Title: **Consultation on the proposed abolition of the CRC**	Impact Assessment (IA)
IA No:	**Date:** 12/03/2012
Lead department or agency: Defra	**Stage:** Development/Options
	Source of intervention: Domestic
Other departments or agencies: Cabinet Office	**Type of measure:** Secondary legislation
	Contact for enquiries: John Coleman

Summary: Intervention and Options

RPC: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£2.4m	£0m	£0m	No	NA

What is the problem under consideration? Why is government intervention necessary?

Abolishing the CRC will deliver modest savings and remove any confusion and duplication between the CRC's role as Rural Advocate, Advisor and Watchdog and the Defra Ministerial team's role as Rural Champions. Defra Ministers believe that they should act as the primary mechanism by which rural issues are championed across Government, supported by an in-house policy team, the Rural Communities Policy Unit (RCPU), acting as a centre of rural expertise. This action contributes to the Government's wider policy objective to become more open and accountable for the decisions it takes. Defra Ministers will be accountable to Parliament for the way that they fulfil their role as Rural Champions.

What are the policy objectives and the intended effects?

Following the 90 day public consultation and subject to the will of Parliament, the Government's objective is to abolish the CRC. The intended effect is to enable Government and Ministers to consolidate the rural policy function entirely within Defra. By creating a centre of rural expertise, namely the RCPU, the Government has an opportunity to remove duplication and improve efficiency by not having to service a freestanding body.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1. Do nothing: Leave the Commssion for Rural Communities as it is.
This approach would cost an estimated £600k pa. and maintains the potential for confusion around roles of the CRC and Defra amongst both external stakeholders and Government departments.
2. Abolish. This approach removes the CRC and ensures Defra's Ministerial team champion rural issues across government.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** **Yes**	**< 20** Yes	**Small** **No**	**Medium** **No**	**Large** **No**
What is the CO2 equivalent change in greenhouse gas emissions? (Million tonnes CO2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: Richard Benyon. Date: 15/5/2012

Summary: Analysis & Evidence

Policy Option 1

Description: Abolish the Commission for Rural Communities

FULL ECONOMIC ASSESSMENT

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)		
Year 2011	**Year** 2011	**Years** 5	**Low:** Optional	**High:** Optional	**Best Estimate:** £2.4m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	
High	Optional	1	Optional	
Best Estimate	£150k			£145k

Description and scale of key monetised costs by 'main affected groups'

Key monetised costs will be those associated with the winding up of the 'streamlined' Commission for Rural Communities (£150k).

Other key non-monetised costs by 'main affected groups'

Abolishing the CRC will remove an independent watchdog, advisor and advocate on rural issues. However, Defra Ministers will act as rural champions on behalf of rural communities within government supported by the RCPU as a centre of rural expertise. In addition, the Government is exploring the scope to encourage independent review of its approach to rural proofing, and will respond positively to any such review.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate			£600k	£2.5m

Description and scale of key monetised benefits by 'main affected groups'

The downsizing of the CRC and the movement of some work and staff into Defra has reduced costs by 60% and will deliver £17m savings over the CSR period. Under its new operating model, the total cost of the CRC as an ALB is estimated at £600k pa. Abolishing the CRC in its current form means that this cost will be saved and the resources deployed elsewhere (thus described as benefits).

Other key non-monetised benefits by 'main affected groups'

None

Key assumptions/sensitivities/risks **Discount rate (%)** Assum

Risks have been considered and assumptions set out below. See Sec. 5.0 below for mitigation measures.
Assumption 1.The removal of an independent voice on behalf of rural communities will not equate to a loss of transparency in government decision making.
Assumption 2. Loss of CRC will not represent a loss of accountability
Assumption 3. A small unit of civil servants will be able to adequately understand and represent concerns and priorities of rural people and businesses.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs:	**Benefits:**	**Net:**	No	NA

1.0 Problem under consideration

In June 2010, the Secretary of State, Caroline Spelman, announced that Defra ministers would lead rural policy from within the Department supported by a strengthened RCPU and proposed that the Commission for Rural Communities would, therefore, be abolished.

It is vital in the current economic climate that financial savings are made across Government. This has to be balanced with a need to ensure that savings do not compromise the quality of life for rural people. Defra has sponsored the CRC, since March 2005. The CRC's budget for 2010-11 was just under £6m per year. The Government has needed to make difficult decisions to ensure it can live within much tighter budgets under the spending review settlement.

As of 1 April 2011, the first phase of this transition was completed. The new Defra RCPU is now fully staffed and operational. Meanwhile, the CRC has implemented a streamlined operating model which means it is able to fulfil its statutory functions at a significantly reduced cost. This returned a saving of £17m over the CSR period, and is reflected in the baseline for this Impact Assessment.

This is not just about saving money. The proposed abolition of the Commission for Rural Communities will remove duplication and confusion around the role of Defra and the CRC. The Public Bodies Bill, which has completed its passage through the House of Lords, is the main legislative vehicle for taking forward the Government's review of public bodies. The Bill would allow Ministers, by order, to abolish, merge or transfer the functions of the public bodies listed in the appropriate schedules to the Act.

2.0 Rationale for intervention

The Government does not wish to fund an arm's length body to act as an expert advisor, advocate and watchdog on behalf of rural communities and is therefore proposing, following the consultation and the will of Parliament, to abolish the CRC. The Public Bodies Bill lists public bodies in appropriate schedules, according to the Government's proposed reform. The CRC is in the list of bodies in schedule 1, (bodies which can be abolished by secondary implementing legislation). Such legislation requires that Ministers consult on their proposals before laying a draft order. The Government accepts this requirement which supersedes any previous announcements of a confirmed policy position in relation to abolishing the CRC. The consultation ran for 90 days between 1 November 2011 and 30 January 2012.

3.0 Policy objective

The Government's preferred option, following the consultation and subject to the will of Parliament, is to abolish the CRC while significantly strengthening the rural capacity of Defra. Defra Ministers will act as rural champions on behalf of rural communities within government supported by the RCPU, a centre of rural expertise within Defra.

Defra will play an important role in helping all Government Departments to ensure that their policies are effectively 'rural proofed' before decisions are made. The RCPU is actively strengthening Defra's relationships with rural organisations and commentators who advocate on behalf of rural people and businesses. One of the RCPU's key objectives is to develop open and transparent ways of working, collaborating where appropriate with organisations that represent and support rural residents, enterprises and communities - giving those stakeholders an opportunity to influence the unit's priorities and projects.

For example, Defra is investing in the Rural Community Action Network (RCAN), with ACRE as the accountable body. The total investment programme will run for four years from April 2011 to March 2015. The total amount of investment in the first two years of the agreement has been confirmed at £6 million. The investment programme is based on RCAN's focus on their support for developing the rural

Big Society and long term sustainability of rural communities across England; their positioning at the interface between communities and local government; and their ability to access grass roots intelligence against the national and sub-national policy context.

Defra has also created new networks and opportunities for direct and two way communication with Ministers. For example, on January 4, 2012, Defra Ministers invited a new Rural and Farming Network to be established. Made up of 17 self-determined groups from across the country - it provides a direct link between frontline rural communities, businesses food and farming industries throughout the country. Defra Ministers have been clear that RFN will have direct access to Ministers. RFN members will also have named Defra officials as points of contact who will be able to provide light touch secretariat support. The networks membership will primarily operate at the sub-national level:

- to provide a basis for effective two way communication between Defra Minister and broad rural interests throughout the country
- to discuss issues of common interest and learn from each others' experience.

The RFN, which is now in place, will encourage participation from the farming and food sectors and from those representing broader community, environmental and business interests within their localities. It is envisaged that the bringing together of a wide range of rural interests within one network will ensure that no-one sector or voice is dominant.

4.0 Description of options

4.1 Option 1: Do Nothing:

The first option would leave the CRC to continue operating with a streamlined staff of 3.5 admin staff, its Chairman and 9 Commissioners. This would cost the Government £600k per year and possibly more (e.g. during the negotiations of the CRC and RCPU business plans). Much of the CRC's activity would duplicate the work of the RCPU and arguably, the work of rural stakeholders currently active (e.g. the Rural Coalition) who already provide advice to government at no cost. The annual cost of maintain the CRC as an arm's length body is estimated at £600k pa, funded by Defra.

4.2 Option 2: Abolish the Commission for Rural Communities

This is the Government's preferred option. Following the consultation, Ministers considered respondents' views. All responses, including those which proposed an alternative to the Government's preferred option, were given due consideration. The government justification for its preferred option is as follows:

i): Removing the CRC and creating a centre of rural expertise will enable the Government to continue its commitment to reduce the deficit while ensuring that measures are in place to pursue its commitment to ensuring fair and affordable outcomes are delivered on behalf of rural communities

ii): The Government does not wish to fund an arm's length body to act as an expert advisor, advocate and watchdog on behalf of rural communities. The RCPU is working closely with organisations who provide advocacy, detailed strategic policy advice and influence on behalf of rural communities at no cost to the public purse**.**

iii): The Government believes that abolishing the CRC will strengthen, not weaken rural policy making. However, the Government recognises that there are perceived risks with these changes.

5.0 Risks and Mitigations

1. **Risk:** *The removal of an independent voice on behalf of rural communities may equate to a loss of transparency in government decision making*

Mitigation: It is an important point of principle that democratically accountable Ministers should take direct responsibility for policy functions. A single centre of rural expertise operating within Defra will be able to engage more effectively, and at an earlier stage, in the development of policy across Government, ensuring that rural needs and opportunities are properly understood before decisions are made. The RCPU strengthens Defra's existing rural policy team by bringing in staff with other backgrounds and expertise, including a number from the CRC. The RCPU work programme will shortly be published on the Defra web site and the unit will be using a variety of methods to provide public updates about progress and impact. The government has also gone on record stating it is exploring the scope to encourage independent review of its approach to rural proofing, and will respond positively to any such review.

2. **Risk:** *The loss of CRC may represent a loss of accountability*

Mitigation: Defra Ministers are committed to championing the needs of rural areas and wish to represent them by leading policy from inside Defra. Defra Ministers will be accountable to Parliament for the way that they fulfil their role as Rural Champions. Inevitably, some elements of Defra's working and that of the RCPU will have to take place 'behind the scenes'. However, the Environment, Food and Rural Affairs (EFRA) select committee has already indicated that it will wish to scrutinise the work of the RCPU. The Government welcomes this; it is further evidence of the importance that many in this Government attach to the interests of those living and working in rural areas.

3. **Risk**: *A small unit of civil servants might not adequately understand and represent concerns and priorities of rural people and businesses.*

Mitigation: The RCPU has deliberately been established as operating across 3 offices in Bristol, London and York to maximise the chance of recruiting and retaining staff with a background and interest in the relationship between national policy and local delivery. Since its creation in April 2011, the RCPU has been carrying out a careful assessment of the rural evidence base, considering how best to gather evidence relevant to current policy issues as well as more strategic long-term evidence about the changing characteristics of rural places, communities and economies. The RCPU evidence programme is published on the Defra web-site and its research outputs will be made widely available.

The RCPU is working closely with organisations representing and supporting rural residents, enterprises and communities to gather qualitative as well as quantitative insights and evidence about the concerns and priorities of people living and working in the countryside. For example, the RCPU meets regularly with the Rural Coalition, is engaging with a wide range of businesses and other stakeholders interested in the Rural Economy Growth Review and meets regularly with Defra's new Rural and Farming Network**.**

6.0 Costs and benefits

It is estimated that the abolition of the CRC will save about £600k per year, in addition to the net savings of £17m (approximately 60%) over the CSR period from scaling down its operations to a minimum (already reflected in the baseline for this IA). Under its new operating model, the CRC receives £450k pa funding towards its delivery costs and is provided with back office support (finance, HR functions etc) by Defra estimated cost of £100k pa. The cost of abolishing the streamlined CRC is estimated at approximately £150k – this estimate is to address the potential for CRC staff redundancy costs.

7.0 Wider Impacts

To ensure fairness to CRC staff, standard procedures agreed by Cabinet Office will be followed for any redundancies resulting from the proposed abolition. In addition, Commission staff will have access to the Civil Service Vacancies (CSVaCs) website and e-learning resources.

Subject to the will of Parliament, the Government's preferred option is to abolish the CRC. Ministers have considered respondents' views following the 90 day public consultation including those which highlighted wider impacts resulting from the abolition of the CRC. Response to the consultation and a summary of impacts highlighted within responses received is as follows:

A full 90 day public consultation was conducted, commencing 1 November 2011 to 30 January 2012. The consultation invited views on the Government's proposal to abolish the CRC and its functions in England and the new rural policy function within Government. We received 41 responses to the consultation. Of the 41 responses received, 12 respondents supported abolition of the Commission for Rural Communities, with 5 of those setting out some conditions to that support. 12 were opposed, and 16 respondents did not state their support or opposition to the CRC's abolition. 1 respondent did not answer the question.

20 respondents indicated that the abolition of the CRC would have no impact on their operations, with no further evidence offered to support this view. 14 respondents noted an indirect or direct impact on their operational activity. However, some of those describing impacts did not feel those impacts were a compelling enough reason to oppose the abolition of the CRC.

Indirect or direct impacts were described in the following ways. A number of respondents noted that the loss of CRC as an independent advisor; advocate and watchdog may have a detrimental impact on Government policy making to penetrate into rural areas and diminish the ability of local policy and decision-makers to recognise the particular needs of rural areas. 2 respondents also highlighted the historical and financial links with the CRC that, due to abolition, would no longer exists and have some direct consequences on their future operations.

Some respondents were equally concerned that the loss of the CRC may impact on the quality of services they provide for their members in sharing effective practice, interpreting policy developments and ensuring the voices of the harder to reach in rural communities are heard by Government. It was also noted that this proposal would remove a route through which stakeholders are currently able to challenge Government policy.

A number of respondents highlighted the beneficial impacts of proposals, noting that they will create a positive and effective point of reference and expertise in RCPU which will incorporate and enhance the quality of the CRC. Respondents also noted that developing new policy functions enables Government the opportunity to review and strengthen the relationships and effective links between rural interest groups. It was noted however, that effective policy development will largely depend on RCPU's ability to engage with stakeholders and represent their views to influence policy development across Government.

A number of respondents said that they were keen to actively work with RCPU to ensure rural policy accurately reflects the needs and aspirations of rural communities and businesses, and that policy is consequently informed by current, up to date evidence, research and evaluated good practice.

8.0 Summary of the Government's preferred option

The two options set out in this Impact Assessment were:

Option 1: Do nothing: Leave the CRC as it is.
Option 2: Abolish the CRC.

In the light of the consultation the Government is progressing Option 2. See Consultation report and the Government response.