COMMISSION FOR RURAL COMMUNITIES

Annual Report and Accounts 2006/07

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Annual Report and Accounts of the Commission for Rural Communities presented to Parliament by the Secretary of State, prepared to Schedule 2 paragraph 24 of the Natural Environment and Rural Communities (NERC) Act 2006 for the Commission for Rural Communities.

Presented pursuant to Act 2006, Schedule 2 paragraph 24

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ANNUAL REPORT

INTRODUCTION

Statutory Background

1. The Commission for Rural Communities was established as a body corporate on 1 October 2006 by the Natural Environment and Rural Communities (NERC) Act 2006. The Commission operated as a division of the Countryside Agency and fell under the general management structure of the Countryside Agency between 1 April 2005 and 30 September 2006, before becoming an independent organisation known as the Commission for Rural Communities, at vesting on 1 October 2006. This transition arises from a Machinery of Government change and as such, under Government Financial Reporting requirements, is accounted for using Merger Accounting principles. This Report and Accounts therefore cover the full financial year 2006-07.

The NERC Act (2006) requires the Commission 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 Commission 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 Commission in taking on this task are:

<u>Advocate</u>: representing rural needs

<u>Advisor</u>: providing information and advice about issues connected with rural needs and ways of meeting them

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

This report sets out our aims, objectives and key achievements in the past year - the first six months as a division of the Countryside Agency and, since October, as an independent non-departmental public body.

Management Structure

2. Until 30 September the Commission for Rural Communities was managed as part of the Countryside Agency of which Graham Garbutt was the Chief Executive. From 1 October Graham Garbutt became the Chief Executive of the Commission and Margaret Clark was Deputy Chief Executive until 31 March 2007.

The Commissioners of the Commission :

Dr Stuart Burgess	Chairman & Rural Advocate
Professor Sheena Asthana *	
Richard Burge	
Dr Jim Cox	
Norman Glass *	
Ms Elinor Goodman	
Ms Alison McLean	
Howard Petch *	
Professor Mark Shucksmith	
John Varley *	
Professor Michael Winter	

* These Commissioners were also members of the Audit Committee Chaired by John Varley.

Senior Managers (other than Senior Civil Service grade):

Carolyn Cadman (to 16 March 2007)	Director of Corporate Governance
Gill Payne (from 19 March 2007)	Director of Corporate Governance
Nick Holliday	Director of Best Practice & Innovation
Crispin Moor	Director of Rural Expertise
Ken Roy	Director of Rural Analysis
Brian Wilson	Director of Thematic Studies & Enquiries

MANAGEMENT SUMMARY

Available Resources

3. The Commission for Rural Communities receives its funding as Grant in Aid, with delivery of much of its work reliant principally on its people, whose knowledge and experience is a critical resource. This is reflected in the proportion of expenditure allocated to staff costs**.**

Financial Position

4. The Commission for Rural Communities is financed solely by Grant in Aid. Total funding for 2006/07 was £8,599,000.

Total expenditure for 2006/07 was £9,273,647, with a deficit of £9,270,189 carried forward, (which included the provision of £993,272 for redundancies and retirement costs payable in 2007/08). Net liabilities amounted to £1,498,189, comprising £81,493 fixed assets, £586,410 net current liabilities and the provision of £993,272 referred to above.

Summary of Significant Achievements

5. The Commission for Rural Communities successfully vested on 1 October 2006 having for the previous 18 months been a division of the Countryside Agency which, under the Natural Environment and Rural Communities Act, ceased to exist on 30 September 2006. At that point it had to set up its own corporate support services and act as an independent non-departmental public body (NDPB).

6. Our role is to provide well-informed, independent advice to government and ensure that policies reflect the real needs of people living and working in rural England, with a particular focus on tackling disadvantage.

We have three key functions:

Rural advocate: the voice for rural people, businesses and communities
Expert adviser: giving evidence-based, objective advice to government and others
Independent watchdog: monitoring and reporting on the delivery of policies nationally, regionally and locally.

7. After vesting, Commissioners re-affirmed the Commission for Rural Communities' purpose:

Our Aspiration:
England's rural communities should be diverse, thriving and sustainable, where everyone is able to play a full part in society and where no-one is disadvantaged.

We will:
speak up for rural people and communities, especially those experiencing disadvantage, and ensure that policies take full account of rural needs and circumstances, holding government and others to account for their delivery

We want:
the Commission for Rural Communities to be widely recognised and accepted as:

- an effective national voice and advocate for rural communities
- a source of authoritative and expert advice on rural issues and concerns
- a respected and fair rural watchdog

We'll achieve this by:

- listening to rural communities and their representatives
- establishing the facts and strengthening the rural evidence base
- engaging Ministers across government
- influencing policies and decisions
- challenging government and others at all levels to bring about real improvements
- monitoring delivery and identifying and promoting good practice

We'll do this by:

- working closely with a wide range of people and organisations locally, regionally, nationally and internationally
- forming new partnerships and drawing on new areas of expertise
- investing in and developing our staff
- working innovatively and creatively, making full use of new technology and the experience of others
- communicating openly and clearly

8. One of the Commission's first actions was to embark on a review of the Commission's structure and ways of working in the light of a lower than anticipated budget. The resulting structure was agreed by the Commission with a start date of 1 April 2007.

9. The first six months of independent operation were therefore marked by continued change and uncertainty, not least because our budget was not confirmed until the end of the financial year. Nevertheless the Commission was able to work effectively, delivering against the agreed Corporate Plan and continuing the work started in the first half of the year.

10. Most of the outputs identified in the Corporate Plan were delivered as planned although there continued to be significant practical and financial impact from participation in the Modernising Rural Delivery (MRD) programme during the year and disruption caused by budget cuts required by Defra mid-year together with a moratorium for several months on new projects exceeding £100,000.

Achievements against the Corporate Plan are set out in the section below. However we would also wish to highlight the following activities during the year:

- We executed our full role within Defra's Modernising Rural Delivery Programme.
- Following vesting in October 2006, a major restructuring of the organisation was designed, agreed and implemented by the end of the financial year.
- The Chairman of the Commission for Rural Communities, Dr Stuart Burgess, in his capacity as the Rural Advocate, undertook a programme of visits and meetings to hear about issues affecting rural communities, businesses and individuals and published his first Rural Advocate Report which he presented in person to the Prime Minister and, in a separate meeting, to the Chancellor of the Exchequer.
- Our first thematic study, setting a baseline on disadvantage in rural areas, was published, with a full set of reports, a DVD, associated events and a follow-through plan recommending 23 actions Government and others can take to tackle rural disadvantage.
- The Commission published its 'The State of the Countryside Report 2006', offering an overview of key facts and trends across a broad range of social, economic and environmental topics relating to rural England.
- The Commission produced the fifth annual monitoring report on rural proofing within government. The report shows the progress of government departments as they seek to embed rural objectives in policy making and delivery, and identifies good practice and innovation to encourage rural proofing to be taken up more widely.

2006/07 Performance Review

11. The sections below provide an overview of the aims and achievements within the strategic programmes for the year ending 31 March 2007 in the form of commentary against the objectives in the Corporate Plan which forms the contract between the Secretary of State, the Commission Board and the executive body of staff whose job it is to implement it.

Rural Advocate

12. Objective: The needs of rural people and communities, especially those suffering disadvantage, are listened to, prioritised and articulated to Government and other bodies in such a way as to inspire necessary changes in policy and delivery.

The Rural Advocate: A programme of Rural Advocate visits to a range of rural communities across England was completed successfully and related communications activity included a BBC Radio 4 outside broadcast from a Yorkshire village hall and a feature in The Times. A recent stakeholder survey shows a high level of awareness of the Rural Advocate (64% nationally).

In October, the first Rural Advocate Report was published and used to inform presentations to the Prime Minister and, in February, the Chancellor of the Exchequer, on key issues facing rural communities.

Rural Insights: The Rural Insights work aims to research the perceptions, concerns and priorities of rural people authoritatively and present them so they are clearly understood by government and other relevant decision makers. A strategy was agreed with the Commission in May 2006 and a report launched in October 2006, summarising new evidence on the concerns and priorities of rural residents. A Business Insights survey was also carried out and is planned to be disseminated in 2007/08. The 'Voices at the Margin' project has been established to explore the way in which the Commission can listen to, and engage with, key rural groups. The benefits of this work will flow through into the Commission's activities from 2007 onwards.

Inquiries: The Housing inquiry was completed and results widely disseminated, including return visits to each of the eight communities that hosted the original sessions. Our evidence to the Affordable Rural Housing Commission was more powerful as a result of the inquiry and demonstrated the Commission's ability to adopt new ways of working and connecting with rural communities.

Scoping for the 'Participation Inquiry' – on strengthening the role of rural councillors – was completed. The agreed purpose is to "identify and promote the critical actions required to encourage and enable local representatives help their rural communities achieve greater involvement, influence and ownership of local decisions." It is providing the Commission with a platform to engage with the Local Government Bill and the Councillors' Commission set up by the Department for Communities and Local Government.

Expert Adviser

13. Objective: Government and other bodies base their policies and delivery objectives on well-founded evidence and analysis of rural needs and circumstances and on a foundation of understanding about what constitutes good practice in rural delivery.

Thematic studies: The three-year objective set was that policy agendas and development should be shaped by work that explores, tests and develops evidence about the implications for rural areas, businesses and communities (especially the most disadvantaged) and hence that all major policy agendas include a rural dimension.

The disadvantage baseline study, 'Rural Disadvantage: reviewing the evidence', was disseminated with a key event in June, then the full set of reports (October) and a follow-through plan was developed. The study found three critical factors for rural people, both in experiencing and escaping disadvantage, relating to financial poverty, access poverty and network poverty, preventing them from participating fully in society. The disadvantage study has been the basis for engaging with the Cabinet Office Social Exclusion Task Force and its findings (e.g. on policy targeting) are being progressed. It will also inform the Commission's future plans for its 'social justice' programme. A study on rural communities and landowners was completed in March and will be published in 2007/08. A study on the Government's 'choice and voice' agenda has been the basis for the Commission's rural-proofing discussions about public service reform with the Department for Education and Skills, Department of Health, Department for Communities and Local Government, and the Audit Commission. Early findings have been presented at conferences and the final report is mostly drafted.

Consultations: Approximately 20 submissions on policy development have been made during the year including some successful influence or engagement over the rural Post Office network; Third Sector review; planning guidance; Pre-Budget Report and early stages of CSR07; Local Government White Paper; and the Lyons review. In promotion of public responses to Post Office consultation, 28% of all responses were received via a response facility established by the Commission through UK Villages' web portal. In addition, advisory links have been set up including with the Commission on Integration and Cohesion and Defra's refresh strategy.

Advice: Numerous publications, briefings, ministerial and other meetings, presentations, focus groups, conferences, sponsorship agreements, awards and other activities have taken place during the year. Strong media coverage was achieved for rural housing issues, including through the Commission's national conference to launch the Affordable Rural Housing Commission report. A Rural Services Partnership was established and we supported the UK-wide rural entrepreneurship network including sponsoring its fifth conference. A useful network of rural interests was established during the consultation on the future of the rural Post Office network and also during the promotion of rural migrant workers' issues where we influenced the shape of Communities and Local Government /Improvement and Development Agency migrant workers practice programme.

Good Practice: Best practice events held around affordable rural housing; young people, which helped shape the Youth white paper; and migrant workers where delivery organisations were put in contact with one another and generally made aware of solutions to the issues. A European best practice event in rural development was also held.

Independent Watchdog

14. Objective: Parliament and rural people are confident that the activities of government (at all levels), and of other key decision-makers, reflect the needs and circumstances of rural communities across England.

Rural Proofing: Secretary of State David Miliband attended the launch of the 2006 Rural Proofing Report, which triggered further work in Defra to develop rural proofing.

State of the Countryside / monitoring delivery: The State of the Countryside Report 2006 generated widespread media coverage of rural issues and largely positive comment from key stakeholders. On the day of publication, 10,000 copies were downloaded from the Commission's website. Subsequent State of the Countryside Reports updates on population and migration and on in-work benefits also received positive feedback from stakeholders, initiating further work and dissemination of the issues covered.

A review of the role of 'rural' and delivery of services at regional and local level led to a publication named 'The Place of Rural', which was welcomed by Defra and regional stakeholders.

A report of the State of Rural Evidence was published and shared with stakeholders. The Commission secured the support of the National Statistician in re-affirming the value of the rural/urban definition to researchers and analysts within Government.

Evaluations: Two neighbourhood policing evaluation papers were published and promoted and interest secured from the Home Office and Association of Chief Police Officers to continue to review and secure rural proofing of policing reforms. A health evaluation is due to be completed in 2007/08. Other evaluations were postponed due to in-year budgetary pressures.

Corporate Governance and Vesting

15. Objective: The Commission is an effective, efficient and open organisation – in terms of the way in which it manages itself and the way in which it communicates.

Strategic development: The Commission review and restructuring which resulted in significant changes in structure and ways of working with effect from 1 April 2007, superseded and encompassed the work on development of strategic analysis and internal development set out in the Corporate Plan.

Corporate and external communications: The Commission for Rural Communities brand was well established by the time of launch as an independent organisation on 1 October 2006 and the national programme to build its profile is ongoing. A stakeholder survey in early 2007 found that around 40 per cent of stakeholders were aware of the Commission's work – considered to be a good foundation for a new national organisation. The Commission is increasingly being seen as leading the debate on important issues facing rural communities. A new website was developed and launched to mark vesting.

Corporate governance: Commission meetings are held in public and agendas and papers are published on the Commission for Rural Communities website. As part of the performance measurement process, a stakeholder survey was carried out, showing generally encouraging results.

Accounts Direction

16. The Commission is financed principally by Grant in Aid. The accounts are prepared in accordance with the direction on annual accounts, which is determined by the Secretary of State for Environment, Food and Rural Affairs, with the approval of the Treasury.

Results and Appropriations

17. In conducting its activities the Commission complied with the guidance laid down in the draft Financial Memorandum issued 5 October 2006 and approved in March 2007.

The revenue expenditure (including depreciation) of the Commission totalled £9,273,647. This gives rise to a deficit for the year, after taking account of £3,458 interest receivable, of £9,270,189. Once Grant in Aid funding of £8,599,000 has been credited to the Revenue Reserve there remains a deficit carried forward of £1,498,189. The net liabilities include £993,272 of provision for redundancies and early retirement costs, and £504,917 excess of creditors over total assets.

In addition to any voluntary pension contributions made by members and staff, the Commission made payments to meet its liabilities under the Principal Civil Service Pension Scheme, in respect of pensions for those who are or have been in the service of the Commission. These payments amounted to £514,359 for 2006/07.

Going Concern

18. The balance sheet at 31 March 2007 shows net liabilities of £1,498,189. This reflects the inclusion of liabilities falling due in future years that, to the extent that they are not to be met from the Commission's other sources of income, may only be met by future grants or grants-in-aid from the Commission's 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 2007, 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 that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Financial Statements.

Future Developments

19. Following the decision of the then Secretary of State, Margaret Beckett, the Commission, with help from Defra Estates Division, is seeking to relocate to a new head office in a lagging rural area, the Forest of Dean in Gloucestershire.

Also in line with the Lyons Review, the Commission will be closing its current London office in September 2007 and opening a much reduced presence in a new office in Whitehall.

Register of Interests

20. A register of interests of Commissioners and senior staff is maintained. A copy of the register can be accessed on the Commission's website at www.ruralcommunities.gov.uk

Equal Opportunities

21. The Commission is an equal opportunities employer and is committed to promoting equal opportunity for its entire staff. It welcomes applications for employment from all sections of the community. The Commission is committed to positive action to enable all individuals to develop their full potential.

At 31 March 2007 the Commission employed one disabled person.

Employee Involvement

22. The Commission involves employees through a Joint Partnership Committee (JPC), which brings together representatives of the management and trade unions in a working environment. The meetings of the JPC were held monthly.

Pension Liabilities

23. For details of available pension schemes and the way in which pension liabilities are treated, please refer to paragraph 1(k) of the Accounting Policies and note 7 in the Financial Statements.

Payment of Creditors

24. The Commission follows the Better Payment Practice Code. The Commission aims to pay all invoices that are correctly presented within 20 working days of receipt, compared with Government guidance of 30 days. The agency succeeded in paying 95% of invoices within 20 days of receipt. The average number of days to pay a receipt for the year ended 31 March 2007 was 10.

Open Government

25. The Commission complies with the Open Government Code of Practice on access to Government Information and has an agreed publications scheme under the Freedom of Information Act.

Auditor

26. Under Schedule 2 of the Natural Environment and Rural Communities (NERC) Act 2006, the Comptroller and Auditor General is required to examine, certify and report on the statement of accounts and lay copies of it, together with his report, before each House of Parliament. External Audit fees of £20,000 were incurred in respect of 2006/07. No further work unrelated to the statutory audit was carried out by the National Audit office in 2006/07.

So far as I am aware, there is no relevant audit information of which the Commission’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 Commission’s auditors are aware of that information.

Graham Garbutt
Chief Executive
20 July 2007

REMUNERATION REPORT

Remuneration Policy

The Commission's senior staff, fall into two categories: Directors (Chief Executive and Deputy Chief Executive); and Commissioners (11 Non-Executives). Directors' pay is decided by the Directors' Pay Committee comprising the Commission Chairman and the Director of Defra's Rural Policy Division.

The pay of senior staff is determined by analogy to that of the Senior Civil Service (SCS). Performance related pay is 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 and no bonuses were paid during 2006-07.

Service Contracts

Directors

Directors are appointed on merit on the basis of fair and open competition. Unless otherwise stated below all directors are employed under permanent contracts.

The Secretary of State approved the appointment of Graham Garbutt as Chief Executive in 2006/07. The Chief Executive's contract transferred from the Countryside Agency to the Commission at vesting on 1 October 2006. The contract notice period is a minimum of two months, written notice, to the Chairman. In the event of early or compulsory termination of the contract, the Chief Executive would be eligible for benefits under the Civil Servant Compensation Scheme.

All appointments of Commissioners are made on behalf of the Secretary of State for Food, Environment 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 (OCPA).

Commissioners

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 notice in writing to the Secretary of State.

The Chairman (Dr Stuart Burgess) is contracted to a time commitment of four days per week. Commissioners are contracted to a time commitment of 2.5 days per month.

On 1 October 2006, the Secretary of State appointed Elinor Goodman to the Commission for Rural Communities.

Salary and pension entitlements

The disclosures in the following tables relate to remuneration and pensions of senior staff of the Commission since 1 October 2006. There is no reliable basis to attribute remuneration and pensions of senior staff of the former Countryside Agency to the activities of the Commission when operating as a division of the Agency. As the major part of the functions of the Countryside Agency transferred to Natural England on 1 October 2006, the remuneration and pension details of senior staff in the Countryside Agency for the period 1 April to 30 September 2006 (and comparative amounts for 2005-06) are disclosed within the Remuneration Report included in the 2006-07 Annual Report and Accounts of Natural England.

The tables below are subject to audit.

Remuneration

Directors

	2006/07	
	Salary	Benefits in kind (to nearest £100k)
	£k	**£k**
Graham Garbutt * (Chief Executive From 1 October 2006)	55 - 60 (110-115 full year equivalent)	-
Margaret Clark * (Deputy Chief Executive until 31 March 2007)	40 - 45 (90-95 full year equivalent)	-

* Denotes formerly Countryside Agency senior staff.

Commissioners

	2006/07	
	Salary, including pension contributions	Benefits in kind (to nearest £100)
	£k	**£k**
Dr Stuart Burgess *Chairman & Rural Advocate*	30-35 (65-70 full year equivalent)	-
Professor Sheena Asthana	5-10	-
Richard Burge	5-10	-
Dr Jim Cox	5-10	-
Ms Elinor Goodman *	5-10	-
Norman Glass	5-10	-
Ms Alison McLean	5-10	-
Howard Petch	5-10	-
Professor Mark Shucksmith	5-10	-
John Varley	5-10	-
Professor Michael Winter	5-10	-

All the members were formerly Countryside Agency except as denoted *.

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 Commission and treated by HM Revenue and Customs as a taxable emolument.

Pension Benefits

Directors

	Accrued pension at age 60 as at 31/03/07	Real increase in pension at age 65	CETV 31/03/2007	CETV 31/03/2006	Real increase in CETV	Employer pension contribution
	£k	**£k**	**£k**	**£k**	**£k**	**£k**
Graham Garbutt (Chief Executive from 1 October 2006)	45-50	2	1194	1169	25	11
Margaret Clark (Deputy Chief Executive until 31 March 2007)	40-45	-1	1,075	1089	-14	-6

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 has a personal pension scheme by analogy to the Principal Civil Service Pension Scheme (PCSPS). The Chairman's remuneration includes £1,197 of pension contributions. (This figure excludes additional voluntary contributions). Total accrued pension at age 60 was £1,467. During the year contributions of £8,722 were funded by the employer.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. New entrants after 1 October 2002 may choose between memberships of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

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

The partnership pension is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, these will be matched by the employer 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 member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

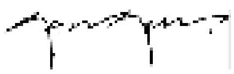
Further details about the PCSPS arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CSP Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to a member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Graham Garbutt
Chief Executive
20 July 2007

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 income and expenditure and cash flows for the financial year.

In preparing the accounts the Commission 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, and disclose and explain any material departures in the financial statements;

- prepare the financial statements on the going concern basis, unless inappropriate to presume that the Commission would continue in operation.

The Accounting Officer for the Department for Environment, Food and Rural Affairs designated the Chief Executive of the Commission for Rural Communities as the Accounting Officer for the Commission. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Graham Garbutt
Chief Executive
20 July 2007

Statement on Internal Control

1 Introduction

The Commission for Rural Communities was formerly an operating division of the Countryside Agency and as from 1 October 2006, under the Natural Environment and Rural Communities (NERC) Act 2006, vested as the Commission for Rural Communities. As former Chief Executive of the Countryside Agency and currently the Chief Executive for the Commission for Rural Communities, my responsibilities have been continuous throughout this period. The risk management processes in place pre-vesting have been maintained throughout transition of the operation to the new entity.

2 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, as articulated in our annual Corporate Plan; whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting and my letter of appointment. In discharging this responsibility, I work closely with Commissioners, who share responsibility for Commission policy direction, and with the Accounting Officer of Defra.

3 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Commission for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

4 Capacity to handle risk

I lead the risk management process with the assistance of Directors and the Audit and Risk Committee. Directors are involved in regular management reviews of corporate risks and manage risk review within their areas of responsibility. Risk considerations are built into the Commission's business planning. Risk is routinely addressed in the papers considered by the Commission. In general, I consider the Commission to be inherently a low risk environment.

5 The risk and control framework

5.1 **Corporate Governance**. The Commission has complied with all relevant corporate governance directions. Commission meetings are held regularly, in public, to consider all aspects of the plans and strategic direction of the Commission. The Audit and Risk Committee has met three times since vesting to assist with the review of Commission risks and activity. The Commission has benefited from a soundly based and independent Internal Audit activity and has received reports and advice on the adequacy of control systems, recommendations for improvement and assistance with the identification of key risks in the areas reviewed.

5.2 **Programme and Project Management**. The majority of our work is delivered through programme teams and managed by Programme Managers within the business. Work is in hand to ensure the effective management of the transformation of IT infrastructure and its support to a Defra framework contract. Work continues on the relocation of the Commission's headquarters with advice from appropriate property, technical and legal advisers. Key individuals involved within the Commission have had appropriate project management awareness and training.

5.3 **Risk Strategy and Risk Management.** I have put a corporate risk identification process in place to identify key corporate risks. The Commission agreed the overall corporate risk register and management actions. The Audit and Risk Committee reviewed individual items and the effectiveness of the system of internal control. Formal project management disciplines are applied where needed.

5.4 **Strategy and Planning.** We have an overall strategy, which makes clear the main focus of the Commission for Rural Communities' work and the broad outcomes to be achieved over the corporate planning period. There is a comprehensive corporate planning system with identified programmes of action and resources, supported by a detailed business plan. There has been a programme of stakeholder consultation and involvement in Commission programmes. Delays in agreeing funding at the start of the year and the vesting process mid-year have had some impact and outturn was less than expected. Relationships with Defra sponsorship and policy branches have been mutually supportive but the uncertainty of Defra funding agreements made corporate planning and output delivery difficult in some areas.

5.5 **Performance Management**. The Commission has had a continuous monitoring and quarterly reporting programme since vesting. This comprised quarterly reporting by directors of progress against the business plan and Corporate Plan, and regular reports to the Commission. A system to link individual staff work objectives to the Corporate Plan has been in place and monitored throughout the period.

5.6 **Change Management**. The Commission has been through a considerable change during 2006/2007, with the organisation becoming independent at vesting on 1 October 2006. A structural review was completed and staff were allocated to new programmes in preparation for the launch of the revised structure on 1 April 2007. In keeping with the Lyons agenda the Commission is downsizing its London presence; staff were consulted about the changes and given the opportunity to relocate. The introduction of a new Finance System at vesting was successfully managed with no loss of continuity of service and a new IT platform was introduced in February 2007.

6 Significant Internal Control Issues

There are two areas of note. The first being that for the first seven months of the reporting period there was no formally agreed budget for the Commission, which affected adversely its ability to continue with projects and programmes.

The second area is the project to relocate to Hartpury College. This project is being managed by Defra, as the proposed head lessee, and is of significant importance to the Commission and to Defra and embodies a key Defra policy objective in moving the organisation to a "lagging" rural area.

The Commission is in the process of closing its London office, relocating staff, and is seeking to recruit new staff on the basis that it will be based in Hartpury from autumn 2008, (originally planned for Autumn 2007). This date is now unlikely to be achieved although we await proposals from Defra to bring this back on track. This project is currently subject to a planning application but has been hampered by changes of project manager and lack of continuous commitment.

7 Review of Effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the directors who have responsibility for the development and maintenance of the internal control framework.

I am further informed by the work of the internal auditors, the opinion provided by the Head of Internal Audit and by comments made by the external auditors in their management letter and other reports. At vesting 1 October 2006, the Commission put in place an Audit and Risk Committee (ARC), which is constituted and operates in accordance with Treasury guidance. The Commission, through the Audit and Risk Committee, has advised me on the implications of the result of my review of the effectiveness of the system of internal control.

Graham Garbutt
Accounting Officer
Commission for Rural Communities
20 July 2007

The Certificate and Report of the Comptroller and Auditor General of 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 2007 under the Natural Environment and Rural Communities (NERC) Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement 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 Commission, Chief Executive and Auditor

The Commission, and Chief Executive as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Natural Environment and Rural Communities Act 2006 and the Secretary of State's directions made thereunder, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Commission and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and the Secretary of State's directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Statutory background and Management Summary, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Commission for Rural Communities has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Commission for Rural Communities' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Commission for Rural Communities' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission for Rural Communities circumstances, consistently applied and adequately disclosed.

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Natural Environment and Rural Communities Act 2006 and directions made there-under by the Secretary of State of the state of the Commission's affairs as at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and the Secretary of State's directions made thereunder; and
- information given within the Annual Report, which comprises the Statutory background and Management Summary is consistent with the financial statements.

Audit 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.

Report

I have no observations to make on these financial statements.

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

23 July 2007

Operating Cost Statement for year ending 31 March 2007

	Note	Apr 06-Sept 06 ** £	Oct 06-Mar 07 *** £	2006/07 £	2005/06 As restated £
Income					
Other grants receivable	4	-	-	-	223,000
Expenditure					
Grants	5	8,934	-	8,934	155,000
Staff costs	6	1,753,000	2,995,086	4,748,086	3,319,000
Other operating costs	8	1,979,200	2,531,060	4,510,260	5,540,000
Depreciation	11	1,829	3,659	5,488	-
Amortisation	12	293	586	879	-
		3,743,256	**5,530,391**	**9,273,647**	9,014,000
Operating deficit		**3,743,256**	**5,530,391**	**9,273,647**	8,791,000
Interest receivable	9	-	(3,458)	(3,458)	-
Notional cost of capital	10	(9,695)	(16,875)	(26,570)	(14,875)
Deficit on ordinary activities		**3,733,561**	**5,510,058**	**9,243,619**	8,776,125
Transfers and appropriations:					
Notional cost of capital reversal		9,695	16,875	26,570	14,875
Retained DEFICIT for the financial year		**3,743,256**	**5,526,933**	**9,270,189**	8,791,000

**The April 2006 – September 2006 column represents the proportion of activity taking place before the Machinery of Government change whilst the Commission was an operational division of the Countryside Agency. ***The October 2006 – March 2007 column represents the proportion of activity taking place after the Machinery of Government change, during which the Commission was independently established under the Natural Environment and Rural Communities (NERC) Act 2006. See also Notes 1(b) & (3)

The notes on pages 24 to 34 form part of these accounts.

Statement of recognised gains and losses

There are no gains and losses other than those recognised in the Operating Cost Statement shown above.

Balance Sheet as at 31 March 2007

	Note	2006/07	2006/07	2005/06 As restated
		£	£	£
Fixed assets				
Tangible fixed assets	11		**69,575**	-
Intangible fixed assets	12		**11,918**	
Current Assets				
Stocks	13	**3,545**		22,000
Debtors falling due within one year	14	**39,146**		-
Cash at bank and in hand		**1,276,636**		-
		1,319,327		22,000
Creditors				-
Amounts falling due within one year	15	**(1,905,737)**		(849,000)
Net current liabilities			**(586,410)**	(827,000)
Total assets less current liabilities			**(504,917)**	(827,000)
Provisions for liabilities and charges				
Provision for retirement costs	17		**(60,000)**	-
Provision for redundancy costs	16		**(933,272)**	-
Net liabilities including redundancy and pension liability			**(1,498,189)**	(827,000)
Financed by:				
Capital and reserves				
Revenue Reserve	19		**(1,498,189)**	(827,000)
			(1,498,189)	(827,000)

Signed by Accounting Officer:-
Graham Garbutt
Chief Executive
20 July 2007

The notes on pages 24 to 34 form part of these accounts.

Cash Flow Statement for the Year Ended 31 March 2007

	Note	2006/07 £	2006/07 £	2005/06 £ As restated
Net cash outflow from operating activities	18	-	(7,234,504)	(7,964,000)
Returns on investment and servicing of finance				
Interest received		-	-	-
Net cash inflow from returns on investment and servicing of finance		-	-	-
Capital Expenditure and financial investment				
Payments to acquire fixed assets - tangible	11	(75,063)		-
Payments to acquire fixed assets - intangible	12	(12,797)		-
Net cash outflow from investing activities			(87,860)	-
Net cash inflow/(outflow) before financing			(7,322,364)	(7,964,000)
Financing				
Revenue Grant-in-aid		8,511,140		7,964,000
Grant in Aid used to finance the purchase of fixed assets		87,860		-
Net cash inflow from financing			8,599,000	7,964,000
Net cash inflow for the year			1,276,636	-

The notes on pages 24 to 34 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

(a) Accounting convention

These accounts have been prepared by the Commission in compliance with the 2006/07 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by the Secretary of State for the Department for Environment, Food and Rural Affairs. In accordance with Section 7(2) of the Government Resources and Accounts Act 2000.The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for Companies (UK GAAP) 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 Commission for Rural Communities 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.

(b) Machinery of Government Change

The transition from the Commission being a division of the Countryside Agency to being separately established as a Non-Departmental Public Body is a Machinery of Government change, which, in line with FReM requirements, has been accounted for using Merger Accounting principles.

(c) Tangible and Intangible Fixed assets and depreciation

Information Technology (IT) and office equipment are valued at depreciated historical cost. Values are updated annually, and this is undertaken using price indices published by the Office for National Statistics.

IT equipment - 3-5 years.
Intangible fixed assets (Amortisation) - 3-5 years.

Fixed assets costing less than £1,000 are charged to the income and expenditure account in the year of purchase.

(d) Stocks

Stocks of publications material are valued on a ‘first in first out’ basis at the lower of net realisable value and historic cost. For the purposes of valuation, publications are deemed to have a useful life of two years.

(e) Taxation

The Commission 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 Commission is registered for value added tax (VAT), and has partially exempt status.

(f) Financial Performance

The Commission for Rural Communities has no agreed financial targets with the Department for the Environment, Food and Rural Affairs against which performance can be measured.

(g) Income Recognition

The Commission recognises income net of discounts but inclusive of irrecoverable VAT.

(h) Operating Leases
All costs of operating leases are charged to the income and expenditure account as incurred. There are no finance leases.

(i) Notional Costs
When calculating the surplus or deficit for the year, the Commission is required to include as expenditure, a notional cost of capital. Where there are net liabilities a notional credit is calculated and applied to reduce the net operating costs for the year.

(j) Grant in Aid
The Commission receives Grant in Aid from the Department for Environment, Food and Rural Affairs. Grant in Aid is accounted for as funding and credited directly to the Revenue Reserve.

(k) Pensions
The Commission operates an Early Retirement Scheme providing retirement benefits to qualifying employees under the rules of the Principal Civil Service Pension Scheme. The Commission 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. The Chairman is not entitled to join the PCSPS but is a member of the by analogy scheme. Any ongoing liability arising from this arrangement will be borne by Defra.

(l) Provisions
Made in accordance with the FRS12 requirement for obligations arising from events that occurred in the past; where it is likely that they will be settled and can be reasonably estimated.

2 Prior Year Adjustment

As set out at Note 1(j), Grant in Aid is accounted for as funding. This is a change in accounting policy for 2006-07 (implementing changed requirements of the FReM). In 2005-06 Grant in Aid was reported as Income. As a result of this change a Prior Year Adjustment has been made to reflect the treatment of Grant in Aid as funding in 2005-06. The impact of the change in 2005-06 is to:

1.	Reduce Debtors by	£827,000
2.	Reduce Income by	£8,791,000
3.	Increase funding credited to Revenue reserves by	£7,964,000
4.	Reduce Revenue reserves b/f by	£827,000
5.	Create a deficit for the year of	(£8,791,000)

3 Machinery of Government Change

The Commission operated as a division of the Countryside Agency from 1 April 2005 until 30 September 2006. On 1 October 2006 the Agency was dissolved and the Commission was established as an independent Non-Departmental Public Body under the Natural Environment and Rural Communities Act 2006. These arrangements represent a Machinery of Government Change, which as set out at Note 1b, are accounted for following the principles of Merger Accounting. This involved the following:

1. The Commission adopted accounting policies consistent with the Agency, except for the Prior year adjustment described at Note 2. This involved no changes to the value of Reserves.
2. The net liabilities transferred at the vesting of the Commission were £236,000
3. The accounts cover the activities of the Commission for the full year 2006-07, but the pre and post-vesting transactions are shown separately in the Operating Cost Statement

4. A best estimate of comparative figures for the activities of the Commission in 2005-06 whilst part of the Countryside Agency has been provided. This is on the following basis:

   a. That the Commission came into being as a division on 1 April 2005 with no assets and liabilities at inception;
   b. The Commission was a receiver of services within the Agency, but had no fixed assets or cash holdings attributable to it;

   A reasonable attribution of all elements of income and expenditure has been made and asset and liability comparatives are included where appropriate.

4 Other grants receivable

	2006/07	2005/06
	£	£
		As restated
Co-sponsored income	**-**	223,000

5 Grants expenditure

	2006/07	2005/06
	£	£
		As restated
Miscellaneous grants paid	**8,934**	155,000

The Commisssion is not empowered to pay grants and the 2006/07 expenditure was paid by the Countryside Agency before the Commission was established in its current form.

6 Staff costs

	2006/07	2006/07	2005/06
	£	£	£ As restated
Salaries			
Chairman	**68,408**		-
Members	**117,448**		-
Staff	**2,509,150**		2,399,000
		2,695,006	2,399,000
Social Security Costs			
Chairman	**12,168**		-
Members	**7,802**		-
Staff	**209,692**		204,000
		229,662	204,000
Superannuation			
Staff	**514,359**		432,000
		514,359	432,000
Seconded staff costs		**149,232**	39,000
Agency staff costs		**155,643**	158,000
Early retirement costs		**70,912**	87,000
Redundancy Provision		**933,272**	-
Total Staff costs		**4,748,086**	3,319,000

As noted in the Remuneration Report, there is no reliable basis to attribute remuneration of senior staff of the former Countryside Agency to the activities of the Commission when operating as a division of the Agency. As the major part of the functions of the Countryside Agency transferred to Natural England on 1 October 2006, the remuneration of senior staff in the Countryside Agency for the period 1 April to 30 September 2006 (and comparative amounts for 2005-06) is included within the 2006-07 Annual Report and Accounts of Natural England.

Staff numbers

The average number of permanent staff employed at 31 March 2007 (including those on fixed term appointments) was:

	2006/07	2005/06
	No.	No. As restated
Directors and other managerial staff	7 *	6
Middle managers, countryside officers and other professional staff	53	50
Administrative and secretarial staff	17	15
Commission/temporary staff	7	3
* includes two staff at Senior Civil Service grade 5 and above.	84	74

The 2005-06 staff number figures are a best estimate of staff attributable to Commission activities, within the Countryside Agency as a whole.

7 Defined benefit schemes

Principal Civil Service Pension Scheme

The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission for Rural Communities is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2005. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2006/07, employer's contributions of £514,359 were payable to the PCSPS (2005/06, £432,000) at one of four rates in the range 17 to 25.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution.

8 Other operating costs

	2006/07	2005/06
	£	£ As restated
Research and Technical Consultancy	**1,317,424**	2,761,493
IT costs	**893,842**	847,056
Publicity, Information and Other	**892,772**	790,963
Travel and Subsistence	**383,318**	340,135
Professional fees	**349,826**	299,744
Estates Charges	**270,607**	134,526
Recruitment and Training	**195,940**	138,097
Conference & Seminar fees	**93,799**	127,691
Administrative costs	**67,614**	65,387
Telecoms	**30,471**	34,284
Write offs and special payments	**14,647**	624
	4,510,260	5,540,000

Professional fees include provision for an external audit fee of £20,000 in respect of 2006/07. No fees were paid to the National Audit Office during the year for consultancy work.

9 Interest receivable

	2006/07	2005/06
	£	£
		As restated
Bank deposit interest	**3,458**	-
	3,458	-

10 Notional costs

When calculating the surplus or deficit for the year, the Commission is required to include as expenditure, a notional cost of capital. This has been calculated at 3.5% (3.5% 2005/06) of the average total assets less the total liabilities in the year. Where the Commission has net liabilities, this gives rise to a notional credit. In line with Treasury policy the Commission does not maintain insurance policies to cover buildings, office contents, employers or public liability.

11 Tangible fixed assets

	IT Equipment	Total 2006/07
At cost or valuation	£	**£**
As at 1 April 2006	-	**-**
Additions during the year	**75,063**	**75,063**
Disposal during the year	-	**-**
As at 31 March 2007	75,063	**75,063**
Less Depreciation		
As at 1 April 2006	-	**-**
Charge for the year	**(5,488)**	**(5,488)**
Disposals	-	**-**
As at 31 March 2007	(5,488)	**(5,488)**
Net Book Value		
As at 31 March 2007	69,575	**69,575**
As at 31 March 2006	-	**-**

As set out at Note 3.4b, the Commission had no fixed asset holdings during 2005-06 whilst it was operating within the Countryside Agency.

12 Intangible fixed assets

	Software Licences
	2006/07
At cost or valuation	**£**
As at 1 April 2006	**-**
Additions during the year	**12,797**
Disposal during the year	**-**
As at 31 March 2007	**12,797**
Less Amortisation	
As at 1 April 2006	**-**
Charge for the year	**(879)**
Disposals	
As at 31 March 2007	**(879)**
Net Book Value	
As at 31 March 2007	**11,918**
As at 31 March 2006	**-**

As set out at Note 3.4b, the Commission had no fixed asset holdings during 2005-06 whilst it was operating within the Countryside Agency

13 Stocks

	2006/07	2005/06
	£	£
		As restated
Publications	**3,545**	22,000
	3,545	22,000

14 Debtors

	2006/07	2005/06
	£	£
		As restated
Trade Debtors	**-**	-
Interest Receivable	**3,458**	-
Prepayments	**35,097**	-
Staff Loans and Season Ticket Loans	**591**	-
	39,146	-

15 Creditors: amounts falling due in less than one year

	2006/07	2005/06
	£	£
		As restated
Trade creditors	**537,924**	-
Accruals	**924,248**	849,000
Other creditors	**443,565**	-
	1,905,737	849,000

16 Redundancy provision

This provision is required to meet the current estimated ongoing liabilities in respect of staff redundancies arising from the re-organisation of the Commission for Rural Communities.

	2006/07
	£
Opening balance at 1 April 2006	**-**
Costs provided for in the year	**(933,272)**
Provision utilised in the year	**-**
Balance carried forward at 31 March 2007	**(933,272)**

17 Early retirement provision

	2006/07
	£
Retirement costs paid this year	**10,912**
Provision recognised	**(70,912)**
Balance carried forward at 31 March 2007	**(60,000)**

This provision is required to meet current estimated obligations in respect of decisions taken on early retirement up to the end of 2006/07.

18 Reconciliation of operating deficit to net cash inflow from operating activities (Note to cash-flow statement)

	2006/07	2005/06
	£	£
		As restated
Operating deficit	**(9,270,189)**	(8,791,000)
Adjustments for non-cash transactions:		
Depreciation	**5,488**	-
Amortisation	**879**	-
Increase in Early Retirement Provision	**60,000**	-
Increase in Redundancy Provision	**933,272**	-
Decrease/(increase) in stocks	**18,455**	(22,000)
(Increase) in debtors	**(39,146)**	-
Increase in creditors	**1,056,737**	849,000
	(7,234,504)	(7,964,000)

19 Revenue reserve

	2006/07	2005/06
	£	£
		As restated
Reserve brought forward	**(827,000)**	-
Retained (deficit) for the financial year	**(9,270,189)**	(8,791,000)
Revenue grant-in-aid	**8,511,140**	7,964,000
Capital grant-in-aid	**87,860**	-
Reserve carried forward	**(1,498,189)**	(827,000)

20 Other financial commitments

The Commission had no annual commitments in respect of non-cancellable operating leases in 2006/07. The previous Countryside Agency PFI - IT contract transferred to Defra at vesting before expiring in December 2006. The only cost to the Commission, was a one off transition fee of £49,000 for the E-nabling ICT services provided by IBM (The Commission bought into Defra's contract with IBM). Currently the Commission is re-charged by Defra for IT and Estates costs which currently amount to annual charges of approximately £906,000. Although formal agreement is pending, the charges are within budget.

21 Contingent liabilities

There were no Contingent liabilities in the year ending 31 March 2007.

22 Contingent assets

Ownership of the former Countryside Agency's premises in Cheltenham, passed to Defra upon vesting of the Commission, although as yet there are no formal plans in place as yet for disposal, it has been agreed that the Commission will benefit from a 15% share of any subsequent sale proceeds.

23 Post balance sheet events

These accounts were authorised, for issue on 24 July 2007, when they were transmitted to the Secretary of State for laying before Parliament in accordance with Paragraph 23 of Schedule 2 to the Natural Environment and Rural Communities (NERC) Act 2006.

24 Managing risk in financial instruments

The Commission has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. The balance sheet shows cash deposits of £1,276,636, to cover current liabilities, which were deployed in April 2007.

25 Intra-Governmental balances

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after more than one year	Creditors: Amounts falling due within one year	Creditors: Amounts falling due after more than one year
	£	£	£	£
Balances with other central government bodies	605,999	-	310,612	-
Balances with local authorities	-	-	12,678	-
Total at 31 March 2007	605,999	-	323,290	-

26 Related party transactions

The Commission for Rural Communities is a body corporate sponsored by the Department for the Environment, Food and Rural Affairs. The Department is regarded as a related party. During the year, the Commission for Rural Communities has had a number of material transactions with the Department. The Commission entered into transactions with Natural England, which shares the same parent Department. No other material transactions were entered into with other entities for which Defra is regarded as parent. In addition, the Commission for Rural Communities has had no material transactions with other Government departments and central Government bodies.

There were no related party transactions with individuals in 2006/07.

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