pushing gender equality up the political agenda, particularly in relation to pensions reform, pregnancy discrimination and the need for a more modern approach to caring and family policies. A recent independently conducted media evaluation concluded that the profile of the EOC's issues has doubled in the press over the last year, with unusually positive coverage of our work compared to other organisations.

Measuring our Success

The EOC's goals are long-term and will take time to deliver. To help measure the pace of change and identify the EOC's effectiveness, strategic measures of broad impact were identified in the EOC's business plan. The results against those measures were as follows. Opinion Leader Research Ltd conducted in December 2005 found that between 2004 and 2005:

- The proportion of the panel of opinion leaders who think the Government should take action to close the pay gap has risen from 40% to 53%.
- There is an increase from 48% to 67% in those thinking that a national system of state support for families is needed.
- There is an increase from 65% to 77% in those who believe that improving opportunities for women at work would make British business more competitive.
- There is an increase from 68% to 76% in those who said that employers who look after women returning to work following pregnancy would reap financial benefits.

An evaluation of our reputation carried out by MORI showed that we have a very strong reputation amongst our stakeholders, with four in five stakeholders viewing the EOC as evidence-based and influential (79% in each case).

Management of Risks and Use of Resources

The EOC has robust risk management processes in place. Our long standing policy has been reviewed this year by the Audit committee and approved by the Commission as part of our overall corporate governance pack. We will continue to manage risks by keeping our risk register under regular review by the Corporate Management Team, which meets approximately monthly, and the Audit Committee. In addition, the Chief Executive reports progress against business plan objectives to every Commission meeting.

With limited funds at our disposal we have closely monitored our financial budget during the year, re-allocating funds where appropriate according to prioritised needs within the framework of our business plan. The result has been that we have spent to within 0.1% of our Grant-in-Aid from government.

During the year, the EOC received re-accreditation by Investors in People, which commented favourably, amongst other things on our successful training and development programme and strong internal communications.

Challenges and Risks and Planned Future Developments through to October 2007

In October 2007 the EOC will cease to exist. Its role will be undertaken within the CEHR, established under the Equality Act 2006. The EOC has always been a strong supporter of the CEHR. Discrimination and inequality are multi-faceted. The creation of the CEHR gives us the opportunity to tackle inequalities holistically.

Our top priority over our last months will be to ensure that we take a strong gender legacy forward into the new body. As a way of passing on our expertise and ensuring a strong gender legacy in the new body, the EOC is drawing up a 'gender manifesto' to pass on to the CEHR of what it sees as the key goals for gender equality in future years. The EOC will also ensure an effective transition to the CEHR for its staff, participating actively in the creation of the new body through various working groups and helping to equip EOC staff with the right skills.

The EOC faces a challenging period in 2006-07 and beyond, with a reduced budget of Grant-in-Aid of £9 million for 2006-07, down from £9.75 million last year, and only £8m allocated to date for 2007-08. The EOC's focus will therefore be on the completion of existing projects, promoting the new GED, and on carrying out its unique statutory enforcement role.

From May 2006, our sponsor department will be the newly created Department for Communities and Local Government, which is led by the new Minister for Women, Ruth Kelly. The EOC's work has strong links to our new department. Gender equality will increase economic participation, reduce social exclusion and help build stronger communities, boosting productivity overall, increasing social mobility and enabling us to build community cohesion.

Achievements against Corporate Plan Objectives

Realising women's economic potential

The Corporate Plan goals and objectives: 2005-08

Long-term vision:

Women's **economic potential** would be realised, leading to higher productivity, with:

- equal pay
- a family friendly economy
- equal choice in education, jobs and leisure
- proper rewards for the skills in areas of work where women predominate, including the care sector
- equal power for women and men.

EOC 3 year objectives:

- Unlocking better paid areas of work for women through **transformation of work** by understanding women's and men's changing career and caring expectations, finding solutions to the barriers perceived by key employers to changing work and identifying how schools and jobcentres can help.
- Ongoing **action to tackle pay discrimination and close the pay gap** by the EOC identifying and successfully influencing for changes in policy by government, and practice by employers and unions, including more pay reviews/private sector duty.
- Action to tackle **occupational segregation** in construction, engineering, plumbing, ICT and childcare, as a result of delivery by government and employers of the EOC's March 2005 GFI recommendations.
- Action to understand why some groups of ethnic minority women succeed better in employment than others and so focus on which barriers need to be removed and how, so that the employment and pay gaps for e.g. **Pakistani, Bangladeshi and Black Caribbean women** can be closed and their potential (economic and personal) can be better realised.
- **Undervaluing of work** in certain sectors, including the care workforce, where women dominate pushed up the political agenda, as a result of the EOC's creating a better understanding of the causes and drivers for change.
- In Scotland and Wales, the EOC is working with the Scottish Parliament and National Assembly of Wales to work to increase the number of **women in power**, particularly elected to political positions in national legislatures, local government and in public appointments.

What we achieved in 2005-06

To help tackle the three major factors (occupational segregation, caring responsibilities and discrimination), which underlie the still substantial gender pay gap (17% for full-time and 38% for part-time women workers), we successfully completed two General Formal Investigations and started three more.

We made considerable progress towards our objective of unlocking better paid areas of work for women by publishing our final report of the **Flexible and part-time working investigation**, *Britain's Hidden Brain Drain*, continuing to take forward the recommendations of our **Occupational Segregation investigation**, *Free to Choose: Tackling Gender Barriers to Better Jobs*, and by following both of these up with a **new investigation into the Transformation of Work**.

Our investigation into **flexible and part-time working**, published in September 2005, found that 4 out of 5 part-timers, most of whom are women, are working below their potential, with 3.6m part-timers in Britain working in a lower level job than in the past – a hidden ‘brain drain’. Its recommendations included opening up the new right to request flexible working to all employees, training for middle managers in how to operate flexible working successfully and help for small employers. The Government subsequently announced that it would extend the right to request flexible working to carers and is currently consulting on how to take this forward.

The **Transformation of Work investigation** will explore how working time can be better organised to meet the needs of both employees and employers. A lack of flexible working opportunities means a massive waste of potential, with many women taking jobs below the level at which they are qualified. It is also a factor in the creation of occupational segregation, as many women choose to work in sectors where flexible working is available. The investigation will look at innovative ways of redesigning jobs and work to respond to changes in people’s expectations of work and family life – improving work life balance and increasing both individual and national productivity. Interim and final reports will be published in 2006-07. The investigation is partly financed by the ESF.

We have continued to work with employers and unions to get action to tackle pay discrimination. We have partnered the TUC in its Department of Trade and Industry (DTI) partnership project to provide a panel of equal pay experts to introduce employers to the concept of equal pay reviews, and we have worked with ACAS, law firms and others to promote the take-up of equal pay reviews. Jointly with Opportunity Now we have run the Equal Pay Forum. Although membership has continued to grow the membership target of 400 members has not been reached, but we have run a series of seminars giving practical advice on how to carry out equal pay reviews.

The pay gap between men and women working full-time in the private sector is nearly 10 percentage points bigger than it is for public sector workers. The results of our annual survey into the incidence of employers undertaking pay reviews showed activity is stalling, with the least activity in the private sector. While 61% of large public sector organisations had completed an equal pay review or had their first equal pay review in progress, just 39% have done so in the private sector. Moreover, over half of large private sector organisations reported no past equal pay review activity and were not planning to carry out an equal pay review within the next twelve months; this compares with a third of large public sector organisations. These findings reinforced the EOC’s view that the time has come to modernise Britain’s laws in relation to private sector employers in line with the changes being introduced in the public sector – with the philosophy of ‘prevention, not just cure’ and with the aim of achieving legislation that works better for both employers and employees. The Government is currently undertaking a fundamental review of equality laws – known as the Discrimination Law Review – and the EOC is calling for a debate in that context of the way forward.

The EOC had an active programme of work with employers and other key partners in Scotland and Wales through its **Close the Pay Gap campaigns**. In Scotland, funding was secured from the Scottish Executive for a further two years of the Close the Gap campaign which the EOC chairs. Other significant achievements included a Scotland wide media and awareness raising campaign, a national conference and the production of a toolkit on equal value. The EOC launched phase 3 of the Close the Gap campaign with the Welsh Assembly and Wales TUC in March 2006, with equal pay clearly moving up the local government agenda there.

The EOC's **investigation into occupational segregation, *Free to Choose: Tackling Gender Barriers to Better Jobs***, was completed in March 2005 and found that 80% of girls would or might be interested in working in non-traditional areas like construction and engineering, but lacked support. Key recommendations included the need to strengthen careers advice and provide information on pay; greater access to non-traditional work experience and apprenticeships; and the need for a national strategy to co-ordinate action. During 2005-06 the EOC has worked closely with the Government and others to take forward this agenda and many of its recommendations are now being taken forward, as celebrated at the EOC's 'One Year On' conference in March 2006. In Scotland, the Scottish Executive has set up a working group looking at how the Scottish GFI recommendations can be taken forward. The issue of occupational segregation is now firmly on the national agendas in Scotland, England and Wales.

The launch of our **investigation into the labour market position of Pakistani, Bangladeshi and Black Caribbean women, *Moving on up?***, marked an important milestone in the EOC's objective to better understand why some groups of ethnic minority women succeed better in employment than others. It is also opening up understanding of how different 'equality strands' – gender, race and faith – interact and affect the experience of people in the labour market. This will help to pave the way for the CEHR. Based on detailed research, it will seek to provide practical solutions on how the employment and pay gaps for ethnic minority women can be closed. Parallel research in Scotland is looking at women from a broader range of ethnic groups reflecting the different context there. Interim and final reports will be published in 2006-07. The investigation is partly funded by the ESF.

The EOC also launched its first Scotland specific **GFI looking at the pay and conditions of classroom assistants**. This investigation is carrying out research to evaluate the role and grading of classroom assistants and will make recommendations on its findings in 2006-07. It will contribute to the EOC's wider understanding of the undervaluing of women's work, on which the EOC also undertook some initial GB-wide research in 2005-06.

The EOC continued to highlight the need to increase the number of women in power. The launch of ***Sex and Power: Who runs Britain? 2006***, with separate reports for Scotland and Wales, contained powerful statistics that captured the public imagination and stimulated debate in the media. The report found that at the current rate of progress it would take 200 years for women to achieve equal representation in Parliament and forty years to reach an even gender split among top company directors and the judiciary.

Caring shared and valued

The Corporate Plan goals and objectives: 2005-08

Long-term vision:

Caring would be recognised and supported (practically and financially), with:

- real choice for men and women in how they share earned family income and looking after children or adult family members
- genuine choice in whether and how much to work
- real choice and support for carers of adults and those they look after, promoting independent living
- equal pensions for men and women.

EOC 3 year objectives:

- **Parents better supported in the first year and beyond**, through the EOC with partners in Parents and Carers' Coalition, pressing for improvements in parental **rights, including for fathers**, and childcare **strategy**.
- **Enabling men to take a greater caring role** by the EOC identifying and pressing for the removal of inflexibilities in leave, work patterns, pay and public services which act as barriers to their parental role.
- Ensuring **support for older people is higher up the political agenda** through the EOC influencing for specific government commitments to long-term strategies to improve support for both carers and those they care for.
- EOC analysis and influence gain government commitment to measures, which provide adequate **pensions for parents and carers**.

What we achieved in 2005-06

The demands of caring, which still fall disproportionately upon women, are one of the three major causes of the gender pay gap. So we continued our work of campaigning for changes in working practices and to the welfare state that would make it easier for the modern family in all its shapes and sizes to combine work and caring for their children or disabled, sick or frail adults. Increasingly, caring is an issue for men, not just women, with men wanting to take a more active role and women gaining when they do, not least by making it easier for them to realise their full economic potential. We therefore highlighted the pace of social change and the need to support fathers as well as mothers.

EOC research revealed the current pace of change both in new fathers' and mothers' aspirations and practices around the birth and first year of a child's life, highlighting that **modern fathers** are being, and want to be even more, 'hands on'. This showed that 4 out of 5 new dads would be happy to stay at home and look after their babies alone and more than half of new mothers no longer think that they are naturally better at caring than men.

This research demonstrated support for government proposals to **better support parents and carers** in the **Work and Families Bill**, and its proposed regulations. The EOC is delighted by the Government's commitment to increased maternity leave and pay, the extension of the right to request flexible working to carers and the proposals for parents to choose which of them takes the second 6 months of leave.

We continue to work in co-operation with the key non-governmental organisations and some interested employer groups through the **Parents and Carers Coalition**, which we chair and organise, and have brought the coalition together to demonstrate support on key issues.

The EOC has been arguing alongside the Parents and Carers Coalition, that there is a need to modernise the support given to the modern family, in all its many forms, both through changes to workplace practices and to the development of the welfare state. The working title used for these changes has been '**The National Family Strategy**'. The changes in the Work and Families Bill, and the continuing development of the National Childcare Strategy are major, welcome steps toward providing this modern support. During the year we have been developing our thinking in this area and plan to continue work, as far as possible, in 2006-07.

As part of our work on the National Family Strategy, we undertook a scoping exercise into **services for, and the needs of, the older sick, frail or disabled men and women**, as the ageing population puts particular pressure on future services and will mean that many more people are likely to undertake a caring role. Women are particularly dependent on these services, both because they carry out more caring and because women form a high proportion of the older population. This area has been little explored from the gender angle.

Women currently receive a far lower income in retirement, on average, than men, largely because of their caring role. We made considerable progress in our objective to gain government commitment to measures that provide adequate **pensions for parents and carers**. We helped ensure that the needs of women were at the heart of the Turner Commission's report on pensions and were seen to be the 'winners' in the pensions debate when the Turner Commission report was published in November. Our influencing over a long period included forming and chairing the Women's Pensions Network – key stakeholders from age and women's groups, the pensions industry, the unions and Parliament. Over the next two years of likely legislation we will continue to work with these groups to develop consensus and create long-term, sustainable solutions to the pensions problem. The pensions modelling we commissioned from the Pensions Policy Institute on a more re-distributive second state pension was published on 31 March 2006 and is helping to focus attention on how best to meet the specific needs of parents and carers.

Better public services and policies

The Corporate Plan goals and objectives: 2005-08

Long-term vision:

Public services and policies **would meet the different needs of diverse women and men, with:**

- equal access
- policy and services tailored to different needs
- better employment practices delivering greater productivity and equality
- real choice for ill, frail and disabled people about care arrangements, including independent living.

EOC 3 year objectives:

- Majority of public bodies see the duty as an opportunity to **improve their performance.**
- The majority of public bodies set **challenging targets.**
- **EOC codes of practice and guidance documents** are well received.
- General and specific duties that are finally agreed are outcome-focused.

What we achieved in 2005-06

Key to improving public services and policies is the implementation of the new Gender Equality Duty. This was a major new area of work in 2005-06 for the EOC and is the most significant change in sex equality law for thirty years. It has far-reaching implications not just for the employees of the public sector but for the users of services; and it is also likely to make a major contribution to closing the pay gap.

Last year we carried out a successful **benchmarking survey of public bodies** to assess the general level of awareness of the new gender duty. The survey highlighted two key points; firstly that there is more awareness of the duty than expected, and secondly, that public bodies are under the impression that the duty covers only employment practices and does not apply to the provision of services. We subsequently ran a series of conferences and stakeholder events, informed by our benchmarking survey, to raise awareness.

We launched consultations on the **gender duty Codes of Practice (COP) for Britain and Scotland** in February and carried out a series of GB-wide consultative events with public sector stakeholders. In Wales, 24 authorities are now engaged in piloting the new duty in a range of employment and service delivery areas. We will use the feedback received to help us to frame our guidance. The COP and accompanying guidance are due to be published September 2006.

The EOC played an active role in the **development of the new duty in primary legislation.** We successfully persuaded Parliament to extend the general duty to eliminate discrimination to include harassment as well. However, we were not able to

convince Parliament that the general duty should explicitly cover promoting equality for trans people or for people with dependents.

We have been working with the Government to **help develop effective specific duties**, which will be set out in regulations in 2006-07. Discussions continue. However, we were delighted that we were able to convince the Government that individual education institutions, including schools, should be covered by the specific duties. We also want to see a clear strategic focus in the duty and a duty on pay that will lead to action on all three causes of the pay gap.

Eliminating discrimination

The Corporate Plan goals and objectives: 2005-08

Long-term vision:

To **eliminate discrimination** there would be:

- effective, consistent and modernised discrimination and human rights legislation
- an effective single equality and human rights body
- employers and employees aware of their rights and responsibilities with expert advice available when needed
- an end to institutional gender discrimination.

EOC 3 year objectives:

- **Increased compliance, and clarification and development of the law** as a result of EOC's **formal investigations and other enforcement powers** which challenge sex discrimination in key areas.
- **Sexual harassment and pregnancy discrimination in the workplace** is reduced, as a result of EOC enforcement, influencing and development of capacity-building tools and guidance.
- An increase in the number of employer, trade unions, advisers, employees and members of public with **access to accurate and clear advice on rights and responsibilities** through EOC website, Helpline and transfer of expertise to other advisors.

What we achieved in 2005-06

We have used our enforcement powers actively to support and achieve the Commission's key objectives. The EOC has had an active year in its legal work, focusing on areas where it can have the most impact in improving compliance and securing its wider policy goals.

We have been involved in **two formal investigations** and subsequent follow-up work with the employers concerned, as well as in other strategic interventions:

- We have continued to work with the **Royal Mail** on our (suspended) formal investigation into sexual harassment and continued to monitor agreed Action Plans.
- We also been working closely with the **MOD** and the **armed services**, having launched and then suspended an investigation in relation to sexual harassment

because a comprehensive agreement was reached in June 2005 about how the MOD and the armed services would tackle the problem.

The EOC was also involved in other strategic interventions:

- The EOC issued proceedings under s.71 of the Sex Discrimination Act 1975 against Lidl Limited and Lidl UK GMBH. The proceedings were stayed subject to agreed terms which are confidential.
- The EOC succeeded in persuading the Government to rethink the current eligibility rules for Job Seekers Allowance (JSA) which required that a person seeking JSA must be available for work immediately or within 48 hours if they had caring responsibilities. The DWP will change the availability requirement from 48 hours to one week (bringing rules for carers into line with those applying to individual day voluntary work/volunteers).

We also completed 16 assessments of organisations that were potentially in breach of the SDA and Equal Pay Act. Based on these assessments we negotiated **formal agreements** with major organisations to change their policies and practices, for example:

- A large mobile telephone company will undertake to improve its policies and procedures for dealing with sexual harassment and to change the culture within the organisation.
- A pub-owning brewery will improve its procedures to recruit and select pub managers to remove barriers to those with families.
- A large contract services company will carry out an Equal Pay Review of the entire organisation.

There have also been significant test cases:

On the priority issue of equal pay:

In **Cadman v Health and Safety Executive (Court of Appeal/European Court of Justice)** the EOC intervened. The Claimant, who was an HSE Principal Inspector, claimed equal pay with four male comparators. It was accepted before the Employment Tribunal (ET) that the applicant and her comparators were doing like work, but the disparity largely arose from the fact that length of service was used to determine pay, and the male comparators had longer service than the applicant. It was accepted too that women in general had shorter service than men, rendering the reason for the difference in pay indirectly discriminatory. The EOC intervened at the Court of Appeal. The Court of Appeal referred the case to the European Court of Justice (ECJ). The Advocate General has recently opined that using length of service as a pay criterion must be objectively justified, but unusually, also advised the ECJ that the decision should not have retrospective effect. The ECJ's decision is due shortly.

In **Derbyshire v St Helens Borough Council (House of Lords)**, the EOC, the Disability Rights Commission (DRC) and the Commission for Racial Equality (CRE) are all intervening at the House of Lords permission stage. This widely reported case stemmed from equal pay claims brought by school catering workers. The Respondent wrote to the Claimants prior to the ET hearing. Those letters contained a threat that if

the Claimants continued with their claims, the costs of defending the claims would be so prohibitive that the Respondent would be unable to continue supplying school dinners and the Claimants (and colleagues) could lose their jobs. The Claimants' claims of victimisation were successful at ET and Employment Appeal Tribunal but lost at the Court of Appeal. The Claimants are seeking permission to appeal to the House of Lords.

Sharp v Caledonia (Court of Appeal) was an important decision in the Employment Appeal Tribunal in an indirect discrimination case. The Employment Appeal Tribunal applied European law and held that if an employer has a good reason for the difference in pay then they ought to be able to provide an objective justification for it. If not, then the woman should get equal pay. The case settled upon Caledonia withdrawing their appeal and paying Ms Sharp the costs of the appeal and a sum by way of settlement. Another case will be required to decide this important issue.

And two extremely important cases relating to the rights of pregnant women:

In **Fletcher & Others v NHS Students Grants Unit (Court of Appeal)**, the EOC helped secure the continuation of bursary payments for all NHS vocational trainees who need to take leave from training due to pregnancy/maternity reasons. To date, over 400 NHS vocational trainees have benefited from the revised arrangements. The Fletcher case is a good example of how the EOC can work with other stakeholders in funding a claim and securing non-monetary support. The EOC worked with the Royal College of Midwives, the Royal College of Nursing and UNISON to split the costs of proceedings and to ensure that the case was supported as widely as possible. Fletcher supports the EOC's vision that caring is recognised and valued (both practically and financially).

In **Alabaster v Woolwich Building Society (Court of Appeal/European Court of Justice)**, an equal pay case that was unsuccessful at ET and Employment Appeal Tribunal level. The Court of Appeal referred questions to the ECJ. The decision from the ECJ clarifying the reference period for maternity leave and the case was referred back to the Court of Appeal, which ruled that maternity pay should include any pay rise awarded at any stage during a woman's pregnancy. This case started in 1997, taking some 8 years to reach its conclusion.

And a General Formal Investigation into discrimination against pregnant women at work:

In June 2005, the EOC published its final report of a two-year investigation into **discrimination against pregnant women at work, Greater Expectations**. The report found that an estimated 30,000 women each year lose their jobs because of their pregnancy. It found that two of the key causes of pregnancy discrimination were lack of knowledge and understanding of maternity rights and a lack of dialogue and planning between employers and pregnant employees. Small employers in particular were also found to need more support. The Government has already agreed to take on board two of the key recommendations. As part of the secondary legislation on the Work and Families Bill, they will be:

- a) producing a written statement of maternity rights and responsibilities for individuals and their employers, to improve knowledge and understanding; and

- b) giving a 'green light' for employers to ask women to indicate their return dates much earlier in the maternity leave, where this is possible, to improve dialogue and planning.

We have been working with small employers and government to build consensus around the best way forward on the third recommendation to provide better support for small employers.

In **Scotland** the June launch of the final report of the investigation into pregnancy discrimination was attended by Malcolm Chisholm, the Scottish Executive Communities Minister. He committed the Executive to taking forward a number of the EOC's recommendations in Scotland, including the statement of rights and promoting the pregnancy advice toolkit when it is produced by the EOC.

Advice on rights and responsibilities

We continued to develop the strategy of promoting our **Helpline and websites** together as an expert source of advice and information. With over **2 million visits** to the main website over the year, **up 36%** on the previous year, more people than ever accessed EOC information services. Visits to our specialist websites for legal advisers (one for England and Wales and one for Scotland) also steadily increased. Developing information on our main and legal websites benefits those users who can or prefer to self-help, or who are looking for specific pieces of information. This year we also launched sections of the website to target specific audiences, including young people, which further supports the self-help approach. This in turn frees up our Helpline team to concentrate on providing an advice and information service to aggrieved individuals and others who most need it.

With greater internet access within the population, in addition to increased use of our website, we are seeing a significant increase in the number of enquiries by email rather than by phone. This year **email enquiries** to our Helpline were **up 26%** on the previous year. Responding to email enquiries is often more labour-intensive than phone calls, but we intend to develop this aspect of our service as there is clearly an increasing demand. Enquiries for the year by phone, email or letter to our main **Helpline totalled almost 22,000**, a drop of about 7% from the previous year.

Our external **service standards remained high**, with an **abandoned call rate** of only **1.9%** overall, and **95% of publications sent out by the following day**.

Our Transfer of Expertise teams in England, Scotland and Wales continued to work with key front-line advice providers to increase the availability of up-to-date expert advice on the employment rights aspects of the SDA and the Equal Pay Act. In 2005-06 the Transfer of Expertise teams **reached over 25,000 delegates**, in their target audience, at conferences, workshops and training seminars. A further **344,000 individuals** in the target groups were reached via journal articles, fliers and media advertising.

The Corporate Plan goals and objectives: 2005-08

Long-term vision:

CEHR uses proactive and effective work practices to reduce discrimination of all types and create genuine equality for women and men and transsexual people.

Improved equality legislation that is consistent, modern and effective.

EOC 3 year objectives:

- **CEHR's first strategic plan sets challenging sex equality strategy and targets based on evidence and analysis.**
- **EOC staff are well equipped** for a smooth transition into the new body.
- **CEHR is set up to succeed**, with the confidence of key gender and other stakeholders.
- Government introduces a **Single Equality Bill** with modernised, effective provisions across all strands that will, in particular, help achieve sex equality.

What we achieved in 2005-06

In order to ensure that the CEHR's first strategic plan sets a challenging sex equality strategy and challenging targets, we are preparing a **Gender Manifesto**, which will be a published document setting out 10-year goals underpinned by shorter term priorities, to feed into the CEHR's strategic plan. Last year we held extensive consultations with a wide range of stakeholders on what the Gender Manifesto should address.

We have delivered the first year of a **two-year training and development programme** aimed to provide our staff with improved skills to be of benefit within the CEHR and to help them to deal with the transition into the new body.

The **Equality Bill** received royal assent on 15 February 2006 allowing for the setting up of the CEHR and the introduction of the Gender Equality Duty. Work on the Bill has been resource intensive, but we have achieved considerable successes in influencing its contents. By the time the Bill received royal assent it contained a number of amendments proposed by the EOC.

- We proposed the solution that the DTI eventually adopted to enable them to include in the Bill, goods and services provisions relating to sexual orientation, without delaying its progress.
- We persuaded the Government to extend the gender duty to cover eliminating harassment as well as discrimination and secured a host of improvements to the CEHR's powers.
- EOC co-ordinated action by the Equality and Diversity Forum to strengthen the CEHR's independence.

We continued to work at all levels with the DTI to **help build the CEHR**, a task that will involve increasing numbers of staff and time over 2006-07 as the detailed arrangements are explored and decided upon. EOC Wales co-chaired a CEHR consultation event in Cardiff on governance issues, while in Scotland the EOC working with the Equalities Coordinating Group facilitated a number of events around the CEHR including a governance summit.

The **Discrimination Law Review** is now underway and will become a priority area of work over the coming months. We have made a substantial submission to the DTI, following discussion with Commissioners. As well as making specific suggestions, we have called for radical thinking and a debate about the underlying principles of the law – to promote equality and eliminate systemic as well as individualised discrimination. We have also made a significant submission of evidence to the **Equalities Review**.

EOC Governance Arrangements and Use of Resources

The EOC is a non-departmental public body, established in 1975 by Section 53 of the SDA (the Act).

The EOC's duties under the Act are:

- To work towards the elimination of discrimination.
- To promote equality of opportunity between women and men.
- To promote equality of opportunity in the field of employment and of vocational training for persons who intend to undergo, are undergoing or have undergone gender reassignment.
- To keep under review the working of the Act and the Equal Pay Act 1970 and, when required by the Secretary of State, or when it thinks it necessary, to draw up and submit to the Secretary of State proposals for amending them.

In addition the EOC must, in consultation with the Health and Safety Commission, keep under review the legislative provisions dealing with health and safety at work, which require different treatment for men and women.

The Act also **allows** the Commission to conduct formal investigations and to make recommendations.

For the year 2005-06 the EOC was financed by Grant-in-Aid from the DTI (under the Increasing UK Competitiveness heading in the DTI's Request for Resources 1 to Her Majesty's Treasury). From May 2006 sponsorship for the EOC moved to the Department for Communities and Local Government (DCLG).

Commission members and their responsibilities

Under Paragraphs 3 and 4 of Schedule 3 of the SDA (the Act), Commissioners are appointed by the Secretary of State. During the year, the following served as members of the Commission:

Rowena Arshad	Duncan Fisher
Evelyn Asante-Mensah	Frances Hasler
Sue Ashtiany	Deborah Mattinson
Mohammed Aziz (from May 2005)	Julie Mellor (until July 2005)
Catherine Brown	Surinder Sharma
Fiona Cannon	Jenny Watson
Kay Carberry	Tess Woodcraft (until May 2005)
Jeannie Drake	Neil Wooding

Julie Mellor resigned as EOC Chair with effect from 13 July 2005. Jenny Watson was Acting Chair from 14 July 2005 until her appointment as Chair on 10 November 2005.

Fiona Cannon was appointed as Deputy Chair in March 2006.

Paragraph 5 of Schedule 3 to the Act makes provision for the payment to Commissioners of such remuneration, pensions, allowances or gratuities as the

Secretary of State with the consent of the Minister for the Civil Service, may determine. Details of Commission members' remuneration are shown in the Remuneration Report.

The Commission maintains a Register of Interests of its Commissioners. Copies of the Register are available on application by post or email to the London office. Details of how to contact the Commission can be found on the website at www.eoc.org.uk

The responsibilities of the Commissioners are to:

- Establish the Commission's vision and strategy and agree policy on major new areas.
- Agree the corporate and business plans and budget and ensure that these are consistent with the Commission's overall purpose and statutory role and sensitive to the context of devolution.
- Monitor progress against plans and evaluate strategy.
- Ensure good corporate governance.
- Approve the support of individual legal cases.

Caroline Slocock was Chief Executive throughout the year.

Resources

The EOC operates from premises in Manchester, London, Cardiff and Glasgow. Notes 9 and 10 to the accounts detail the tangible and intangible assets of the organisation and note 6 the staff numbers. The skills and experience of our staff is our major asset as an influencing and enforcement organisation.

Research and development

The EOC commissions research from academic institutions and market research companies to provide a robust evidence base for its policy development activities. In 2005-06, projects totalling £520,000 were commissioned. The largest areas of expenditure were to support the two new GFIs on ethnic minority women's progression in the labour market and Transformation of Work. The research for these was part-funded by the ESF, with £125,000 and £110,000 of research being commissioned respectively. Other major areas of research included: issues around parents, parental leave and caring (£70,000), research to support development of the GED (£45,000), reasons for the undervaluing of women's jobs (£30,000), pensions (£25,000), sexual harassment (£20,000) and the monitoring of Equal Pay Reviews (£20,000).

Financial position

Grant-in-Aid, unlike other income, is recognised in the period in which it is received. Cash Grant-in-Aid for 2006-07, taking into account the amounts required to meet the EOC's 2005-06 liabilities falling due in that year, has already been included in the department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Results for the year

The EOC received as its principal source of income £9,575k in Grant-in-Aid in 2005-06, comprising £9,478k revenue and £97k capital grants. There was a deficit of £58k for the financial year.

As we are required to keep cash balances to a workable minimum, agreed Grant-in-Aid of £1,174k has not been drawn down and is not included in these accounts but £994k relating to 2004-05 has been included. Without these items there would have been a surplus of £122k.

The EOC is committed to carrying out its duties to the highest standards whilst ensuring the costs of its work are kept to a minimum.

Changes in fixed assets

There were no significant changes in the year.

Cash flows

The Commission is required to draw down Grant-in-Aid, its principal source of income, on the basis only of need. Accordingly it operates to minimise the amount of cash on hand throughout the year, consistent with the need to cover contingencies arising from inflows from other sources and unexpected outflows. At the year end, cash on hand and at bank was £200k representing 1.8% of overall income on a full accruals basis.

Charitable donations

The EOC made no charitable donations during the year.

Pension benefits

Pension benefits for employees are provided through the Civil Service Pension Scheme arrangements. Information about how pension liabilities are treated is given in notes 1(e) and 6 to the Statement of Accounts.

Further details of the Civil Service Pension Scheme arrangements can be found at the website www.civilservice-pensions.gov.uk

Payment of creditors

The EOC aims to pay its bills in accordance with the contract or within 30 days if there is no specific provision in the contract. Sample testing during 2005-06 showed that 98% (2004-05 99%) of invoices were paid within the policy target.

Accounts direction

The statement of accounts at pages 34-54 is prepared in a form directed by the Secretary of State for Trade and Industry with the consent of the Treasury in accordance with the Sex Discrimination Act 1975.

Auditing of the accounts

An Audit Committee reviews the work of management to ensure that adequate controls are in place within the organisation. The Audit Committee ensures that risks are identified and managed, that governance arrangements meet the required standards, and advises the Accounting Officer on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control in the organisation.

During 2005-06 the members of the Audit Committee were:

Jeannie Drake (Chair)	Kay Carberry
Rowena Arshad	Duncan Fisher
Catherine Brown	

During the year the committee met on five occasions to consider audit and management reports and the annual accounts, and reported to the Commission on its recommendations and its monitoring activities at the June 2006 meeting.

The accounts are audited by the Comptroller and Auditor General who is appointed under statute and who reports to Parliament. The work is carried out by the National Audit Office. The cost of audit work performed in respect of 2005-06 is £22,495.

During the 2005-06 financial year the National Audit Office also performed audits of the final claims of two ESF projects and the Close the Gap project in Scotland.

Statement by Accounting Officer on the disclosure of information to auditors

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

Our impact on the environment

The EOC is conscious to preserve the environment and seeks to avoid waste of energy and materials.

Employee involvement

Effective communication with staff is a key factor in our success in achieving business objectives and in developing our own positive culture. Managers hold divisional and team briefings and Information Technology is used extensively for staff communication across our four sites. The CEO also holds regular meetings with all staff in different locations and meets individual teams too.

The EOC recognises the Public and Commercial Services Union (PCS) for collective bargaining purposes on behalf of staff.

Employment of disabled people

The EOC displays the Two Ticks disability symbol in recognition of the commitment demonstrated towards the recruitment, training and retention of disabled employees.

Analysis by gender, disability and ethnic monitoring of EOC staff

See table on page 27.

Caroline Slocock

Chief Executive

3 July 2006

Analysis by gender, disability and ethnic monitoring of EOC staff

	Total	%	AO	PA	EO & Equiv.	HEO & Equiv.	SEO & Equiv.	G7	G6
Gender									
Female	135	82%	13	10	38	33	14	23	4
Male	30	18%	7	0	4	10	4	3	2
Total	165		20	10	42	43	18	26	6
Disabled									
Total	10	6%							
Ethnic origin									
White	152	92%							
Non-White – Mixed, Asian Black & Chinese	13	8%							
Total	165								

Notes: The EOC has undertaken a full analysis of its workforce by gender, religion and belief, sexual orientation, ethnic origin, disability and transgender, categorised by grade. Ethnic origin has been recorded and analysed using the census categories as recommended by the Commission for Racial Equality. However, as overall staff numbers are small and it is possible that individuals could be identified from the figures, we have not published all the information gathered.

Staff from AO grade to Grade 7 have identified themselves as having a disability. Of those who identify themselves as being black or from an ethnic minority group, 4% fall into the Black category, 2.5% fall into the Asian category and 1.5% into both the Mixed and Chinese categories. There is representation from BME groups from AO grade to Grade 7, although the majority are in the AO to EO grades. Figures exclude staff undertaking a secondment at the EOC and the Chair and the Chief Executive.

Recruitment: is by competitive interview, with candidates short-listed from application forms and assessed at interview against a person specification.

Remuneration Report

The policy on the remuneration of senior managers for current and future financial years.

The EOC's most senior managers comprise the CEO and those of her direct reports who constitute the Corporate Management Team (CMT), all of whom are Grade 6 employees.

The CEO's annual remuneration award comprises two elements; a consolidated amount and a non-consolidated, non-pensionable bonus. Recommendations on the CEO's total annual remuneration are made in line with the performance management and reward systems for the Senior Civil Service. The EOC has a separate Remuneration Committee made up of selected Commissioners who review the Chair's recommendations and agree the CEO's annual reward package.

During 2005-06 the members of the Remuneration Committee were:

Jeannie Drake (Chair)	Kay Carberry
Rowena Arshad	Duncan Fisher
Catherine Brown	

All other CMT members have their remuneration determined by collective bargaining along with all other EOC employees. The pay award generally comprises pay progression to a 'rate for the job' and an uplift to the minima, maxima and all other points in the EOC's salary scales. The pay award is determined within the financial limits imposed by the Treasury. All pay progression for members of CMT is subject to satisfactory performance as measured and assessed by the CEO using the EOC's own performance management systems.

During 2005-06 the EOC also had as additional member of CMT a secondee from the DTI, whose salary is paid by that department.

The EOC did not pay any third party for the services of a senior manager.

Commission members' remuneration

a) Chair:

Julie Mellor was re-appointed on 1 February 2005 and resigned effective 13 July 2005. Julie Mellor was on an employment contract but not a member of the Principal Civil Service Pension Scheme. Julie Mellor received an annual salary of £131,250 (from 1 Feb 2005) per year that included an allowance for pension provision.

Jenny Watson was acting Chair from 1 June 2005 and was appointed Chair on 10 November 2005, until the role and functions of the EOC form part of the new CEHR, or 30 October 2008, whichever is sooner. Jenny Watson is classed as an Office Holder and is not a member of the Principal Civil Service Pension Scheme. Jenny Watson receives an annual salary of £96,600 (from 10 Nov 2005).

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

	2005-06 £'000	2004-05 £'000
Salary and pension provision	98	113
Social security costs	12	14
	<u>110</u>	<u>127</u>

b) The cost of Commission members' emoluments was:

	2005-06 £'000	2004-05 £'000
Salaries and fees	126	143
Social security costs	14	16
	<u>140</u>	<u>159</u>

c) The salaries and fees for each Commission member were as follows:

	Salaries and fees £'000
Rowena Arshad	6
Sue Ashtiany	1
Kay Carberry	2
Jeannie Drake	2
Duncan Fisher	5
Evelyn Asante-Mensah	3
Julie Mellor	40
Jenny Watson (Deputy Chair)	7
Jenny Watson (Acting Chair)	20
Jenny Watson (Chair)	38
Neil Wooding	2

Commission member appointments are not pensionable.

Chief Executive

The Chief Executive's basic annual salary for 2005-06 is £99,685 per year, plus entitlement to a non-pensionable bonus in recognition of performance against specific objectives. An agreed bonus, in line with the scheme in operation in the Senior Civil Service, of £14,600 has been accrued.

Total actual emoluments were £146,624 including the employer's contributions of £24,523 to the PCSPS, £12,416 National Insurance and £10,000 bonus relating to 2004-05. The Chief Executive is an ordinary member of the PCSPS with the Commission's contribution to the scheme amounting to the equivalent of 24.6% of salary.

Salary and pension entitlements

The table on the next page provides details of the salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the EOC for the year ending 31 March 2006.

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

	Salary, including performance pay £'000	Benefits in kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/3/06 and related lump sum (£k)	CETV at 31/3/05 (nearest £k)	CETV at 31/3/06 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover – to nearest £100
Caroline Slocock Chief Executive	105–110 (2004-05 95–100)	Nil	2.5–5 plus 7.5–10 lump sum	25–30 plus 85–90 lump sum	367	527	50	
Alice Leonard Head of Strategic Law Enforcement	55–60 (2004-05 55–60)	Nil	0–2.5 plus 0–2.5 lump sum	10–15 plus 40–45 lump sum	279	342	8	
Alf Hill Head of Corporate Services	55–60 (2004-05 45–50)	Nil	0–2.5	5–10	131	180	16	
Sarah Wootton Head of Communications & Change	60–65 (2004-05 55–60)	Nil	0–0.25 plus 2.5–5 lump sum	10–15 plus 35–40 lump sum	113	173	12	
Amanda Ariss Head of Policy & Research	60–65 (2004-05 55–60)	Nil	0–2.5. plus 0–2.5 lump sum	0–5 plus 10–15 lump sum	37	62	10	
John Wilkes Head of EOC Scotland	55–60 (2004-05 50–55)	Nil	0–2.5 plus 2.5–5 lump sum	5–10 plus 15–20 lump sum	49	80	14	
Kate Bennett Head of EOC Wales	55–60 (2004-05 50–55)	Nil	0–2.5 plus 0–2.5 lump sum	0–5 plus 10–15 lump sum	51	79	13	
<p>a) Senior management also included Dr. Elaine Drage, a secondee employed and salary paid by the DTI. b) None of the above received any benefits in kind (2004-05 nil). c) All of the above were in post from 1 April 2005 to 31 March 2006.</p>								

Pensions

Pension benefits are provided through the CSP arrangements. From 1 October 2002, employees may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement). Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

The Cash Equivalent Transfer Value (CETV)

Columns 5 and 6 of the table on page 30 show the member's CETV accrued at the beginning and the end of the reporting period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The 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 CSP arrangements and for which the CS Vote has received a transfer payment commensurate to 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.

The real increase in the value of the CETV

Column 7 of the table on page 30 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.

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.

Methods used to assess whether performance conditions were met

The CEO's remuneration package is linked to her overall performance. The CEO's objectives are set, monitored and assessed by the Chair using the Senior Civil Service performance management and reward processes.

All other CMT members' staff are subject to the EOC's own comprehensive, formal process of objective setting, monitoring, review and assessment by the CEO.

The relative importance of the proportion of remuneration, which is (or is not) subject to performance conditions

All of the CEO's annual remuneration i.e. her consolidated increase and non-consolidated bonus is determined with reference to her performance.

A summary and explanation of policy on duration of contracts, and notice periods and termination payments

The CEO is employed on a five-year, fixed-term contract, which started on 2 April 2002 and is due to end on 1 April 2007. Both the CEO and the EOC are required to give six months notice of termination.

CMT members at Grade 6 are all employed on standard, permanent contracts. They are required to give the employer 3 months notice of termination of contract. The EOC is required to give them 5 weeks notice in the first 4 years of service, then an additional week per year of service rising to a maximum of 13 weeks.

Details of the service contract for each senior manager who has served during the year including date of the contract, the unexpired term, and details of the notice period

The closest the EOC has to a service contract is the CEO's contract, which is for a fixed term of five years (mutually extendable).

Provision for compensation for early termination and other details sufficient to determine the entity's liability in the event of early termination

There is no contractual arrangement for special payment in relation to early termination of the CEO's contract. There would be no payment in the event that the CEO terminated the contract. Early termination by the EOC, unless by mutual consent could incur a liability in relation to unfair dismissal depending upon the reason for early termination and the way in which it was approached.

Caroline Slocock
Chief Executive
3 July 2006

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2005-2006

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Statement of the EOC's and Chief Executive's Responsibilities

Under paragraph 15 of Schedule 3 to the Sex Discrimination Act 1975 (as amended by paragraph 9 of Schedule 4 to the Race Relations Act 1976) the EOC is required to prepare a statement of accounts for each financial year in the form and on a basis directed by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the EOC's state of affairs at the year-end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the EOC is required to:

- Observe the accounts direction determined by the Secretary of State, with the consent of the Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- Make judgments and estimates on a reasonable basis.
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

As the senior full-time official of the EOC, the Chief Executive carries the responsibilities of an Accounting Officer for the EOC. The Chief Executive's relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Treasury and published in *Government Accounting*.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of EOC's vision, targets and objectives, set by the Commission and agreed with the Department of Trade and Industry, while safeguarding public funds and EOC's assets for which I am personally responsible, in accordance with the responsibilities assigned to me by *Government Accounting*.

The purpose of the system of internal control

The system of internal control is designed to manage to a reasonable level rather than eliminate all risk of failure to achieve EOC's vision, targets and objectives. It can therefore only provide reasonable assurance 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 EOC's vision, targets 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 was in place for the year ended 31 March 2006 and up to the date of approval of the annual accounts and accords with Treasury guidance.

Capacity to handle risk

The EOC has taken the following actions:

- There is a risk policy and management framework which was circulated to all staff when it was first drawn up.
- Incorporated identification and impact of risk as an integral part of project planning.
- Designated the Head of Strategic Planning and Caring Policy as Risk Coordinator who is responsible for ensuring that risks are identified and managed through the agreed process.
- Managed risks as an integral part of management by the Corporate Management Team, including in the development of new projects, where a risk assessment is now given to the Commission as a standard process for each new project.

The risk and control framework

The EOC has taken the following actions:

- Undertaken regular reviews of performance by the Corporate Management Team against the Business Plan, including the management of risks, at its regular business meetings.
- Carried out risk assessments of high-level risks and of operational risks and integrated these assessments into the existing Business Plan framework and into a process of project planning designed to help implement the 2005-06 Business Plan.
- Given regular updates to the Commission and sponsoring department from the Chief Executive Officer, backed up by more formal quarterly reports and a mid and end year review which will include an assessment of the effectiveness of these arrangements.
- Had designated risk owners for high-level and significant operational risks.
- Provided a framework for setting individual objectives for staff which, amongst other things, show how they will manage risks. These were kept under review in year and formally reviewed at the year-end.
- Received regular reports from our internal auditors on aspects of internal control and discussed these with the Audit Committee which reports in turn to the Commission.

- Secured the support of the Audit Committee and Corporate Management Team for the above.
- Consulted generally with the internal auditors on the above.

Risk management has been integrated into the business planning process since 2004-05. The Risk Co-ordinator holds a central risk register which logs high-level risks and significant operational risks relating to the 2005-06 business plan. This is being carried forward into 2006-07 analysing risks associated with activities and projects into the new framework now established.

A Management Statement including a Financial Memorandum has been negotiated with our sponsor department, the Department of Trade and Industry. Since September 2003 internal auditing services have been provided to the EOC by RSM Robson Rhodes LLP who operate in accordance with the guidance of the Government Internal Audit Standards.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the senior managers within the EOC who have responsibility for the development and maintenance of the internal control framework, and by comments made by the National Audit Office 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 Commission and the Audit Committee and a plan to ensure continuous improvement of the system is in place.

- The Commission reviews at each of its meetings the latest actions taken to mitigate risks as recorded in the high-level risk register and regularly considers new risks that have arisen. It has been involved in refining our revised risk framework.
- The Audit Committee reviews the management of risk through the reports from external and internal auditors and has formally approved the work plan of our internal auditors to perform a risk based programme including helping us develop further our control mechanisms and framework. The Audit Committee monitors it at each meeting to ensure that all previous audit recommendations are acted upon.
- During 2005-06 the Chair of the Audit Committee made regular reports to the Commission regarding the work of the Audit Committee and is having periodic meetings with the Chair.
- The Audit Committee regularly reviews the risk register and the associated monitoring document.
- To provide further evidence of effective control, each identified risk owner certifies to me regularly in writing that they can confirm that the identified required responses for action are in place and that the actions on identified specific risks have been or are being undertaken, detailing any areas where this is not the case.
- In February 2006, the Secretary of State for the Department of Trade and Industry and the Minister for Women asked Dame Judith Mayhew Jonas to undertake a review of the EOC, to examine, inter alia, the effective deployment of resources and an examination of the competing priorities in terms of organisational capacity. Dame Judith's report was favourable in these regards, and overall.

Caroline Slocock
Chief Executive
3 July 2006

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

I certify that I have audited the financial statements on pages 39 to 54 under the Sex Discrimination Act 1975, as amended by the Race Relations Act 1976. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 43 to 44.

Respective responsibilities of the Equal Opportunities Commission, the Chief Executive and Auditor

The Equal Opportunities Commission and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Sex Discrimination Act 1975, as amended by the Race Relations Act 1976 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the EOC's and Chief Executive'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 Sex Discrimination Act 1975, as amended by the Race Relations Act 1976 and Secretary of State 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 35 to 36 reflects the Commission's compliance with HM Treasury's guidance on the Statement on 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 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 Forewords by the Chair and the Chief Executive, The EOC's Mission, Key Achievements during 2005-06, Strategies for Achieving our Objectives, Measuring our Success, Management of Risks and Use of Resources, Challenges and Risks and Planned Future Developments through to October 2007, Achievements against Corporate Plan Objectives, EOC Governance Arrangements and Use of Resources, and the unaudited part of the Remuneration Report. 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 Equal Opportunities Commission and Chief Executive 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.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Sex Discrimination Act 1975, as amended by the Race Relations Act 1976 and directions made there under by the Secretary of State for Trade and Industry, of the state of the Equal Opportunities Commission's affairs as at 31 March 2006 and of the deficit, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Sex Discrimination Act 1975, as amended by the Race Relations Act 1976 and Secretary of State directions made thereunder; 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

14 July 2006

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

Income and Expenditure Account

for the period ended 31 March 2006

	Note	2005-06		2004-05	
		£'000	£'000	£'000	£'000
Income					
HMG grant	2	9,478		8,394	
Income from activities	4	189		274	
Other operating income	5	<u>782</u>		<u>794</u>	
			10,449		9,462
Expenditure					
Staff costs	6	(5,218)		(4,862)	
Early retirement and severance costs		(9)		(9)	
Depreciation and amounts written off tangible and intangible fixed assets	9 & 10	(181)		(220)	
Other operating charges	7	<u>(5,131)</u>		<u>(4,267)</u>	
			(10,539)		(9,358)
Operating surplus/(deficit)			(90)		104
Interest receivable	8	27		14	
Cost of capital		<u>5</u>		<u>3</u>	
			32		17
Surplus/(deficit) on ordinary activities		*	(58)		121

All operations are continuing

* See note 1i

The notes on pages 43 to 54 form part of these accounts

Statement of total recognised gains and losses

for the period ended 31 March 2006

	<i>Note</i>	2005-06 £'000	2004-05 £'000
Surplus/(deficit) for the year	*	(58)	121
Unrealised surplus on revaluation of fixed assets	14	<u>0</u>	<u>0</u>
Total recognised gains/(losses) for the period	*	<u>(58)</u>	<u>121</u>

* See note 1i

The notes on pages 43 to 54 form part of these accounts

Balance Sheet as at 31 March 2006

	Note	2005-06		2004-05	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9	615		758	
Intangible assets	10	<u>200</u>		<u>181</u>	
			815		939
Current assets					
Debtors	11	555		724	
Cash at bank and in hand	17	200		31	
Creditors (amounts falling due within one year)	12	<u>(1,447)</u>		<u>(1,237)</u>	
Net current liabilities			(692)		(482)
Creditors (amounts falling due after more than one year)	12	(179)		(235)	
Provisions for liabilities and charges	13	(183)		(274)	
			<u>(362)</u>		<u>(509)</u>
Net liabilities		*	<u>(239)</u>		<u>(52)</u>
Financed by:					
Deferred government grants	14		815		939
Revaluation reserve	14		0		0
Income and expenditure reserve	14		<u>(1,054)</u>		<u>(991)</u>
			* <u>(239)</u>		<u>(52)</u>

* See note 1i

The notes on pages 43 to 54 form part of these accounts

These financial statements were approved by the Commission on 28 June 2006 and were signed on its behalf by:

Caroline Slocock
Chief Executive
3 July 2006

Cash Flow Statement for the period ended 31 March 2006

	Note	2005-06 £'000	2004-05 £'000
Net cash (outflow)/inflow from operating activities	16	142	(34)
Returns on investments and servicing of finance			
Interest received	8	27	14
Capital expenditure and financial investment			
Intangible fixed asset additions	10	(40)	(120)
Tangible fixed asset additions	9	(57)	(72)
Financing			
Capital grants received	2	97	192
Net cash inflow from financing			
Increase/(decrease) in cash	17	169	(20)

The notes on pages 43 to 54 form part of these accounts

Notes to the Accounts

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the EOC's financial statements.

1a Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified by the application of current cost principles to tangible and intangible fixed assets and in accordance with directions issued by the Secretary of State for Trade and Industry to show a true and fair view.

1b Fixed assets

All fixed assets are capitalised at their cost of acquisition and installation. They are revalued annually using the indices taken from the publication 'Price Index Numbers for Current Cost Accounting' issued by the Office for National Statistics.

The EOC's capitalisation threshold is set at £2,500 per individual item (including any amounts of Value Added Tax which are irrecoverable). IT and furniture assets that are individually below the threshold are grouped for capitalisation purposes.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of more than £2,500 is incurred. Software licences are amortised over the shorter of the term of the licence and the useful economic life (7 years).

1c Depreciation

Fixed assets are depreciated using the straight-line basis commencing in the month of acquisition. Depreciation is applied over the estimated useful economic lives of the assets to the business as follows:

Furniture	15 years
IT equipment (including telecommunications equipment)	7 years
Fixtures and fittings	Duration of the life of the relevant office lease

1d Income recognition

Income is recognised in the period to which it relates other than Grant-in-Aid which is recognised in the period in which it is received.

Grant-in-Aid relating to specific capital expenditure on depreciable assets is treated as deferred credit under the heading 'Deferred capital grant'. A proportion is then transferred to the Income and Expenditure Account over the estimated useful economic life of the assets to which it relates to offset the depreciation charge on those assets.

1e Pension policy

Past and present employees are covered by the provisions of the Civil Service Pension Schemes. The defined benefit elements of the schemes are unfunded and non-contributory except in respect of dependents' benefits. The EOC recognises the expected cost of these

Notes (continued)

elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes the EOC recognises the contributions payable for the year.

1f Cost of capital

In order to show the full cost of the EOC's activities, notional costs are included in the Income and Expenditure Account. A notional cost of capital is charged at 3.5% to average capital employed during the year. The sums are written back into the Income and Expenditure Reserve for the year.

1g Operating leases

Operating leases are for premises and equipment rental and are charged to the Income and Expenditure Account on a straight-line basis over the life of the lease.

The EOC sub leases part of the Manchester office premises to the Disability Rights Commission. The income is credited against the premises costs in the Income and Expenditure Account.

1h VAT

The EOC can recover VAT on items relating to its 'business' activity, such as conferences. HM Customs and Excise allows full VAT recovery on specifically identifiable 'business' activities plus an agreed percentage recovery on the VAT incurred on all overhead costs. All costs are net of recoverable VAT; irrecoverable VAT is included with the cost to which it belongs.

1i Going concern

The balance sheet at 31 March 2006 shows net liabilities of £239k. This reflects the inclusion of 2005-06 liabilities falling due in future years which, to the extent that they are not to be met from the EOC's other sources of income, may only be met by future grants or Grants-in-Aid from the EOC's sponsoring department. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Cash Grant-in-Aid for 2006-07, taking into account the amounts required to meet the EOC's 2005-06 liabilities falling due in that year, has already been included in the department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1j Early retirement costs

Full provision for early retirements is made in the year in which the liability occurs. The provision is valued by discounting at the Treasury determined rate.

Notes (continued)

2 HM grants received

	2005-06 £'000	2004-05 £'000
Revenue grant (RfR 1)	9,478	8,394
Deferred capital grant (RfR 1)	97	192
	9,575	8,586

3 Split of activity

The EOC is required by the Treasury Direction and Fees and Charges Guide to disclose segmental information for the different services provided as below. All income was generated by activities in Great Britain. This note is not provided for SSAP25 purposes.

Activity	Turnover £'000	2005-06 Costs £'000	(Deficit) £'000	Turnover £'000	2004-05 Costs £'000	(Deficit) £'000
Equality Exchange	53	142	(89)	66	215	(149)

The aim of the Equality Exchange is to keep employers and other organisations up to date on the latest developments on sex equality, for which a membership fee is charged. The purpose is to disseminate information rather than recover the full cost of providing the service.

4 Income from activities

	2005-06 £'000	2004-05 £'000
Receipts from fees and publications	53	67
Recovered legal costs	82	34
Sponsorship	54	173
	189	274

5 Other operating income

	2005-06 £'000	2004-05 £'000
European Social Fund (ESF)	149	200
Fair Play Scotland	117	89
Scottish Executive	80	10
Close the Gap Scotland	134	272
Release of deferred capital grant	181	220
Miscellaneous	121	3
	782	794

Other operating income includes EU Funding of £201k (2004-05 £400k), comprising of ESF £149k (2004-05 £200k), Fair Play £28k (2004-05 £12k) and Close the Gap £24k (2004-05 £188k). The £80k from Scottish Executive relates to the Women and Work Commission

Notes (continued)

project £50k (2004-05 £10k) and the Fair for All – Gender project £30k (2004-05 £0k), see Note 25.

Miscellaneous income includes £92k received from Manchester City Council relating to a rating revaluation covering the years 2000-01 to 2005-06.

6 Staff number and costs

The average number of persons employed during the year comprised:

	Number of employees	
	2005-06	2004-05
Permanent staff	162	155
Other staff	10	11

The aggregate payroll costs were as follows:

	2005-06 £'000	2004-05 £'000
Salaries	3,951	3,740
Social security costs	315	304
Pension contributions	709	487
Secondments	22	57
Amounts payable in respect of agency staff	81	115
	5,078	4,703
Commissioner costs	140	159
	5,218	4,862

Pension arrangements

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Equal Opportunities Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06, employers' contributions of £707k were payable to the PCSPS (2004-05 £483k) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12 per cent and 18.5 per cent). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07, the salary bands will be revised and the rates will be in a range between 17.1 and 25.5 per cent.

The contribution rates are set to meet the costs of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2k (2004-05 £4k) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay.

Notes (continued)

Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £164, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

No persons retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2004-05 £nil).

7 Other operating charges

	2005-06 £'000	2004-05 £'000
Running costs		
Travel, subsistence, recruitment and training	592	570
Premises	566	*406
Operating leases – premises	428	401
Office services and supplies	583	560
Operating leases – equipment	116	111
Audit fee **	34	22
Corporate expenses	117	149
Travel, subsistence and hospitality – Chair and other Commission members	40	39
Unwinding of discounted provision	4	17
Programme costs		
Legal services	414	370
Research services	578	432
Publicity and information services	<u>1,659</u>	<u>1,190</u>
	<u>5,131</u>	<u>4,267</u>

* Premises costs for 2004-05 are stated net of a £117k rates rebate in respect of prior years.

** The audit fee relates to statutory audit work (£22k, no VAT Chargeable) and to the audit of the Close the Gap project in Scotland (£12k including VAT).

8 Interest receivable

	2005-06 £'000	2004-05 £'000
Interest receivable	27	14

Notes (continued)

9 Tangible fixed assets

	Furniture £'000	IT equipment and telecoms £'000	Fixtures and fittings £'000	Totals £'000
Cost or valuation				
1 April 2005	416	668	487	1,571
Transfers	0	(56)	0	(56)
Additions	0	57	0	57
Disposals	0	(42)	0	(42)
Revaluation	(12)	(22)	(9)	(43)
31 March 2006	404	605	478	1,487
Depreciation				
1 April 2005	151	357	305	813
Transfers	0	(31)	0	(31)
Charge for year	27	83	33	143
Disposals	0	(35)	0	(35)
Revaluation	(4)	(10)	(4)	(18)
31 March 2006	174	364	334	872
Net book value				
31 March 2006	230	241	144	615
1 April 2005	265	311	182	758

IT equipment and telecoms fixed assets with a net book value of £25k were transferred to intangible fixed assets.

Notes (continued)

10 Intangible fixed assets

The Commission's intangible fixed assets comprise purchased software licences.

Purchased software licences £'000

Cost or valuation

1 April 2005	215
Transfers	56
Additions	40
Disposals	0
Revaluation	(11)
31 March 2006	300

Depreciation

1 April 2005	34
Transfers	31
Charge for year	38
Disposals	0
Revaluation	(3)
31 March 2006	100

Net book value

31 March 2006	200
1 April 2005	181

IT equipment and telecoms fixed assets with a net book value of £25k were transferred from tangible fixed assets.

11a Debtors

	31 March 2006 £'000	31 March 2005 £'000
Trade debtors	20	42
Other debtors	2	93
VAT debtor	10	0
Prepayments and accrued income	<u>523</u>	<u>589</u>
	<u>555</u>	<u>724</u>

All debtors fall due within one year.

Notes (continued)

11b Intra-government balances

	Debtors: Amounts falling due within one year 2005-06 £'000	Debtors: Amounts falling due within one year 2004-05 £'000
Balances with other central government bodies	217	44
Balances with local authorities	0	244
Balances with NHS Trusts	0	0
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	<u>338</u>	<u>436</u>
	<u>555</u>	<u>724</u>

12a Creditors: amounts falling due within one year

	31 March 2006 £'000	31 March 2005 £'000
Trade creditors	266	378
Other creditors	46	92
VAT creditor	0	5
Accruals and deferred income	<u>1,135</u>	<u>762</u>
	<u>1,447</u>	<u>1,237</u>

12b Creditors: amounts falling due after one year

	31 March 2006 £'000	31 March 2005 £'000
Premises rent free period	179	235

12c Intra-government balances

	Creditors: Amounts falling due within one year 2005-06 £'000	Creditors: Amounts falling due within one year 2004-05 £'000
Balances with other central government bodies	1	183
Balances with local authorities	35	1
Balances with NHS Trusts	0	0
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	<u>1,411</u>	<u>1,053</u>
	<u>1,447</u>	<u>1,237</u>

Creditors (amounts falling due after more than one year) is a balance with bodies external to government.

Notes (continued)

13 Provisions for liabilities and charges

Early retirement costs £'000

Balance at 1 April 2005	274
Additions in year	0
Charge for the year	(95)
Unwinding of discount	4
Balance at 31 March 2006	183
Amounts falling due within one year	62
Amounts falling due after one year	121

14 Movement in government funds and reserves

	Income and expenditure £'000	Deferred government grants £'000
Balance at 1 April 2005	(991)	939
Capital grant received	0	97
Released to I & E in year	0	(181)
Deficit for the year	(58)	0
Write back cost of capital	(5)	0
Revaluation elements	0	(33)
Disposals	0	(7)
Balance at 31 March 2006	(1,054)	815

15 Operating lease commitments

The EOC has commitments in the following year relating to operating leases that expire:

	Buildings		Equipment	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Within one year	0	0	25	0
Between two and five years	462	57	76	136
After five years	42	447	0	3

There were no obligations under finance leases.

Notes (continued)

16 Reconciliation of operating surplus/(deficit) to net cashflow from operating activities

	2005-06 £'000	2004-05 £'000
Operating surplus/(deficit)	(90)	104
Depreciation charges	181	220
(Increase)/decrease in debtors	169	(130)
Increase/(decrease) in creditors	154	79
Deferred capital grant	(181)	(220)
Release provision for backdated severance and early retirement costs	(95)	(104)
Unwinding of discounted provision	4	17
Net cash (outflow)/inflow from operating activities	142	(34)

17 Analysis of changes in net funds

	1 April 2005 £'000	Cash flows £'000	31 March 2006 £'000
Cash at bank and in hand	31	169	200

18 Financial instruments

The Commission has no significant exposure to liquidity, interest rate or currency risks. FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are 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 FRS 13 mainly applies. The Commission has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

Interest rate risk

Interest rate risk is not significant; as the Commission has no borrowings or interest bearing deposits;

Liquidity risk

The Commission is not exposed to significant liquidity risk; as it has no borrowing facilities and cash requirements are met by the Department of Trade and Industry funding;

Currency risk

Currency risk is not significant, as the Commission had no material imports or exports, nor does it hold foreign currency assets or liabilities.

Notes (continued)

Credit risk

The Commission has no long-term debt and is not exposed to credit risk.

19 Capital commitments

There were no capital commitments at the end of the year (2004-05 Nil).

20 Contingent liabilities

There were no contingent liabilities at the end of the year.

Legal costs and recoveries relating to supported cases in progress as at 31 March 2006 are not treated as a contingent liability but as an ongoing expense.

21 Related party transactions

The EOC is a Non-Departmental Public Body sponsored by the Department for Trade and Industry. The Department for Trade and Industry is regarded as a related party. During the year, the EOC has had various material transactions with the Department for Trade and Industry.

None of the Commission members or key managerial staff has undertaken any material transactions with the EOC during the year. The following disclosed transactions are not regarded as material but are included in the interests of openness and accountability.

Opinion Leader Research Ltd is regarded as a related party as a Commission member, Deborah Mattinson, is joint CEO. During the year the EOC entered into a transaction with a value of £9,900 with Opinion Leader Research Ltd. The transaction related to a survey carried out to measure the success of the EOC's influencing activities following on from work done to the value of £8,000 by Opinion Leader Research during 2004-05.

In addition the EOC has had a small number of material transactions with other government departments and other central government bodies. These transactions have been with the Disability Rights Commission, Home Office, National Scottish Enterprise, Scottish Executive, and Highlands and Islands Enterprise.

Neelam Bakshi of NB Associates, Tanuka Loha of The 1990 Trust and Dr Rheena Bhavnani are members of the EOC's General Formal Investigation External Advisory Boards. Neelam Bakshi is also a member of the EOC Scotland Advisory Committee. Although they are not regarded as related parties, as they have no formal decision making powers, they are included here for the purposes of transparency. During the year the EOC entered into transactions with The Market Specialists, in partnership with NB Associates, with a value of £31,910, The 1990 Trust with a value of £7,000 and Dr Rheena Bhavnani with a value of £4,589.

All contracts were awarded in accordance with the EOC's procurement procedures.

22 Performance against key financial targets

The EOC expenditure for the year only varied by 0.09% from the amount of its delegated expenditure limit together with retainable income generated. The EOC is committed to carrying out its duties to the highest standards whilst ensuring the costs of its work are kept to a minimum.

Notes (continued)

23 Post balance sheet events

Following the Cabinet reshuffle in May 2006 the EOC's sponsor department changed from the Department of Trade and Industry to the Department for Communities and Local Government.

The Equality Bill which will merge the EOC and other equality bodies into a wider Commission for Equality and Human Rights (CEHR) was passed on 16 February 2006; the CEHR is likely to be operative from 1 October 2007.

24 Other commitments

There were no other commitments at the end of the year.

25 Scottish Executive funding

During 2005-06 Scottish Executive provided the EOC with £50,000 of funding for a project re the Women and Work Commission. During the year £38,033 was spent on the project, £26,671 staff costs and £11,362 non-staff costs and £12,000 was spent on the Gender Equality Matters project.

Scottish Executive also provided the EOC with £30,000 of funding for a project re Gender Equality in the Health Department. During the year £29,992 was spent on the project, all non-staff costs.

Scottish Executive will provide a further £50,000 for the project in 2006-07.

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