



Commission for  
Rural Communities

Tackling rural disadvantage

## **Annual Report and Accounts 2009-10**



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## **Chairman's Foreword**

During these challenging economic times it is more important than ever that the CRC's work demonstrably delivers positive, practical outcomes for people who live and work in rural areas. I am pleased, therefore, to report on a year of continued progress, with 80% of stakeholders confirming that our evidence has made a difference to their policies and activities and our input making a major difference, for example, to market towns' eligibility for funding and new opportunities created for rural people to access government support programmes.

Experience shows that partnership and collaboration is an effective way of developing cost-effective solutions addressing the challenges, and capitalising on the strengths, to be found within rural communities. You will find many examples of such collaborative working within this report. Encouragingly, the CRC is increasingly being asked for expert advice, information and support by decision-makers keen to ensure their policies and services take proper account of rural needs. But we also work proactively; identifying key areas where we see a risk that rural issues will be overlooked and bringing together the right people from across the public, private and voluntary sectors to develop an appropriate response.

As I travel the country in my dual roles as Rural Advocate and CRC Chairman, I am repeatedly struck by the resilience and entrepreneurship demonstrated by rural communities. It is a pleasure and a privilege to meet the resourceful, energetic, determined individuals who act as a catalyst for so much valuable activity at a local level. I am proud of the part that the CRC plays in supporting this activity, identifying and spreading good practice and seeking to ensure that rural communities have a voice within mainstream decision-making.

Our Commissioners continue to provide the organisation with invaluable knowledge and expertise and I am grateful for their support. At the start of this financial year we welcomed four new Commissioners: Richard Childs, John Mills, Sue Prince and Rachel Purchase. In September Richard Burge, who had served as a Commissioner since April 2005, resigned to take up a new role with Wilton Park; I thank him for his contribution and wish him well. It was with great sadness that we learned of the death of Norman Glass, one of our founding Commissioners, in June 2009, and I was honoured to address his memorial service.

I was pleased to welcome Sarah McAdam as our new Chief Executive in August 2009 and I am indebted to Gill Payne who was our Chief Executive from 1 April 2009 until Sarah's arrival. On behalf of the Commissioners, I would like to express our gratitude to Sarah, the wider Executive Board and all CRC staff for their continued professionalism and commitment.

On 29 June 2010, the Secretary of State for Defra announced, in a written statement to the House of Commons, that the Government intended to abolish the Commission for Rural Communities. The Secretary of State confirmed that Defra will be establishing a new Rural Communities Policy Unit within the Department to work across Government to ensure that the interests of rural communities are fully reflected in policies and programmes.

While the loss of an independent Commission is regrettable, the Secretary of State has recognised the need for decision makers across and beyond government to continue to receive expert advice about the impact of their policies on people who live and work in rural areas. Thanks to the hard work and dedication of its staff and Commissioners, the CRC has come to be seen as an authoritative and constructive source of evidence, insights and practical rural solutions. We will do all we can to ensure those strengths are built upon by the new Rural Communities Policy Unit and that work on priority issues – such as broadband, affordable housing and transport – continues uninterrupted.

It is my pleasure to present the Commission for Rural Communities' Annual Report and Accounts for 2009-10.

**Stuart Burgess, CBE**

Chairman and Rural Advocate

## Chief Executive's introduction

My first eight months as Chief Executive have been fascinating, challenging and rewarding. I have been impressed both by the quality and breadth of the CRC's work and the commitment of staff to make a difference for rural communities.

Our work during the year has been in line with our three statutory functions – here is just one example of each:

**Advocate** – we listen and then advocate solutions which meet the needs of rural communities. For example, our 'Major Life Events' study provided compelling evidence from the experiences of rural people facing life-changing events and highlighted both the difficulties facing rural residents in accessing services and the need for greater equality in service provision. We brought together service users, practitioners and policy makers to explore the challenges of using – and delivering – specific services in rural areas. A National Audit Office report on acute stroke service delivery used our evidence and we presented our findings to the Stroke All Party Parliamentary Group. As a direct result of our evidence, 'rurality' has been recognised by the National Cancer Equality Initiative as an inequality that needs to be better understood and addressed in the cancer reform strategy.

**Expert adviser** – we are increasingly recognised as a valuable source of advice, data and technical assistance across government and beyond. For example, we demonstrated that the predominance of older, less energy-efficient housing stock and the dependence of 36% of rural households on oil and liquid petroleum gas exacerbates fuel poverty in rural areas. Having raised the issue with the Department for Energy and Climate Change (DECC), we brought together the relevant policy makers, fuel suppliers and voluntary bodies, developed guidance for local authorities and prepared new analysis and evidence for the Fuel Poverty Select Committee.

**Independent watchdog** – in response to a National Audit Office report recommendation, we have sought to clarify and strengthen our watchdog function. For example, we raised a concern about the first round of the government's Town Centre Initiative Fund last summer. With our support and advice, the criteria were revised so that many more market towns were eligible in the second round.

My main focus has been on developing the effectiveness of the organisation:

- **Working increasingly with government departments at the pre-consultative stage** to provide rural expertise at the heart of policy development. Whilst Defra is the CRC's sponsor department, we work across a wide range of other government departments to provide rural evidence, insights and ideas. On behalf of Defra we secured agreement for the Department for Transport, DECC and the East of England Government Office to host 'Rural Champions' to help embed rural proofing approaches into their work. This new approach has already achieved good results and we are developing proposals as to how to implement the lessons learned more widely.
- **Ensuring that we can respond to the challenge of public sector spending cuts**, understanding the potential impacts and finding cost-effective solutions for rural communities. For example, we organised a roundtable of key players to share intelligence and consider likely implications of the cuts. This activity has informed our new corporate plan and the way in which we will approach our future work
- **Focusing CRC resources to enable us to deliver more for less.** We made adjustments to deliver against a £6.08 million budget in 2010-11, 22% lower than in our first year of operation just four years ago. This has subsequently been reduced by 5% to help our sponsor department, Defra, to deliver its share of the total £6.2 billion savings required across government. We are identifying and eliminating duplication with other organisations and targeting our resources on activity which can deliver the greatest positive impacts for rural communities.

- **Clarifying and streamlining the CRC's planning and decision-making processes** to ensure we can respond promptly and effectively to changing political and economic priorities.
- **Seeking new ways of working**, with a greater focus on partnership and collaboration and new sources of funding to supplement the grant-in-aid from Defra which remains our primary source of income. For example, the CRC was commissioned to provide a Rural Champion team as part of the Department of Work and Pension's Financial Inclusion initiative, with an additional £549k budget over a three-year period. Our work has resulted in real action on the ground for disadvantaged rural communities – housing associations have incorporated rural elements into their financial inclusion work, and six new rurally focused growth fund delivery contracts have been established across the South West and in Northumberland which will allow greater access to affordable credit for people in rural areas.

I know I speak on behalf of all the CRC staff when I say that we were delighted by the recognition in the Queen's Birthday Honours 2009 for Stuart Burgess's tireless work on behalf of rural communities in the award of the CBE and we congratulate him. I extend my thanks to Stuart Burgess and the Commissioners, to our partners and, most importantly, to the CRC staff for their generous welcome and support. Together we have been able to deliver impressive results in a year of great change.

## Performance review

The CRC's statutory purpose is to promote awareness of the social and economic needs of people who live and work in rural areas and help decision-makers across and beyond government identify how those needs can best be addressed. We are required to have particular regard to people suffering from social disadvantage and areas suffering economic under-performance. This is increasingly important in the current fast-changing economic climate as we seek to ensure that the challenges facing rural people, places and economies are reflected in government responses and solutions.

In our Corporate Plan 2009/10-2011/12, we shaped our programmes and projects to contribute to one or more of our four strategic impacts. This review charts our progress and achievements during the year. The Plan lists what we were planning to do, how we would do it and our 'desired outcome' or as we put it: "we will know we are succeeding when ...". These are our long term aspirations for rural communities – in this review we set out the progress we have achieved towards those goals during the year.

## Impact 1 Policy and delivery become more integrated and progressive, encouraging rural places to become more sustainable

*We know we are succeeding when...*

- ***The Homes and Communities Agency demonstrate their commitment to and understanding of the need for sustainable affordable rural housing through their targets and funding structures.***
- ***Planning policy articulates a clearer focus on delivering sustainable rural development.***
- ***The Department for Transport's Local Transport Plan and Good Practice Handbook includes a greater emphasis on rural transport.***
- ***The major stakeholders in our upland communities inquiry support the majority of our calls for action.***
- ***Local rural communities share ideas on climate change mitigation and adaptation and more communities understand how to measure their contribution to national targets.***

### Affordable housing

- Continued to highlight to Communities and Local Government (CLG) and the Homes and Communities Agency (HCA) the lack of affordable housing and the reduction of targets disproportionately affecting rural areas.
- Played an active role in the Homes and Communities Agency's rural advisory group helping to rural-proof current and planned activity across the country.
- Reported to government on the impact of the recession on affordable housing.
- Collaborated with the National Housing Federation on a campaign to promote rural communities' support for affordable housing schemes.

### Planning

- Influenced new planning policy, PPS4, so that local planning decisions support small-scale local businesses, and welcomed government support for master housing plans.
- Identified as a 'key public body' to advise National Park Authorities in England on socio-economic issues.

- Facilitated the unprecedented Rural Coalition of seven major national organisations to publish a Rural Prospectus, 'The Future is Rural Too', calling for reforms to create a strong, confident and sustainable countryside.
- Prompted a number of key national bodies to commit to encouraging a more flexible approach to planning at a local level as a result of our Rural Experience, led by Chief Planner Steve Quartermain, focusing on restrictive planning processes in rural areas.
- Designated as a statutory consultee for the Infrastructure Planning Commission and contributed to the development of the new National Policy Statements.

## **Transport**

- Assisted local authorities to review their Local Transport Plans in 2010 by commissioning research to highlight innovative transport solutions for rural areas – including demand-responsive transport for isolated settlements and ways to reduce the need to travel – and provided this information to the Department for Transport.
- Highlighted integrated transport best practice in a rural transport DVD with Lincolnshire County Council, filmed during a Rural Advocate visit.

## **Inquiry into the future of Upland Communities**

- Continued hearings and research for our major Inquiry into the future of uplands communities and produced a web report based on five academic seminars highlighting the future potential of the uplands and their benefit to the nation. A 'State of the Uplands Update' of key statistics highlighted the lack of spatial data to enable an integrated approach to the uplands to be taken.
- Incorporated relevant recommendations from our earlier Participation Inquiry into local democracy.
- Built support for our final report to be launched in summer 2010 by sharing our emerging findings with stakeholders.

## **Climate change mitigation**

- Worked with Defra to select rural communities for a pilot programme on new approaches to help communities adapt to and prepare for the impacts of climate change in coastal areas.
- Secured a change to the Carbon Emissions Reduction Target scheme to make it more applicable to rural areas.
- Facilitated improved access for rural communities to DECC's low carbon communities challenge – government funding to demonstrate best practice in tackling climate change. This resulted in a high application and success rate from rural communities in England.
- Hosted a visit by Lord Chris Smith, chairman of the Environment Agency, to Gloucestershire farms that had been affected by the 2007 floods.
- Joined the Environment Agency's steering group for a project to increase rural communities' adaptation to flood risk and coastal erosion.

## Impact 2 Services in rural areas improve, particularly for people experiencing disadvantage

### *We know we are succeeding when...*

- ***The practices advocated in the financial inclusion guide are adopted by regional champions, local authorities and delivery service agents.***
- ***The Warm Front policy is revised so that more rural homes become eligible for its funding.***
- ***More local authorities take account of rural issues when applying funding to rural schools and more schools offer the extended schools agenda.***
- ***At least four more communities adopt the community broadband approach by April 2010.***
- ***The proposed Government target of 90% 2Mbps broadband coverage is spread proportionately across all areas of England, rather than the remaining 10% comprising sparse and remote areas.***
- ***Strategic Health Authorities rural proof their work.***

### **Rural financial inclusion**

- In our role as rural financial inclusion champion for the Department for Work and Pensions, we:
  - contributed towards a 30% increase in the proportion of growth fund loans to people in rural areas – up from 6.8% in 2008-09 to 9% in 2009-10, with a target of 14% by March 2011 – by helping to establish six new rurally focused growth fund delivery contracts in rural areas across the south west and the north of England.
  - developed new partnerships in Wiltshire, Dorset and Somerset; and produced a good practice toolkit for local authorities and credit unions on delivering affordable credit in rural areas.
- Built our evidence base and produced a Financial Inclusion guide and a State of the Countryside update.

*“Norfolk County Council has worked closely with the Rural Financial Inclusion Champion over the past 18 months. In this time we have achieved some key successes, many of which would not have reached their potential had it not been for the support of Will Aston (CRC) and his team. Whether this is via the launch of Money Matters at the Norfolk Show, to more recent support through the developing Norfolk Financial Capability Forum; the Champion has provided practical and tangible support across a range of issues and to a number of key partners. We look forward to continuing to work with the team and our partners in this area, recognising the need to continue to build on our work to date, if we are to provide the necessary level of support for our rural economy.”*

**Shaun Norris**, Trading Standards Manager, Norfolk County Council

### **Post Offices**

- Contributed to research by Consumer Focus on the impact of Post Office closures which will inform our joint research with the Post Office into alternative services.

### **Fuel poverty**

- Intervened to ensure the government's boiler scrappage scheme included all fuel sources.

- With Defra, advised DECC on rural aspects of fuel poverty (more than 10% household income spent on fuel costs), highlighting the links with lack of access to mains gas and older housing without cavity walls, and provided evidence to the fuel poverty select committee.
- Increased evidence and understanding of fuel poverty in rural communities by focusing on three local authority pilot areas, attracting national media interest (our map showing distribution of fuel poverty was 'map of the week' on the BBC website). Produced a guide for local authorities on improving energy and tackling fuel poverty.
- Extracted a pledge from the supply industry to strengthen advice to heating oil and liquid petroleum gas (LPG) customers on home energy efficiency by bringing together industry representatives with government departments and agencies.

## Rural schools

- Informed the Department for Education (formerly the Department for Children, Schools and Families) review of the Dedicated Schools Grant (DSG) formula with our evidence on rural deprivation, drawn from local authorities and schools. It also informed the All-Party Parliamentary Group on Rural Services' inquiry into education funding formulae, highlighting additional rural costs.
- Started work, due to be completed in mid-2010, to provide web advice on good practice on extended school services in rural communities and potential impact of school closures on social and community cohesion.

## Children's centres

- Brought together officials, rural practitioners and voluntary sector representatives to discuss our report on children's centres in rural communities and identify action, further joint working and the establishment of a rural steering group for children's centre leads to be chaired by the Department for Education. As a result of our input, the Budget 2010 paper 'Ending Child Poverty' proposals included rural circumstances.
- Led a debate on the importance to rural communities of retaining and attracting young people through the launch of the Rural Advocate's report to the Prime Minister, complemented by a State of the Countryside Update providing relevant statistics. This attracted unprecedented media coverage and support from partners.

## Communications technology

- Ensured that rural IT and mobile phone needs were kept high on the government agenda – provided unique evidence and recommendations on rural challenges for Lord Stephen Carter's Digital Britain report and published our own 'Mind the Gap' report for Communications Minister Stephen Timms and the Prime Minister on how information and communications technology can help unlock the social and economic potential of rural areas. Gave oral evidence on broadband speeds to the Business, Innovation and Skills (BIS) Select Committee.

*"The CRC's report rightly highlights the need to ensure rural communities aren't left behind as the rest of the UK enjoys the benefits of digital technologies, both social and economic."*

*Then Minister for Communications, Technology and Broadcasting, **Lord Stephen Carter***

*“In his annual report published last week, the Prime Minister's Rural Advocate, Dr Stuart Burgess, highlighted – rightly in my view – the importance of good broadband links in rural communities, particularly emphasising the importance for children – not least in education. He also pointed out that next generation broadband will be crucial for rural communities, because – without it – businesses in rural areas will find it impossible to compete. With it, much of the historic disadvantage that rural businesses have faced will disappear.”*

**Stephen Timms**, former Minister for Digital Britain, National Digital Inclusion Conference, 10 March 2010

*“The Commission for Rural Communities' report is a timely and welcome contribution to the national debate on the future of Digital Britain. Digital technology in rural areas is helping businesses to grow, and is transforming lives, communities and jobs. Access to the best technology available is as essential to rural areas as it is to urban. Universal access to broadband is central to government's plans to deliver services and information, both nationally and locally. We must ensure that everyone is able to benefit from the advantages of new technologies both now and in the future.”*

**Rt Hon Gordon Brown**, then Prime Minister

- Highlighted the needs of rural communities to Lord Carter's successor as digital inclusion champion, Martha Lane Fox, who included rural needs in a series of meetings around the country to inspire people to get connected.
- Worked with the Community Broadband steering group to develop proposals and target funding for a toolkit of practical advice and support for new community broadband groups.

## Health

- Shared good practice and gained commitment to exploring practical new ways of delivering better, more-accessible services in a tough economic climate at a major national conference jointly organised with Defra, the Improvement and Development Agency for local government (IDeA) and the Department of Health. This laid foundations for further targeted engagement with some of the most-rural Strategic Health Authorities and Primary Care Trusts.
- Department of Health included rural issues in the New Horizons mental health strategy.
- Persuaded the Social Exclusion Task Force study into primary health care for socially excluded groups to include gypsies and travellers as one of the four groups studied.
- Raised awareness of the difficulties faced by rural communities by promoting evidence from our 'major life events' initiative. Two high-level events on the challenges faced by cancer and stroke sufferers in rural areas developed ideas for improved service provision; 'rural' has been recognised as one of seven inequalities by the National Cancer Equality Initiative; and following our presentation to the Stroke All Party Parliamentary Group, results of our Stroke research were fed into the National Audit Office report on acute stroke service delivery. Our research was also used in the All-Party Parliamentary Group for Children's report on inequalities, and the Cancer Reform Strategy second annual report.

*“One-third of people who suffer a stroke will be left with a long term, severe disability. A significant number of stroke survivors and their families live in rural England, many of whom can feel isolated and don't have the necessary access to the stroke services that they require. The Stroke Association provides services to combat this feeling of isolation and offers support. This conference, we hope, will be a fundamental step in planning how we can better implement services and meet the wishes of stroke survivors in rural areas to ensure that they receive the quality care and assistance they need.”*

**Jon Barrick**, Chief Executive, The Stroke Association

### **Impact 3 Economic agencies are committed to overcoming rural economic disadvantage and releasing the economic potential of rural areas**

***We know we are succeeding when...***

- ***Vulnerable rural people have improved access to Jobcentre Plus and skills development support.***
- ***The criteria for regeneration funding ensures equitable access so that more rural places are eligible to apply for funds.***
- ***Rural areas have equitable access to recession recovery funds announced in the 2009 Budget.***

*“Rural businesses, of all sizes, are vital to our national and regional economies. But they need more support and more focus to ensure good rural firms flourish over the next decade. There are thousands of examples of rural companies innovating and becoming excellent investment opportunities. We must realise their full potential, and ensure the best possible business conditions – like lower taxes, less regulation and better infrastructure – are in place to help them drive the UK's economic recovery, creating jobs and wealth for local communities in the process.”*

**David Frost**, Director General, British Chambers of Commerce

### **Employment and skills**

- Encouraged Government – in particular the Department for Work and Pensions (DWP) – to improve the provision of employment and employability support and training by highlighting the inequality of access for rural communities.
- Highlighted to public and private sector policy and decision makers the challenges faced by rural people trying to access government's employment and training support by drawing on our substantially improved evidence at workshops, conferences and briefings. This included a study of the effectiveness of government programmes (*Delivering national employment and skills programmes to vulnerable groups in rural England: needs, barriers and solutions*); a qualitative study by the Institute for Public Policy Research (ippr) capturing the experience of unemployed rural people (*Major Life Events: losing a job*); and regular Rural Recession Impacts reports to Defra's Secretary of State.
- Secured agreement that the Department for Business, Innovation and Skills (BIS) and DWP would work together to explore greater use of videoconferencing and other access to employment and training services for people remote from Jobcentre Plus, and other ways in which the Jobcentre Plus network could be made more accessible through outreach services in rural areas where permanent offices are unviable. This was reinforced in ministerial meetings between Defra and BIS.

- Ensured equitable access to apprenticeships for rural communities by persuading government to allow Further Education colleges, as well as employers, to act as entry points to increase the number of opportunities available.

### **Rural recession impact**

- Provided regular reports on the impact of the economic downturn on rural communities and suggested recommendations for the Secretary of State ahead of National Economic Council meetings and to monthly meetings of the Regional Intelligence Network for BIS and Treasury ministers.
- Compiled an 'Agenda for change' for the Coalition Government – based on the collected output from hundreds of stakeholders and rural entrepreneurs attending a series of summits and a final, national event organised with Regional Development Agencies to develop recommendations from our 2008 report on realising the potential of rural economies.

### **Regeneration and market towns**

- Secured revised Government criteria for the second round of the Town Centre Initiative fund, ensuring that many more market towns were eligible to apply. At the request of Communities and Local Government (CLG), we contributed to events and written guidance designed to help local authorities make effective use of the funding – as a result, 15 rural local authorities (38% of recipient authorities) benefitted from the second tranche of funding, compared with only six rural local authorities, about 10% of recipient authorities, in round one.
- Worked within a cross-departmental group on coastal towns strategy, including commitment to better targeting of regeneration funding from government so that nearly half (12 out of 25) of the districts receiving this money were rural.
- Encouraged local authorities and other local agencies to implement projects and explore how economic well-being could benefit their communities, supported by our guidance and case studies published in January 2010.

### **Local Economic Assessments**

- Advised CLG and secured strengthened statutory guidance to local government for the new Local Economic Assessments to support economic development, with more direct reference to rural structures such as National Park Authorities and district councils, and highlighting the need to update Assessments in the light of any environmental shocks.

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## **Impact 4 The distinctive rural dimension is embedded in decision-making at appropriate levels**

### ***We will know we are succeeding when...***

- ***Three priority departments have agreed their future approach to rural proofing their work.***
- ***Four Participatory Budgeting pilots have demonstrated how rural communities can influence spending decisions in their area.***
- ***We have reported on government departments' successes in incorporating rural in their policy delivery.***

## **Rural proofing champions**

- Three pilot departments embedded rural proofing into their policy making and established close working relationships with the CRC as a result of the highly successful 'Rural Champions' initiative, sponsored by Defra. Rural champions were hosted by the Department for Transport, DECC and Government Office for the East of England to increase understanding of the rural context of their work. This new approach resulted in greater consideration by host departments of effective delivery across all places, including rural areas. Lessons learned and proposals for wider use of rural champions are being developed.
- Brought together 140 key players at a major national rural proofing conference in May 2009, organised jointly with Defra to launch a rural proofing toolkit – with Ministerial support from education and rural affairs. More than a third of the delegates signed up to receive regular good practice bulletins.
- Developed guidance to help address rural needs in the new Integrated Regional Strategies and Local Area Agreements.
- Our analysis of the first year of Comprehensive Area Assessments (CAA) showed many rural communities were well served by local authorities and other public service providers.
- Included three specific 'rural' questions in the assessment for sustainable development action plans, and worked with the Sustainable Development Commission on the assessment of the Department of Health action plan.

## **Participatory budgeting**

- Developed rural pilots to promote local participation in deciding priorities and allocating public spending resources, working with the Participatory Budget Unit (PBU), CLG and others.
- Supported the National Association of Local Councils and other stakeholders to improve performance of parish and town councils with a more professional and successful approach to their work on behalf of their local communities. Our guidance material to promote good practice and improved links with new shire unitary authorities was highly commended by the chair of the Boundary Committee (now the Local Government Boundary Commission for England).

## **Reporting successes**

- Provided the secretariat for the all-party parliamentary group on rural services' inquiry into the funding of health services and education in rural areas. The report and recommendations were widely acknowledged as an excellent body of work to inform the Rural Services Network's future work on influencing funding formulae.

## **BBC Village SOS**

- Worked with the BBC on design and delivery of the programme to champion rural locations with business ideas aimed at bringing new life to the community.

## Maximising our impacts: Evidence, Communicating and Engagement

### Evidence and State of the countryside reporting

- Continued to develop and share our evidence base through State of the Countryside Updates on children and educational services, housing demand and supply, financial inclusion and upland communities; updated our '10 Big Numbers' on living and working in rural areas.
- Built on the *State of the countryside* conference in July 2009 to scope our 2010 report, working with other bodies that use and apply rural evidence. Helped scope the Rural Economy and Land Use (RELU) programme's fourth call for proposals on Adapting Rural Living and Land Use to Environmental Change, and the Royal Commission on Environmental Pollution's study on the Environmental Impacts of Demographic Change, emphasising the rural dimension.
- Continued to lead production of evidence on rural disadvantage to develop a rural Minimum Income Standard with the Centre for Research in Social Policy who conducted the original research for Joseph Rowntree Foundation.
- Our Rural Insights survey of the views of residents across rural England, and comparisons with urban residents informed organisations developing policy and making decisions affecting people living and working in rural communities.

### Supporting the Chairman and Rural Advocate

- Provided advice to Stuart Burgess, Rural Advocate, to inform his visits to rural areas and support his reports to all levels of Government. The continued support of the regional Rural Affairs Forums, Rural Community Councils ensures joined-up solutions are considered at the heart of government and that policy makers continue to benefit from the grassroots knowledge and experience.
- Visits during the year investigated, among other topics, the impact of the recession in rural England, climate change and coastal communities, and uplands communities.
- The Rural Advocate report to the Prime Minister, published in March 2010, focused on issues affecting children and young people living and working in rural England. Unprecedented amounts of media coverage and stakeholder support raised the profile of rural issues, such as employment and skills, availability of affordable housing, access to digital communications, transport and isolation and exclusion.

*"Rural communities play an important part in British life and ministers will look carefully at the points raised. We will continue to work with the Commission for Rural Communities to ensure we do all we can to understand and address the needs of those living in rural areas, especially those of the younger generation who are so crucial to building Britain's future."*

No. 10 Downing Street response to the Rural Advocate report

*“Dr Stuart Burgess leads the CRC and has done a great report from children and young people living in England’s countryside, stating what would make their lives better. They want better, cheaper transport, better broadband and mobile phone connections, and to be noticed by those who make policy, who they feel sometimes ignore our rural areas. I gave my support to Stuart, and made some connections, especially with the UK Youth Parliament’s Chair of Trustees, a former Member of the Youth Parliament.”*

Maggie Atkinson, Children’s Commissioner for England

## **Stakeholders and partners**

- Independent assessment of our impact through a stakeholder survey showed:
  - Overall perceptions very positive: seven in ten stakeholders favourable towards the CRC (72%) – an improvement on 2007, placing CRC high among other public sector organisations measured by Ipsos MORI.
  - CRC seen as a credible and professional organisation with authoritative research capability respected at the highest levels of government, ‘punching above its weight’.
- Organised three successful missions for the Organisation for Economic Co-operation and Development (OECD) to support their study of rural policy in England, commissioned by Defra, and held a joint conference on provision of rural services. Publication of the final report is expected later in 2010.

## **RDPE Network and UK National Rural Networks**

- Managed the network to support delivery of the Rural Development Programme (RDPE) and the UK national rural network (NRN) on behalf of Defra and ensured compliance with EU requirements. Gained high levels of satisfaction from a growing number of participants, with a fraction of the resources deployed by other Member States.
- Organised national networking events in partnership with stakeholders, on: programme integration; opportunities for forestry businesses; building capacity; and understanding of the Leader approach; and maximising rural regeneration.
- Launched two networking tools: the RDPE network website, providing services requested by stakeholders, a project database with more than 300 examples, policy updates and guidance; and fortnightly Leader e-news, directing participants to information and networking activities. Further information is available at [www.rdpnetwork.org.uk](http://www.rdpnetwork.org.uk)

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## **Governance**

### **An efficient organisation**

Delivered efficiency savings and better-focused our activities to have a positive impact on rural areas. Ensured all statutory requirements and governance standards were met. Invested in staff, recognising the wealth of knowledge, experience and enthusiasm they bring to the organisation and the value they add to the rural debate and rural communities generally.

### **Programme and project management**

Continued the use of logical frameworks for programme management so that every member of staff can see their contribution to overall performance of the organisation.

### **Performance management**

Established a balanced scorecard monitoring system for our quarterly reports, published on the website.

### **Resourcing strategy**

Continued development of in-house expertise and knowledge with flexibility a priority. New staff recruited only to specialist posts where the expertise was crucial to our effectiveness.

### **Equal opportunities**

As an equal opportunities employer we welcome applications for employment or research consultancy from all sections of the community and are committed to enabling all individuals to develop their full potential. At 31 March 2010 we employed no disabled people.

### **Headquarters**

Continue to rationalise our offices and seek value for money in all our facilities management.

### **Open government**

Complied with Open Government Code of Practice on access to information and have an agreed publications scheme under the Freedom of Information Act.

### **Environmental management and sustainability**

Supported the government commitment to sustainable development by producing a sustainable development action plan. Agreed to join the 10:10 campaign, committing to a 10% reduction in our carbon footprint in 2010/11.

### **Community issues**

Supported local suppliers whenever possible. Our volunteering scheme encourages employees to participate with community groups and the Cheltenham Volunteering Centre.

## Publications and consultations

### Our publications

<b>May</b>	Rural Proofing Toolkit	CRC 97
	Service Delegations to Parish and Town Councils: Guidance note	CRC 98
	Clustering by Parish and Town Councils: Guidance note	CRC 99
<b>June</b>	<i>State of the countryside</i> update: Uplands	CRC WEB 40
	Mind the Gap: Digital England – a rural perspective	CRC 104
	Locality reporting: Spatial disaggregation of the National Indicator Set	CRC WEB 39
	<i>State of the countryside</i> update: Financial Inclusion	CRC WEB 41
<b>July</b>	Rural Money Matters: A support guide to rural financial inclusion	CRC 105
	Annual Report and Accounts 2008-09	HC747 CRC100
	Corporate Plan: 2009/10 – 2011/12	CRC 96
<b>August</b>	Good Beginnings: Securing Effective Engagement for Town and Parish Councils – Executive Summary	CRC 90
	A truly local view: locality reporting against the National Indicator Set	CRC 95
	Helping parish and town councils work with unitary local authorities	CRC 107
<b>September</b>	Rural markers in datasets held at the UK Data Archive	
<b>November</b>	Insights from users and providers of Children's Centres in rural communities: Summary	CRC 111
	Delivering credit union services in rural areas: an operational guide	CRC 113
<b>January</b>	Understanding economic well-being	CRC 109
	Economic well-being – guidance for local authorities	CRC 110
<b>February</b>	<i>State of the countryside</i> update: Housing demand and supply	CRC WEB 42
	Insights from users and providers of cancer care in rural England: Summary report	CRC WEB 117
<b>March</b>	Rural Advocate report 2010	CRC 118
	<i>State of the countryside</i> update: Children and educational services	CRC WEB 43
	Corporate Plan 2010/11	

## Consultation responses

<b>May</b>	Communities and Local Government (CLG) Committee 'Supporting People' inquiry CLG consultation 'Lifting the Burdens from Local Economic Development and Regeneration'
<b>June</b>	CLG consultation on Housing and Planning Delivery Grant allocation for years 2 and 3
<b>July</b>	CLG consultation 'Planning Policy Statement 4: Planning for Prosperous Economies' Response to the Business and Enterprise Committee's inquiry 'Post offices – securing their future'
<b>September</b>	CLG consultation on 'Strengthening Local Democracy' Defra consultation on coastal change policy Natural England consultation on protected landscapes policy
<b>October</b>	CLG consultation on a new planning policy on development and coastal change CLG and BIS consultation on 'Draft Policy Statement on Regional Strategies and Guidance on the establishment of Leaders' Boards' CLG consultation on the introduction of the Community Infrastructure Levy DECC consultation on Renewable Electricity Financial Incentives 2009 CLG Local Economic Assessments: Draft statutory guidance consultation IDeA and PAS Draft Guidance on 'Preparing a local economic assessment'
<b>November</b>	DH consultation on future of Care Services
<b>January</b>	DCMS consultation 'The modernisation review of public libraries' DECC consultation on National Policy Statements for Energy infrastructure – Overarching Energy, Renewable Energy and Nuclear Energy.
<b>February</b>	DH consultation on Personal Care at Home CLG consultation on Single Equality Scheme BIS consultation on 'Developing the banking and financial services at the Post Office' CLG consultation 'Guidance for local authorities on incentivising landowners to bring forward additional land for rural affordable housing on rural exception sites' DfT consultation on National Policy Statement for Ports DECC consultation on National Policy Statements on Electricity Networks, Fossil Fuels and Gas and Oil Supply Infrastructure DH consultation on NHS car parking charges
<b>March</b>	CLG consultation 'Policy options for geographic information from Ordnance Survey' BIS consultation on proposals for a Next Generation Fund CLG consultation 'Local Economic Assessments: consultation on draft statutory guidance'.

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## Our Management Structure

### Our Commissioners (non-executive)

Our Commissioners, led by the Chairman, set the strategic direction of the organisation and ensure that activities agreed in the Corporate Plan are delivered.

1. Dr Stuart Burgess, Chairman and Rural Advocate
2. Professor Sheena Asthana\*
3. Richard Burge (to 31 Aug 2009)
4. Richard Childs\*
5. Dr Jim Cox
6. Elinor Goodman
7. John Mills\*
8. Howard Petch\*
9. Sue Prince
10. Rachel Purchase
11. Professor Mark Shucksmith
12. Professor Michael Winter

Four new Commissioners took up their appointments at the beginning of the year – Richard Childs, John Mills, Sue Prince and Rachel Purchase. Richard Burge, who had served as a Commissioner since 2005, resigned in September to take up another government appointment and was not replaced. For the second half of the year we had ten Commissioners plus the Chairman.

Commissioners are employed for 2.5 days a month with an option to contribute a further day a month, subject to the agreement of the Chairman, to represent the CRC at meetings or events or on CRC initiatives such as the Uplands Communities Inquiry. The Chairman's appointment, which includes his work as Rural Advocate, is for up to five days a week.

The Commission met eight times during the year.

\* These Commissioners were also members of the Audit and Risk Committee, chaired by Howard Petch.



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## Our Executive Board

1. Sarah McAdam (Chief Executive Officer from 1 August 2009)
2. Nicola Lloyd
3. Crispin Moor
4. Gill Payne (Chief Executive Officer from 1 April – 31 July 2009)
5. Amanda Peck
6. Graham Russell
7. Sue Bennett (Commission Secretary)



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## Management Commentary

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### Statutory Background

The CRC is an executive non-departmental public body (NDPB). It was established as a body corporate on 1 October 2006 by the Natural Environment and Rural Communities (NERC) Act 2006.

The CRC successfully vested on 1 October 2006 having for the previous 18 months operated as a division of the Countryside Agency which, under the NERC Act, ceased to exist on 30 September 2006.

The CRC's main functions are set out in the Natural Environment and Rural Communities (NERC) Act 2006. The Act requires the CRC to promote:

- a) awareness among relevant persons and the public of rural needs; and
- b) meeting rural needs in ways that contribute to sustainable development.

where 'rural needs' means the social and economic needs of persons in rural areas of England.

The Act also directs the CRC to pay particular regard to:

- a) persons suffering from social disadvantage and;
- b) areas suffering from economic under-performance.

The central functions set out for the CRC in taking on this task are:

Advocate: representing rural needs

Adviser: providing information and advice about issues connected with rural needs and ways of meeting them

Watchdog: monitoring the way in which policies are developed, adopted and implemented and the extent to which these policies are meeting rural needs.

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### Accounts direction

The CRC is financed principally by Grant-in-aid. The accounts are prepared in accordance with a direction on annual accounts, which is issued by the Secretary of State for Environment, Food and Rural Affairs, with the approval of the Treasury.

The CRC agrees its Corporate Plan with the Department for the Environment, Food and Rural Affairs which sets out how its grant-in-aid for the year will be spent.

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### Financial commentary

The accounts cover the year from 1 April 2009 to 31 March 2010.

In conducting its activities the CRC complied with the guidance laid down in the draft Financial Memorandum issued September 2007 and approved in March 2008.

The revenue expenditure (including depreciation) of the CRC totalled £6.450m (2008-09 £6.311m). Once Grant-in-aid funding of £6.488m (2008-09 £6.739m) has been credited to the Revenue Reserve there remains a reserve carried forward of £0.490m (2008-09 £0.528m). The net liabilities include £0.373m (2008-09 £0.423m) of provisions for early retirement and £0.117m (2008-09 £0.105) excess of creditors over total assets.

Due to the adoption of International Financial Reporting Standards (IFRS) by all public sector bodies for 2009-10, the CRC has had to disclose its IT contract with IBM as a Non-Current Asset with a value of £0.476m.

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## Register of interests

A register of interests of Commissioners and senior staff is maintained. A copy can be obtained on our website. ([www.ruralcommunities.org.uk](http://www.ruralcommunities.org.uk))

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## Managing risk in financial instruments

The CRC has no borrowings and relies primarily on departmental grants for its cash requirements. Neither does the CRC have material deposits. All material assets and liabilities are denominated in sterling. The CRC therefore manages a continuing liquidity risk but is not exposed to any interest rate or currency risks.

The CRC does have Trade Debtors. As the majority of these Debtors are other government departments, they are considered to have minimal risk to the CRC.

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## Going concern

The statement of financial position at 31 March 2010 shows net liabilities of £0.490m. This reflects the inclusion of liabilities falling due in future years that, to the extent that they are not to be met from the CRC's other sources of income, may only be met by future grants or Grants-in-aid from the sponsoring department, Defra. 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.

Grant in aid for 2010-11, taking into account the amounts required to meet the entity's liabilities falling due in that year, has already been included in the Department's estimates for the year, which have been approved by Parliament. The financial statements do not include any adjustments which may result from the abolition of CRC, as there is no clear indication of the arrangements for the cessation or transfer of functions, assets, liabilities and contractual commitments. As reported in notes 1.1 and 19 it is considered appropriate to adopt a going concern basis for the preparation of the financial statements.

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## Pension liabilities

For details of available pension schemes and the way in which pension liabilities are treated, please refer to note 1(j) of the Accounting Policies and note 5 in the financial statements.

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## Payment of suppliers

The CRC aimed to follow the principle of the Better Payment Practice Code to pay suppliers in accordance with its standard payment terms (within 30 days of receipt) or with suppliers' standard terms (if specific terms have not been negotiated), provided that the relevant invoice was properly presented and was not subject to dispute.

	<b>£'000</b>	<b>Number</b>
Total invoices paid in period	3,263	1,930
Total invoices paid within target	3,062	1,755
Percentage of invoices paid within target	94%	91%

The following statistics provide a year-on-year comparative settlement period analysis. By value, payment performance has increased to 94% (2008-09 93%), whilst by number it has fallen slightly to 91% (2008-09 92%).

The average number of working days taken to pay invoices was 12 days (2008-09 11 days).

New Prompt Payment Guidance issued in March 2010 committed Government organisations to pay undisputed invoices within five days wherever possible. The CRC continues to pay all invoices as soon as possible whilst maintaining adequate standards of financial control.

No interest was paid in respect of the Late Payment of Commercial Debts (Interest) Act 1998.

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## **Sickness**

The average number of days taken as sick leave during the year was 8.7 per staff member.

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## **Personal Data Related Incidents**

The CRC reported no protected personal data related incidents to the Information Commissioner's Office in 2009-10.

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## **Auditor**

Under Schedule 2 of the Natural Environment and Rural Communities Act 2006, the Comptroller and Auditor General is required to examine, certify and report on the statement of accounts. The external Audit Fee incurred in respect of 2009-10 were £24,000 (2008-09, £23,000). This includes £3,000 (2008-09, £2,000) for work on the CRC's readiness to move to International Financial Reporting Standards in 2009-10.

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

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## **Further developments**

On 29 June 2010, the Secretary of State for Defra announced, in a written statement to the House of Commons, that the Government intends to abolish the Commission for Rural Communities. The Secretary of State confirmed that Defra will be strengthening its rural policy capacity – establishing a new Rural Communities Policy Unit within the Department to work across Government to ensure that the interests of rural communities are fully reflected in policies and programmes.

We are actively working with the Department to align our functions with the work of the new unit and bring current CRC work to a useful conclusion. This will be a difficult time for staff, but the Secretary of State has paid tribute to their commitment and to the value of their work over the past four years. The CRC will work closely with Defra officials and stakeholders to ensure that the needs of rural communities continue to be properly taken into account at both a national and a local level.



### **Sarah McAdam**

Chief Executive  
Commission for Rural Communities  
13 July 2010

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## Remuneration Report

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### Remuneration Policy

The only equivalent member of the Senior Civil Service was the Chief Executive. Her pay is decided by the Directors' Pay Committee comprising the Commission Chairman and the Director of Defra's Rural Policy Division.

Performance-related pay is assessed against a matrix as determined by the Senior Salaries Review Board. Performance is measured against delivery of the Corporate Plan outputs combined with performance against the SCS competency framework and agreed with Defra.

Eligibility for performance bonus is determined in arrears based on performance against objectives agreed at the beginning of the period under review in accordance with the general principles applied to the Senior Civil Service.

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### Service Contracts

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#### Directors

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment of Directors to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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#### Commissioners

All appointments of Commissioners are made on behalf of the Secretary of State for Environment, Food and Rural Affairs. These appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments.

Commissioners are normally appointed for terms of three years, unless an extension of contract is granted. Commissioners shall not hold office for less than one year, unless the Secretary of State terminates the appointment for any of the following: physical or mental incapacity, absence from six consecutive meetings of the Commission unless approved and unfitness to discharge duties.

After completion of the first year of office, the Secretary of State may also terminate a Commissioner's appointment upon giving three months' notice in writing. Commissioners may resign office by giving not less than one-month's notice in writing to the Secretary of State.

The Chairman (Dr Stuart Burgess) is contracted to a time commitment of up to five days per week. Commissioners are contracted to a time commitment of two and a half days per month with the option for a further day per month.

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### Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chairman, Commissioners and the Chief Executive and have been subject to audit.

## Remuneration

<b>Directors</b>				
	audited information			
	<b>2009-10</b>		<b>2008-09</b>	
	<b>Salary (including performance related element)</b>	<b>Benefits in kind (to nearest £100)</b>	<b>Salary (including performance related element)</b>	<b>Benefits in kind (to nearest £100)</b>
	<b>£'000</b>		<b>£'000</b>	
<b>Sarah McAdam</b> <i>Chief Executive (from 1 August 2009)</i>	55-60 (85-90 full year equivalent)	-	-	-
<b>Gill Payne</b> <i>Acting Chief Executive (from 1 April 2009 to 31 July 2009); Executive Director (from 1 August 2009)</i>	75-80	-	60-65	-
<b>Nicola Lloyd</b> <i>Executive Director</i>	55-60	-	55-60	-
<b>Crispin Moor</b> <i>Executive Director</i>	60-65	-	60-65	-
<b>Amanda Peck</b> <i>Executive Director (from 1 April 2009)</i>	55-60	-	45-50	-
<b>Graham Russell</b> <i>Executive Director</i>	65-70	-	65-70	-
<b>Graham Garbutt</b> <i>Chief Executive (until 31 March 2009)</i>	-	-	195-200 (5-10)*	-

\*included in this figure is a payment of £67,376 for 'Payment in Lieu of Notice' for termination of employment before the contractual notice period ended.

Compensation for loss of office

Graham Garbutt left under Compulsory Early Retirement Terms on 31 March 2009. He received immediate payment of his pension and associated lump sum plus a compensation payment of £64,606 which is not included in the above figure.

<b>Commissioners</b>	audited information			
	<b>2009-10</b>		<b>2008-09</b>	
	<b>Salary</b>	<b>Benefits in kind (to nearest £100)</b>	<b>Salary</b>	<b>Benefits in kind (to nearest £100)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Dr Stuart Burgess</b> <i>Chairman and Rural Advocate</i>	90-95	1.4	85-90	2.9
<b>Professor Sheena Asthana</b>	10-15	3.1	5-10	1.3
<b>Richard Burge</b> <i>(until 31 August 2009)</i>	5-10 <i>(10-15 full year equivalent)</i>	-	10-15	0.6
<b>Richard Childs</b> <i>(from 1 April 2009)</i>	10-15	3.7	-	-
<b>Dr Jim Cox</b>	10-15	4.7	10-15	3.8
<b>Elinor Goodman</b>	5-10	0.4	10-15	0.5
<b>Norman Glass</b> <i>(until 31 March 2009)</i>	-	-	5-10	0.5
<b>Alison McLean</b> <i>(until 31 March 2009)</i>	-	-	10-15	0.4
<b>John Mills</b> <i>(from 1 April 2009)</i>	5-10	2.4	-	-
<b>Howard Petch</b>	10-15	1.8	10-15	0.6
<b>Sue Prince</b> <i>(from 1 April 2009)</i>	5-10	2.0	-	-
<b>Rachel Purchase</b> <i>(from 1 April 2009)</i>	10-15	1.4	-	-
<b>Professor Mark Shucksmith</b>	10-15	5.2	10-15	3.1
<b>John Varley</b> <i>(until 31 March 2009)</i>	-	-	10-15	2.1
<b>Professor Michael Winter</b>	10-15	4.4	5-10	1.9

## Salary

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

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the CRC and treated by HM Revenue and Customs as a taxable emolument. During 2008-09 and 2009-10 all benefits in kind received by Commissioners related to travel to Commission and other related meetings.

## Pension Benefits

Directors	audited information					
	Accrued pension at pension age as at 31/3/10 and related lump sum	Real increase in pension and related lump sum at pension age	CETV 31/03/2010	CETV 31/03/2009	Real increase in CETV	Employer pension contribution to partnership pension account to nearest £100
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Stuart Burgess</b> <i>Chairman</i>	7.5-10 plus lump sum of 0	0-2.5 plus lump sum of 0	121	103	17	3.2
<b>Sarah McAdam</b> <i>Chief Executive (from 1 August 2009)</i>	20-22.5 plus lump sum of 65-70	2.5-5 plus lump sum of 10-15	335	268	55	0.9
<b>Gill Payne</b> <i>Acting Chief Executive from 1 April 2009 to 31 July 2009; Executive Director from 1 August 2009</i>	7.5-10 plus lump sum of 22.5-25	0-2.5 plus lump sum of 5-7.5	123	81	36	1.1
<b>Nicola Lloyd</b> <i>Executive Director</i>	12.5-15 plus lump sum of 0	0-2.5 plus lump sum of 0	218	181	22	4.5
<b>Crispin Moor</b> <i>Executive Director</i>	17.5-20 plus lump sum of 52.5-55	0-2.5 plus lump sum of 5-7.5	302	256	29	1.0
<b>Amanda Peck</b> <i>Executive Director</i>	5-7.5 plus lump sum of 15-17.5	0-2.5 plus lump sum of 5-7.5	73	48	20	1.9
<b>Graham Russell</b> <i>Executive Director</i>	17.5-20 plus lump sum of 0	0-2.5 plus lump sum of 0	331	282	30	2.3

Note. The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

## Commissioners

Commissioners, except the Chairman, are not members of any pension scheme and no contributions are paid towards an individual's personal pension plan.

The Chairman is not entitled to join the PCSPS but is a member of a **by analogy pension scheme** to the Principal Civil Service Pension Scheme (PCSPS). Any ongoing liability arising from this arrangement will be borne by Defra.

During the year contributions of £23,205 (2008-09 £22,931) were funded by the employer.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension 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**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% 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).

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

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

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## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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## Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



**Sarah McAdam**

Chief Executive  
Commission for Rural Communities  
13 July 2010

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## Statement of the Commission's and Chief Executive's Responsibilities

Under the Natural Environment and Rural Communities (NERC) Act 2006 the Commission for Rural Communities is required to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for the Environment, Food and Rural Affairs, with the consent of the Treasury. The accounts were prepared on an accruals basis and to give a true and fair view of the Commission's state of affairs at the year-end and of its net expenditure, financial position, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the CRC and Chief Executive are required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed as set out in the Government Financial Reporting Manual, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless inappropriate to presume that the CRC would continue in operation.

The Accounting Officer for Defra designated the Chief Executive of the Commission for Rural Communities as the Accounting Officer for the CRC. Her 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 Officers' Memorandum issued by the Treasury and published in Managing Public Money.

# Statement on Internal Control

## 1. Introduction

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

Defra and the CRC have jointly agreed a Management Statement and Financial Memorandum which sets out clear lines of accountability and responsibility between Defra, our sponsor department, the Chairman and Commissioners and me, as CEO and Accounting Officer. I advise the Commission on the discharge of its responsibilities and on the management of risks and resources.

I report on a quarterly basis to Commissioners on delivery against the Corporate Plan objectives and a copy of this report is provided to our sponsor team within Defra. We also provide the department with monthly finance reports detailing actual and forecast expenditure. It is my responsibility to alert Defra's Accounting Officer to any risks or issues which would be material to the department, but no such risks or issues have arisen within this reporting year.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the CRC for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

In accordance with their agreed programme, our internal auditors assessed the CRC's Risk Maturity early in 2009-10. No significant issues were identified by the auditors, but we used their report, including the references they provided to relevant guidance and good practice, as the basis for a review of our risk management processes. A revised Risk Management Strategy was developed with input from the Audit and Risk Committee, approved by the Executive Board in March 2010 and was presented to the Commission in April.

The risk management strategy represents a consolidation and codification of the CRC's approach to risk rather than a completely new approach. The strategy and supporting processes reinforces the Executive Board's corporate ownership of risk and the need for involvement from all staff whilst providing adequate assurance to the Audit and Risk Committee. Additional details on the strategy can be found in the Risk and Control Framework section below. I am satisfied that implementation of the strategy will mean that we have adequately addressed all of the internal audit recommendations.

All staff have previously received risk awareness training, but the dissemination and implementation of the new strategy in April 2010 will provide an opportunity for further training and enable the Executive Board to emphasise the importance we attach to the effective identification and management of risk.

## 4. The risk and control framework

**4.1 Risk Identification.** Our approach to risk management is primarily objective driven and aligns with the way we manage our activities, allocate resources, measure and review our performance. Our Corporate Plan outlines four strategic impacts that we seek to achieve through the exercise of our three statutory functions as rural advocate, expert adviser and independent watchdog. The Corporate Plan provides detail for each impact of what will be done, how it will be done and how success will be identified. These activities are delivered by programme teams, each of which has developed a Logical Framework providing more detail about intended outcomes, activities, resources, indicators of achievement, risks and mitigating action. Programme managers use their logical framework as a tool for the ongoing management of their programme including the management of risk. There is an Executive Director responsible for each of the CRC's programmes and the relevant Director is expected to review risks with the Programme Manager on, at least, a quarterly basis and identify any which have the potential to have a material impact upon the reputation, objectives or resources of the organisation as a whole. These risks are incorporated into the corporate risk register which is reviewed on at least a quarterly basis by the Executive Board. As part of this review, the Executive Board also identifies and records in the corporate register any significant non-programme risks. An Executive Board member is assigned to each risk as the principal owner.

**4.2 Risk Evaluation and Control.** All identified risks have a risk owner who is responsible for evaluating the likelihood and potential impact of the risk and ensuring steps are taken to mitigate and manage risks as appropriate. When the Executive Board carry out their regular reviews of the corporate risk register, the opportunity is taken to test the evaluations recorded and confirm that adequate steps are being taken to address each risk. As from 1 April 2010, the Executive Board will be reviewing the risk register on a quarterly basis, alongside reports of delivery against corporate plan objectives.

**4.3 Risk Appetite.** In my foreword to the Risk Management Strategy and when presenting it to staff, I have made a point of emphasising that the CRC should not be a risk averse organisation – that we need to be open to new ideas and try out different ways of working as we strive to increase our impact and influence.

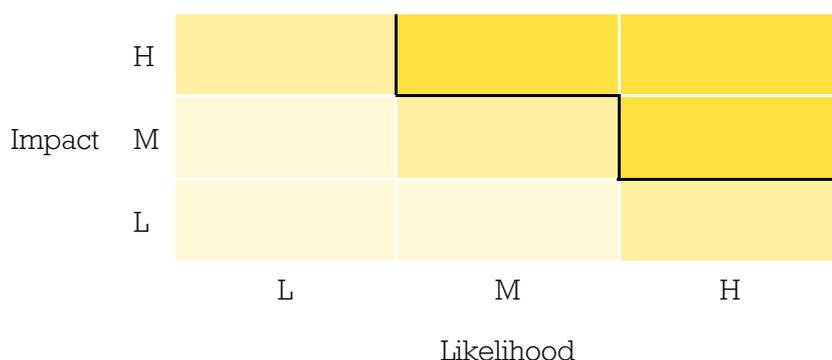
When assessing a risk we ask staff to consider the likelihood of the risk being realised and the impact if the risk is realised. We have a framework that enables us to compare and rank our risks, addressing those of top priority. We use a standard matrix approach to assess each risk depending on a combination of its likelihood and impact, as shown below.

Likelihood:

- Low – unlikely to occur during the planning period
- Medium – quite likely to occur during the planning period
- High – likely to occur in the planning period (almost certain)

Impact:

- Low – almost no impact on achievement of objectives
- Medium – significant impact on achievement of objectives
- High – objectives could not be achieved (critical)



The black line indicates the risk appetite of the CRC. Risks that fall to the left of the black line are within the agreed appetite (tolerances) and are acceptable (although still need to be managed). Risks that fall to the right are outside the CRC's risk appetite and there is a clear expectation that action will be taken to reduce either the likelihood or the potential impact of the risk until it is evaluated as being within acceptable limits.

**4.4 Information Risk.** The CRC continues to update its systems and processes alongside government guidelines to ensure that its data and informational assets are protected and staff are fully aware of the risks. In-house courses have been run on Data Protection Act and Freedom of Information compliance for staff, with quarterly reviews and reporting on our Informational Assets. Our IT systems have recently been upgraded to the latest specification to enable encryption on portable devices as well as improving access controls to safeguard electronic data.

## 5. Review of effectiveness

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

The Commission appoints an Audit and Risk Committee (ARC) made up of four Commissioners, one of whom chairs the Committee. The role of the Committee is to advise the Chief Executive and the Commission on risk, governance, audit and control issues.

At the start of the year, a detailed plan for internal audit was agreed with the Audit and Risk Committee and has now been concluded. This plan covered:

- Corporate Governance;
- Risk Maturity;
- Core Financial Controls;
- Human Resources; and
- Programme Management and Monitoring.

None of the audits revealed any fundamental internal control issues. The Risk Maturity audit assessed the CRC's position on the risk maturity spectrum as 'risk defined'. We believe that the action taken to develop and implement the new risk management strategy moves us at least to a position as 'risk managed'. In the opinion of the internal auditors the board is able to take substantial assurance from the controls and systems operating in respect of Corporate Governance, Core Financial Controls and Human Resources and adequate assurance in respect of Programme Management and Monitoring. Since the Programme Management and Monitoring audit, the CRC has continued to develop its corporate planning processes and has established an improved, more transparent process for reporting quarterly on progress against Corporate Plan objectives.

The annual report from our internal auditors confirmed that the CRC had adequate and effective governance, risk management and control processes. This report will be presented to ARC in June 2010.

Results of audits and the management response and agreed actions are reviewed by the relevant Executive Director and reported to the Audit and Risk Committee.

The Executive Board and the Commission continue to monitor expenditure and budgetary controls on a monthly basis reviewing monthly actual expenditure against profiled budgeted expenditure. Budgets are re-profiled on a quarterly basis to ensure accuracy and then updated forecasts are provided to the Executive Board.

## 6. Significant Internal Control Issues

Following my appointment in August 2009 and the appointment of four new Commissioners effective from April 2009, the transitional risks identified last year have now been resolved. The interim arrangements that were put in place succeeded in mitigating the risks identified.

One weakness that has been identified by both the NAO and the internal auditors is that the CRC does not currently have clear, written contingency plans setting out how the Commission would deliver its remit in the event of a physical or IT-related disaster. These plans are in the process of being finalised and will be approved early in 2010-11. They will then be tested to ensure that they could be implemented effectively in the event of an incident.



**Sarah McAdam**

Chief Executive

Commission for Rural Communities

13 July 2010

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

I certify that I have audited the financial statements of the Commission for Rural Communities for the year ended 31 March 2010 under the Natural Environment and Rural Communities Act 2006. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Chief Executive and auditor**

As explained more fully in the Statement of the Commission's and Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission for Rural Communities' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission for Rural Communities; and the overall presentation of the financial statements.

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

### **Opinion on Regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Commission for Rural Communities' affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and directions made thereunder by the Secretary of State.

## Emphasis of Matter: Going Concern

In forming my opinion which is not qualified, I have considered the adequacy of the disclosures made in the financial statements in Note 1.1 'Going Concern' and Note 19 'Events after the Reporting Period' which report that on 29 June 2010 it was announced by the Secretary of State for Environment, Food and Rural Affairs that the Commission for Rural Communities is to be abolished. This indicates the existence of a material uncertainty which may cast significant doubt upon the Commission's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Commission was unable to continue as a going concern.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and the Secretary of State's directions made thereunder; and
- the information given in the Management Commentary, included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

### Amyas C E Morse

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

14 July 2010

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## Financial Statements

## Net Expenditure Account for the year ended 31 March 2010

		<b>2009-10</b>	2008-09
		<b>£'000</b>	£'000
	Note	£	£
<b>Expenditure</b>			
Staff Costs	4	3,774	3,602
Depreciation and Amortisation	8,9	86	80
Other Operating Costs	6	3,080	2,886
		<b>6,940</b>	6,568
<b>Income</b>			
Income from activities	7	(490)	(249)
		<b>(490)</b>	(249)
<b>Net Expenditure before Interest and Cost of Capital</b>			
		<b>6,450</b>	6,319
Interest Receivable		-	(8)
Cost of Capital		(18)	(26)
<b>Net Expenditure after cost of capital charge and interest</b>			
		<b>6,432</b>	6,285
Cost of Capital Reversal		18	26
<b>Net Expenditure</b>			
		<b>6,450</b>	6,311

The notes on pages 44 to 60 form part of these accounts.

## Statement of Financial Position as at 31 March 2010

	Note	31 March 2010		31 March 2009		1 April 2008	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-Current Assets</b>							
Property, Plant & Equipment	8	511		225		277	
Intangible Non-Current Assets	9	3		6		9	
<b>Total Non-Current Assets</b>			<b>514</b>		231		286
<b>Current Assets</b>							
Trade and other Receivables	11	182		170		46	
Cash and Cash Equivalents	12	346		517		1,010	
<b>Total Current Assets</b>			<b>528</b>		687		1,056
<b>Total Assets</b>			<b>1,042</b>		918		1,342
<b>Current Liabilities</b>							
Trade Payables and other Liabilities	13	(751)		(921)		(1,445)	
Provisions for Liabilities and Charges	14	(73)		(70)		(234)	
<b>Total Current Liabilities</b>			<b>(824)</b>		(991)		(1,679)
<b>Non-Current Assets less Net Current Liabilities</b>			<b>218</b>		(73)		(337)
<b>Non-Current Liabilities</b>							
Trade Payables and other Liabilities	13	(408)		(102)		(152)	
Provisions for Liabilities and Charges	14	(300)		(353)		(467)	
<b>Total Non-Current Liabilities</b>			<b>(708)</b>		(455)		(619)
<b>Assets less Liabilities</b>			<b>(490)</b>		(528)		(956)
<b>Reserves</b>							
Revenue Reserve			<b>(490)</b>		(528)		(956)
			<b>(490)</b>		(528)		(956)

The notes on pages 44 to 60 form part of these accounts.



**Sarah McAdam**  
 Chief Executive  
 Commission for Rural Communities  
 13 July 2010

## Statement of Cash Flows for the year ended 31 March 2010

		<b>2009-10</b>	2008-09
	Note	<b>£'000</b>	£'000
<b>Cash Flow from Operating Activities</b>			
Net Expenditure after Cost of Capital and Interest		(6,432)	(6,285)
Adjustments for Cost of Capital charge		(18)	(26)
Adjustment for Non Cash transactions			
Depreciation and Amortisation	8,9	86	80
Decrease in Provision	14	(50)	(278)
Increase in Trade and other Receivables	11	(12)	(124)
Decrease in Trade and other Payables	13	(168)	(533)
Increase/(Decrease) in Payables not in Net Expenditure Account	13	304	(41)
<b>Net Cash Outflow from Operating Activities</b>		<b>(6,290)</b>	<b>(7,207)</b>
<b>Cash Flows from Investing Activities</b>			
Extension of PFI Contract	8	(369)	(25)
<b>Net Cash Outflow from Investing Activities</b>		<b>(369)</b>	<b>(25)</b>
<b>Cash Flows from Financing Activities</b>			
Revenue Grant-in-aid		6,488	6,739
<b>Net Cash Inflow from Financing Activities</b>		<b>6,488</b>	<b>6,739</b>
<b>Net Financing</b>			
Net Decrease in Cash and Cash Equivalents in the Period		<b>(171)</b>	(493)
Cash and Cash Equivalents at the beginning of the Period		<b>517</b>	1,010
Cash and Cash Equivalents at the end of the Period		<b>346</b>	517

The notes on pages 44 to 60 form part of these accounts.

## Statement of Taxpayers' Equity for the year ended 31 March 2010

Income and Expenditure Reserve	£'000
<b>Balance at 31 March 2007</b>	<b>(1,498)</b>
<b>Changes in Reserves 2007-08</b>	
<i>Net Expenditure for the year</i>	<b>(8,367)</b>
Grant-in-aid Revenue	8,909
<b>Balance at 31 March 2008</b>	<b>(956)</b>
<b>Changes in Reserves 2008-09</b>	
<i>Net Expenditure for the year</i>	<b>(6,311)</b>
Grant-in-aid Revenue	6,739
<b>Balance at 31 March 2009</b>	<b>(528)</b>
<b>Changes in Reserves 2009-10</b>	
<i>Net Expenditure for the year</i>	<b>(6,450)</b>
Grant-in-aid Revenue	6,488
<b>Balance at 31 March 2010</b>	<b>(490)</b>

The notes on pages 44 to 60 form part of these accounts.

## Notes to the accounts

### 1. Statement of accounting policies

These accounts have been prepared by the CRC in compliance with the 2009-10 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by the Secretary of State for the Department for Environment, Food and Rural Affairs. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) to the extent that this is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy, which has been judged to be most appropriate to the particular circumstances of the CRC for the purpose of giving a true and fair view, has been selected. They have been applied consistently in dealing with items considered material to the accounts.

These accounts have been prepared under the historical cost convention and have not been modified to account for the revaluation of certain assets, on the basis that such adjustment is not material.

#### 1.1 Going Concern

The Secretary of State for Defra announced on 29 June 2010 that the Commission for Rural Communities was to be abolished. At the date of signing these accounts whilst there is an indicative date of July 2011 for Royal Assent to enable the Commission's abolition, there is no clear indication of the arrangements for the cessation or transfer of the Commission's functions, assets, liabilities, and contractual obligations. The Chief Executive as Accounting Officer therefore considers that it is appropriate to prepare the financial statements on a going concern basis, and these financial statements do not include any adjustments that may result from the Commission's abolition. This note should be read in conjunction with Note 19 Events after the Reporting Period.

#### 1.2 Accounting Convention

##### (a) Non-Current Assets

The FReM states that all non-current assets should be valued using the revaluation model as prescribed in IAS16.

The PFI asset has been revalued based on the present value of the minimum lease payments in accordance with IAS17. The CRC has not revalued its remaining assets in accordance with the FReM as the effects of revaluation are immaterial due to the current net book value of those assets. The depreciated historic cost model has therefore been adopted for those assets.

The minimum level of capitalisation in the CRC is £1,000.

All assets are depreciated or amortised to write off their cost or valuation on a straight line basis over their anticipated useful economic life. The principal asset lives used are as follows:

Fixtures & Fittings – 3 years  
 IT equipment – 5 years  
 Software Licences (Amortisation) – 5 years.

A full month's depreciation is charged to the Operating Cost Statement in the month following acquisition and in the month of disposal.

**(b) Income**

The CRC is a gross running costs entity. Income received for services is not surrendered to Defra as it is used to fund the activity for which it is paid.

Income is credited to the Operating Cost Statement on an accruals basis.

**(c) Taxation**

The CRC is regarded by the HM Revenue and Customs as a non-profit making organisation and as such is not liable to corporation tax on revenue received. The CRC is registered for value added tax (VAT), and has partially exempt status.

**(d) Expenditure**

The CRC recognises expenditure net of discounts but inclusive of irrecoverable VAT.

**(e) Operating Leases**

Payments made under operating leases are charged to expenditure on an accruals basis.

**(f) Service Concessions (PFI)**

The CRC has entered into a contract with IBM for the supply of IT services. The contract is for a term of eight years from February 2010. The contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM to lease IT infrastructure assets throughout the duration of the 8 year contract. A matching asset has been raised to reflect the benefit that the CRC will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the CRC's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

**(g) Notional Costs**

When calculating the net operating cost for the year, the CRC is required to include as expenditure, a notional cost of capital. This has been calculated at 3.5% of the average total assets less the total liabilities in the year. Where the CRC has net liabilities, a notional credit is calculated and applied to reduce the net operating costs for the year.

**(h) Insurance**

In line with HM Treasury policy the CRC does not maintain insurance policies to cover buildings, office contents, employers or public liability.

**(i) Grant-in-aid**

The CRC receives Grant-in-aid from Defra. Grant-in-aid is accounted for as funding and credited directly to the Revenue Reserve.

**(j) Provisions**

The CRC provides for obligations arising from past events where the CRC has a present obligation at the balance sheet date, and where it is probable that it will be required to settle the obligation and a reliable estimate can be made. Where material, the future costs have been discounted using the rate of 2.2% as directed by HM Treasury.

The CRC operates an Early Retirement Scheme providing retirement benefits to qualifying employees under the rules of the Principal Civil Service Pension Scheme. The CRC bears the benefit costs up to retiring age of the employees retired under the Early Retirement Scheme. In the year that the employee takes early retirement, the total pension liability is charged to the operating cost statement.

A provision for future pension payments is provided and pensions and related benefits payments are charged annually against the provision.

### **(k) Early Adoption**

The FReM states that all public bodies should make a full disclosure under IFRS 8 Operating Segments for 2009-10. As IFRS 8 has an effective revision date of 1 January 2010, this constitutes an early adoption of the standard.

### **(l) Estimation Techniques**

The annual leave accrual required under IAS 19 is based on employees annual leave records as at the end of the financial year. The value is calculated using employees average daily gross cost rates based on a working year of 260 days.

The flexible working accrual is based on an extrapolation of a sample of employees flexible working records as at the end of the financial year. The value is also based on average daily gross cost rates.

## **1.3 Capital Charge**

A charge, reflecting the cost of capital utilised by the CRC, is included in the Expenditure Account. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

- a) property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost
  - disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)
  - impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
  - depreciation of property, plant and equipment and amortisation of intangible assets
- b) donated assets, and cash balances with the Office of Paymaster General, where the charge is nil.

## **1.4 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme. Please refer to Note 5 for comprehensive details of the scheme offered.

## 2. First Time Adoption of IFRS

	<b>General Fund</b>
	<b>£'000</b>
Taxpayers' equity at 31 March 2008 under UK GAAP	(913)
Adjustments for:	
<i>IAS19 - Employee Benefits</i>	(43)
<b>Taxpayers' equity at 1 April 2008 under IFRS</b>	<b>(956)</b>
Net expenditure for 2007-08 under UK GAAP	8,324
Adjustments for:	
<i>IAS19 - Employee Benefits</i>	43
<b>Net Expenditure for 2007-08 under IFRS</b>	<b>8,367</b>
Taxpayers' equity at 31 March 2009 under UK GAAP	(485)
Adjustments for:	
<i>IAS19 - Employee Benefits</i>	(43)
<b>Taxpayers' equity at 1 April 2009 under IFRS</b>	<b>(528)</b>
Net expenditure for 2008-09 under UK GAAP	6,311
Adjustments for:	
<i>IAS19 - Employee Benefits</i>	-
<b>Net Expenditure for 2008-09 under IFRS</b>	<b>6,311</b>

### 3. Analysis of Net Expenditure by Segment

	<b>Core Business</b>	<b>Non-Core Business</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross Expenditure	6,450	490	6,940
Income	-	(490)	(490)
<b>Net Expenditure</b>	<b>6,450</b>	<b>-</b>	<b>6,450</b>

The CRC is predominantly funded by Grant-in-Aid from Defra. During 2009-10, the CRC continued work on a number of small projects on behalf of other public sector bodies. As a result, the analysis has been calculated on a revenue/funding basis.

### 4. Staff numbers and related costs

<b>Staff costs comprise:</b>	<b>2009-10</b>				2008-09
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000
	<b>Total</b>	<b>Permanently Employed Staff</b>	<b>Chair and Commissioners</b>	<b>Others</b>	Total
Wages and Salaries	<b>2,708</b>	2,397	206	105	2,438
Social Security Costs	<b>219</b>	190	20	9	213
Other Pension Costs	<b>523</b>	480	23	20	431
Seconded Staff Costs	<b>78</b>	-	-	78	97
Agency Staff Costs	<b>230</b>	-	-	230	215
	<b>3,758</b>	<b>3,067</b>	<b>249</b>	<b>442</b>	3,394
Less Recoveries in respect of Outward Secondments	<b>(8)</b>				(10)
<b>Total Net Costs</b>	<b>3,750</b>				3,384
Early retirement costs	<b>24</b>				(44)
Redundancy Costs	<b>-</b>				262
	<b>3,774</b>				3,602

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2009-10			2008-09
	Total	Permanent Staff	Others	Total
Directly Employed	74	66	8	64

## 5. Defined Benefit Schemes

### Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the CRC is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2010. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

For 2009-10, employer's contributions of £507,139 were payable to the PCSPS (2008-09 £429,182) at one of four rates in the range 16.7% to 24.3 % of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £4,262 for 2009-10 (2008-09 £1,527) 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% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £244 (2008-09 £148), 0.8% 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 £166. Contributions prepaid at that date were £nil.

## 6. Other Expenditure

	<b>2009-10</b>	Restated 2008-09
	<b>£'000</b>	£'000
Running Costs		
Research and Technical Consultancy	<b>552</b>	545
Consultancy Costs	<b>535</b>	546
IT Costs	<b>94</b>	25
PFI Contract – Service and Finance Charges	<b>218</b>	226
Legal/Indemnity costs	<b>10</b>	33
Publicity Information	<b>295</b>	550
Travel and Subsistence	<b>406</b>	335
Professional Fees	<b>13</b>	8
Estates Charges	<b>328</b>	210
Recruitment and Training	<b>183</b>	226
Conference & Seminar Fees	<b>234</b>	142
Administrative Costs	<b>114</b>	108
Telecoms	<b>52</b>	52
External Audit Fee	<b>21</b>	21
External Audit Fee - IFRS	<b>3</b>	2
Other Costs	<b>22</b>	12
Non Cash Items		
Provision released in year	<b>-</b>	(155)
	<b>3,080</b>	2,886

Within the Net Expenditure Account the full cost of occupation is reflected in relation to buildings that are either owned or leased by Defra. The costs are proportionate to occupation and include rates, utilities, management overheads, facilities management and associated capital charges and for leasehold properties this also includes rental costs.

The estimated value of non-specialised freehold property owned by Defra but occupied by the CRC is £643,440 (2008-09 £627,853).

PFI service and finance charges have been incurred in relation to the use of IT infrastructure assets supplied under contract with IBM. We have not been able to separate the finance and service charge elements of these costs.

Publicity Information and Other Expenditure has now been separated and reallocated where possible to provide more clarity. As a result, the figures for 2008-09 have been restated to provide a true annual comparison.

## 7. Income

	<b>2009-10</b>	2008-09
	<b>£'000</b>	£'000
<b>UK Income</b>		
Financial Inclusion - Department for Work and Pensions	205	56
Rural Champions - Defra	74	-
Other Income	-	-
<b>EU Income</b>		
Rural Development Programme for England – European Commission	171	173
UK National Rural Network – various	40	20
	<b>490</b>	<b>249</b>

## 8. Property, Plant and Equipment

	<b>Information Technology</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
	<b>31 March 2010</b>	<b>31 March 2010</b>	<b>31 March 2010</b>
	£'000	£'000	£'000
<i>Cost or valuation</i>			
As at 1 April 2009	315	7	322
Extension to the PFI contract	369	-	369
Disposal during the year	-	-	-
As at 31 March 2010	<b>684</b>	<b>7</b>	<b>691</b>
<i>Depreciation</i>			
As at 1 April 2009	93	4	97
Charged in year	81	2	83
Disposals	-	-	-
As at 31 March 2010	<b>174</b>	<b>6</b>	<b>180</b>
<i>Net Book Value</i>			
As at 31 March 2010	<b>510</b>	<b>1</b>	<b>511</b>
As at 31 March 2009	<b>222</b>	<b>3</b>	<b>225</b>

	<b>Information Technology</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
	<b>31 March 2010</b>	<b>31 March 2010</b>	<b>31 March 2010</b>
	£'000	£'000	£'000
<b><i>Asset Financing</i></b>			
<i>Owned</i>	34	1	35
<i>On-balance sheet PFI contracts</i>	476	-	476
<i>Net Book Value at 31 March 2010</i>	<b>510</b>	<b>1</b>	<b>511</b>
<i>Cost or valuation</i>			
As at 1 April 2008	290	7	297
Additions during the year	20	-	20
Extension to the PFI contract	5	-	5
Disposal during the year	-	-	-
As at 31 March 2009	<b>315</b>	<b>7</b>	<b>322</b>
<i>Depreciation</i>			
As at 1 April 2008	18	2	20
Charged in year	75	2	77
Disposals	-	-	-
As at 31 March 2009	<b>93</b>	<b>4</b>	<b>97</b>
<i>Net Book Value</i>			
As at 31 March 2009	<b>222</b>	<b>3</b>	<b>225</b>
As at 31 March 2008	<b>272</b>	<b>5</b>	<b>277</b>
<b><i>Asset Financing</i></b>			
<i>Owned</i>	50	3	53
<i>On-balance sheet PFI contracts</i>	172	-	172
<i>Net Book Value at 31 March 2009</i>	<b>222</b>	<b>3</b>	<b>225</b>

## 9. Intangible assets

	<b>31 March 2010</b>
	£'000
Intangible Assets comprise Software Licences	
<i>At cost</i>	
As at 1 April 2009	13
Additions during the year	-
Disposal during the year	-
As at 31 March 2010	<b>13</b>
<i>Amortisation</i>	
As at 1 April 2009	7
Charged in year	3
Disposals	-
As at 31 March 2010	<b>10</b>
<i>Net Book Value</i>	
As at 31 March 2010	<b>3</b>
As at 31 March 2009	<b>6</b>
	<b>31 March 2009</b>
	£'000
<i>At cost</i>	
As at 1 April 2008	13
Additions during the year	-
Disposal during the year	-
As at 31 March 2009	<b>13</b>
<i>Amortisation</i>	
As at 1 April 2008	4
Charged in year	3
Disposals	-
As at 31 March 2009	<b>7</b>
<i>Net Book Value</i>	
As at 31 March 2009	<b>6</b>
As at 31 March 2008	<b>9</b>

## 10. Financial Instruments

As the cash requirements of the CRC are met through Grant-in-Aid provided by Defra, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the CRC's expected purchase and usage requirements and the CRC is therefore exposed to little credit, liquidity or market risk.

## 11. Trade receivables and other current assets

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	<b>£'000</b>	£'000	£'000
<i>Amounts falling due within one year</i>			
Trade receivables	133	136	7
Prepayments and accrued Income	49	34	37
Staff Loans, Advances and Season Ticket Loans	-	-	2
	<b>182</b>	170	46

## 12. Cash and cash equivalents

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	<b>£'000</b>	£'000	£'000
Balance at 1 April	517	1,010	1,276
Net change in cash and cash equivalent balances	(171)	(493)	(266)
Balance at 31 March	<b>346</b>	517	1,010

The cash balances disclosed above are held in commercial bank accounts.

### 13. Trade payables and other liabilities

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	<b>£'000</b>	£'000	£'000
<i>Amounts falling due within one year</i>			
Other Taxation, Social Security	143	177	138
Trade Payables	123	240	447
Other Creditors	-	28	76
Accruals	377	344	723
Deferred Income	40	62	-
Current part of imputed finance lease element of on balance sheet PFI contracts	68	70	61
	<b>751</b>	921	1,445
<i>Amounts falling due after more than one year</i>			
Imputed finance lease element of on balance sheet PFI contracts	408	102	152
	<b>408</b>	102	152

Included within the imputed finance lease element is the future liability to pay for the "right of use" assets to IBM. The current liability is £67,606 (2008-09 £69,406), the non-current liability is £408,470 (2008-09 £102,096).

## 14. Provisions for liabilities and charges

	<b>Redundancies</b>	<b>MRD</b>	<b>Early Retirement</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2009	-	-	423	<b>423</b>
Provided in the year	-	-	-	-
Provisions not required written back	-	-	-	-
Provisions utilised in the year	-	-	(70)	<b>(70)</b>
Unwinding of discount	-	-	20	<b>20</b>
Balance at 31 March 2010	-	-	<b>373</b>	<b>373</b>
Balance at 1 April 2008	14	155	532	<b>701</b>
Provided in the year	-	-	-	-
Provisions not required written back	-	(155)	-	<b>(155)</b>
Provisions utilised in the year	(14)	-	(65)	<b>(79)</b>
Unwinding of discount	-	-	(44)	<b>(44)</b>
Balance at 31 March 2009	-	-	<b>423</b>	<b>423</b>
Balance at 1 April 2007	933	-	60	<b>993</b>
Provided in the year	14	155	497	<b>666</b>
Provisions not required written back	-	-	-	-
Provisions utilised in the year	(933)	-	(25)	<b>(958)</b>
Unwinding of discount	-	-	-	-
Balance at 31 March 2008	<b>14</b>	<b>155</b>	<b>532</b>	<b>701</b>
<i>Analysis of expected timing of discounted flows</i>				
In the remainder of the Spending Review period (to 2012)	-	-	144	<b>144</b>
Between 2013 and 2017	-	-	219	<b>219</b>
Between 2018 and 2022	-	-	10	<b>10</b>
Thereafter	-	-	-	-
	-	-	<b>373</b>	<b>373</b>

The early retirement costs are those additional costs of benefits beyond the normal PCSPS benefits, in respect of employees who retire early. These are met by the CRC by paying the required amount annually to the PCSPS over the period between early departure and the normal retirement date. The CRC provides for this in full when the early retirement programme becomes binding on the CRC by establishing a provision for the estimated payments. This provision has been discounted using the rate of 2.2% as directed by HM Treasury. As a result, an additional £20,000 has been provided for in year.

We have estimated that £144k will be required as a provision to cover our early retirement costs over the remainder of the Spending Review Period. £73k has been provided for 2010-11 and £71k set aside for 2011-12.

A provision for legal costs incurred during the proposed move to Hartpury college was created in 2007-08 for £155,000. It was agreed with Defra during 2008-09 that the responsibility for this provision actually lay with Defra so the provision was released in full. A corresponding provision has been created in Defra's accounts.

## 15. Commitments under leases

### 15.1 Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

Obligations under operating leases comprise:	<b>31 March 2010</b>	31 March 2009	1 April 2008
	<b>£'000</b>	£'000	£'000
Buildings			
Not later than one year	1	1	1
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
	<b>1</b>	1	1
Other			
Not later than one year	-	-	-
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
	-	-	-

The commitment above refers to the occupation of a small office in Cumbria. A peppercorn rent is also payable on our premises in Whitehall and these costs have been included in the operating lease disclosure note above.

There are no obligations under finance leases.

## 16. Commitments under PFI contracts

### 16.1 On-balance sheet

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	<b>£'000</b>	£'000	£'000
Total obligations under on-balance sheet PFI contracts for the following periods comprises:			
Not later than one year	68	70	61
Later than one year and not later than five years	248	102	152
Later than five years	160	-	-
	<b>476</b>	<b>172</b>	<b>213</b>
<i>Less interest element</i>	-	-	-
	<b>476</b>	<b>172</b>	<b>213</b>

### 16.2 Charge to the Income and Expenditure and future commitments

The total amount charged in the Income and Expenditure in respect of the service element of on-balance sheet PFI transactions was £218,000 (2008-09: £226,000).

	<b>31 March 2010</b>	31 March 2009
	<b>£'000</b>	£'000
Total obligations under on-balance sheet PFI contracts for the following periods comprises:		
Not later than one year	207	214
Later than one year and not later than five years	764	323
Later than five years	481	-
	<b>1,452</b>	<b>537</b>

The CRC have a contract with IBM for the provision of IT services and infrastructure assets. This contract was renewed on 1 February 2010. It aims to support the CRC by providing a modernised IT infrastructure, in line with the wider government IS strategy, which will give the CRC access to cost effective IT services and infrastructure.

During the life of the contract, the CRC has the right to use assets owned by IBM and IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned by the CRC.

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the consumer price index (CPI) as at the end of January in the previous financial year.

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of contract, although the CRC has the option to purchase specified assets at net book value on exiting the contract. This gives the CRC control of the assets during the life of the contract.

## 17. Other Financial Commitments

The CRC has entered into non-cancellable contracts (which are not leases or PFI contracts) for facilities management and the provision of IT services. The payments to which the CRC is committed during 2010-11, analysed by the period during which the commitment expires are as follows.

	<b>31 March 2010</b>	31 March 2009
	<b>£'000</b>	£'000
Expiry within one year	70	102
Expiry within 2 to 5 years	-	-
Expiry thereafter	-	-
	<b>70</b>	102

Within "other financial commitments", £70,258 (2008-09 £101,751) relates to facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra. The commitments are consistent with arrangements containing a lease as defined by IFRIC 4.

The three year Memorandum of Terms of Occupation (MoTO) for John Dower House is still unsigned. As a result, the costs for John Dower House have been classified as expiring within one year to reflect the minimum notice period of 12 months contained within the MoTO.

## 18. Contingent liabilities disclosed under IAS 37

There are no Contingent Liabilities as at 31 March 2010.

## 19. Events after the Reporting Period

On 29 June 2010 the Secretary of State for Defra announced, in a written statement to the House of Commons that the Government propose to introduce legislation to abolish the CRC in the summer of 2011. The remit and funding for CRC remain in place for 2010-11 to manage the transition and, for the time being, maintain statutory activities until new legislation is in place.

In light of this event, management have reviewed the appropriateness of the preparation of the financial statements on a 'going concern' basis.

Management note that legislation is required to be passed before the CRC can be abolished and statutory responsibilities ceased. Any such legislation, if passed, is unlikely to receive royal assent before July 2011. Management also note that they do not yet have clarity on the nature or timing of any non-statutory activities that may be ceased. In the interim period management are satisfied that sufficient funding is in place to enable the CRC to continue trading and meet its obligations as they fall due.

Given the announced intentions of the Government and the lack of clarity regarding the implications of the abolition of the CRC, management have concluded that there exists a material uncertainty that casts significant doubt upon the CRC's ability to continue as a going concern. In such circumstances, the CRC may be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless after making enquiries, and considering the circumstances described above, together with the outcome of their discussions with the Department, management have a reasonable expectation that the CRC will have adequate resources to continue in operational existence for the





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