Commission for
Rural Communities
Tackling rural disadvantage

Annual Report and Accounts 2010-11

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Annual Report

Chairman's foreword

The CRC will continue actively to deliver its statutory duties for a further year, and in that time there are some important challenges for us to meet.

The plan by the Defra Secretary of State to abolish the organisation requires legislation, and so the CRC has joined the many organisations listed in the Public Bodies Bill which started its passage through Parliament towards the end of 2010.

In the meantime, the imperative to reduce Public Service spending meant that we were required to undertake the process of reducing the organisation to a minimum, which meant making the majority of our staff redundant by the end of March 2011 and vacating our accommodation in Cheltenham and Whitehall. It now falls to the Commissioners, supported by four staff (3.5 full-time equivalents), to fulfil the rural advocacy, expert adviser and independent watchdog roles set out in statute.

Despite the inevitable impact that these changes were having, the level of progress and achievement during the year is a credit to the whole organisation and I have been greatly encouraged by the many accolades to the work of the CRC that have been heard in Parliament and elsewhere. I would like to make special mention of our uplands report, 'High ground, high potential – a future for England's upland communities', which has captured imaginations and resulted in a new policy statement by Defra. These inquiries, led by a panel of Commissioners have been a feature of the organisation and one of our great successes.

It is also encouraging that 12 of our staff have been redeployed in Defra's new Rural Communities Policy Unit (RCPU), some through right of transfer and others through selection, including our Chief Executive Sarah McAdam, who has been appointed head of the new unit. I look forward to working with her in her new role and hope that she and they will be able to take forward some of our innovative ways of working into Defra. I am grateful to Sarah for retaining her responsibilities as Accounting Officer until we were able to appoint a new Chief Executive.

I was pleased to welcome Jonathan Carling as our Chief Executive from 1 April 2011, who joins us from the Regional Development Agency, One North East, where he was Head of the North East Research and Information Partnership.

In order to deliver our statutory duties, the CRC will continue to act as critical friend to Defra, and our modest work programme will complement that of the RCPU. We have agreed on two specific priority areas for 2011-12: a review of the position of young people and opportunities for training and employment; and an assessment of the implications of living in isolation in rural areas – the depth and nature of the issue, the concerns and potential solutions.

My thanks go to my fellow Commissioners, who have supported me during this year of change and who are now adjusting to the different role that they have been asked to undertake. I am grateful to them all, and especially to Sheena Asthana, Howard Petch, Mark Shucksmith and Michael Winter who have agreed to have their terms of office extended for another year. I know I express the gratitude of all Commissioners to Jim Cox, who is standing down after six years, whose advice and experience has been valued by us all.

Finally I am grateful to the staff who have shown great resilience during this most difficult year and thank them for their continued hard work and dedication. In particular I thank the Executive Board and especially Gill Payne and Amanda Peck who, despite facing redundancy themselves, selflessly managed the difficult process through to the end of the year.

I am pleased to present the Commission for Rural Communities' Annual Report and Accounts for 2010-11.

Stuart Burgess, CBE
Chairman

Chief Executive's introduction

The CRC's policy work was delivered over the past year under four strategic impacts: rural places, rural services, rural economies and governance. Following the announcement of the closure of the organisation, attention inevitably also focused on transition, and its impact on individuals and the organisation as a whole. Since coming into post in April 2011, I have been impressed by what I know was achieved under the four strategic impacts during 2010-11, in challenging circumstances. Some of these achievements are highlighted in the performance review, overleaf.

Last year's annual report stated that "On 29 June 2010 the Secretary of State for Defra announced that the Government propose to introduce legislation in the summer of 2011 to abolish the CRC. The remit and funding for the CRC remain in place for 2010-11 to manage the transition and maintain statutory activities until the new legislation is in place."

In her written statement to Parliament, Secretary of State Caroline Spelman said: "The Government is committed to improving the quality of life for those living and working in rural areas and intends to put the fair treatment of rural communities at the centre of Government. Ministers will lead rural policy from within my Department; I have accordingly decided to abolish the Commission for Rural Communities as an independent body.

"The Government believes policy advice should be carried out by Departments, not arm's length bodies. Defra will, therefore, reinforce its capacity to undertake rural work within the Department; a strengthened Rural Communities Policy Unit will work across Government to ensure that the interests of rural communities are fully reflected in policies and programmes."

Whist signalling a change of direction, the Secretary of State noted: "In taking this action, I pay tribute to the commitment and quality of work undertaken by the Commission for Rural Communities, its staff, Commissioners and its Chairman, the Revd Dr Stuart Burgess CBE, over the past four years. My Department will continue to work closely with the CRC during the transition to the new arrangements so that we build on its achievements."

I am therefore pleased that 12 CRC staff have been successful in securing appointments in the new Unit. On 14 February, 2011 Sarah McAdam was appointed Head of the Rural Communities Policy Unit but remained as Accounting Officer until the end of the financial year, ably assisted by Gill Payne as her deputy.

Defra adopted a two-stage approach to implementing the Secretary of State's decision on our future: first, to reduce the CRC to a minimum – a streamlined body comprising existing Commissioners and a small support team from April 2011, and second, subject to consultation following passage of the Public Bodies Bill, abolition, likely to be in spring 2012.

This has been a difficult transition for everyone involved. After the Coalition Government's announcement the 2010-11 corporate plan was reviewed, seeking to make best use of resources to fulfil the statutory remit whilst also undertaking the necessary but time-consuming wind-down activities. It is particularly gratifying that arrangements could be made with The National Archive and British Library to retain CRC publications and a wider collection of source material to enable continued access to this valuable resource. The Chief Executive's report last year rightly commented on the level of commitment of the staff to their work.

Performance review

The CRC's statutory purpose has been 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 to identify how those needs can best be addressed. We are required to have particular regard to people suffering from social disadvantage and areas experiencing 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 the Coalition Government's proposed solutions.

At the start of the year, work focused on delivery of an annual plan signed-off by the previous Government. This was adapted in early June to accommodate the changing post-Election policy and structural landscape. The Secretary of State's announcement at the end of that month necessitated a further re-evaluation of all planned activities to determine whether they could be:

- **completed** by the end of the financial year,
- **stopped** on the grounds of being no longer relevant or unachievable within the year, or
- had the potential to be **continued** by Defra's new Rural Communities Policy Unit or other organisations.

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

Housing and planning

- Provided authoritative advice and practical solutions to support Government initiatives on the Community Right to Build programme by launching our report on Section 106 agreements, rural exception sites and community land trusts at a Chartered Institute of Housing conference.

- Demonstrated how a relatively small number of new affordable homes in villages can help ensure rural England has a bright future by working with the National Housing Federation, the Campaign to Protect Rural England (CPRE), the Countryside Alliance and Action for Communities in Rural England (ACRE) to produce and launch ''Affordable housing – keeping villages alive''.

- Co-hosted a learning event with Planning Aid to disseminate our Sustainable Communities Toolkit and contributed to national policy-making by responding to revisions in planning policy statements and the development of the National Planning Framework.

- Advised and facilitated the Rural Coalition[1]; its August 2010 report proposed urgent, implementable changes to help every rural community to thrive, and responded to the stated concerns of partners in the newly elected Coalition Government. The launch was linked to the announcement of the Community Right to Build programme and prompted the Department for Communities and Local Government to engage with stakeholders.

Transport

- Demonstrated innovative ways in which transport planners can use the opportunities presented by the Big Society to address rural transport needs.

1 The Rural Coalition is a diverse group of organisations first brought together by the CRC in September 2008. Chaired by Lord Taylor, members include ACRE, CPRE, the Country Land and Business Association, the Local Government Association, the Royal Town Planning Institute and the Town and Country Planning Association.

Fuel poverty and renewable energy

- Working with National Energy Action and ACRE, continued to advise and support Calor's FREE project (Future of Rural Energy) – a £1-million initiative aimed at tackling fuel poverty and promoting energy efficiency in rural communities which are 'off-grid', not having access to mains gas.

- Influenced Local Authority delivery plans by promoting our evidence on the correlation between rural fuel poverty and off-mains gas communities to a wide range of stakeholders, including workshops at the annual conferences of the LGA's Rural Commission and National Energy Action and a rural energy session for councillors at the Local Government Improvement Leadership Academy on climate change.

- Worked in partnership with ACRE, CPRE and the National Association of Local Councils to produce: 'Get generating: a renewable energy guide for rural communities'.

Upland communities

- Launched our Uplands Inquiry report: 'High ground, high potential – a future for England's upland communities' focussing on investment and potential and proposing that the nation should consider the uplands as areas offering great public benefit and environmental value. The report has spawned considerable follow-up activity including an inquiry by the Efra Parliamentary Select Committee, a consultation at St George's House, Windsor, and the production of a policy statement by Defra on England's Uplands, launched by the Secretary of State in March 2011.

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

Children and young people

- Built on recent work on Children's Centres to promote a better understanding of the issues for Children's and Young People's services. Aimed at those who commission and provide services, our 'A Child in the Countryside: challenging reality' report highlighted challenges and solutions for children's centres in rural areas and the need for equitable access to services.

- Highlighted the importance of extended services for children and families in rural areas and the significance of rural schools to the Big Society in our report: 'Small schools, Big Communities: village schools and extended services'.

Major life events

- Having established new relationships and partnership-working with bodies such as the Stroke Association, the Cancer Tsar and MacMillan Cancer Research over the past four years, we completed this major piece of work, analysing the impacts of stroke, cancer, job loss and having a baby on people living in rural areas; posting the final summary reports on our website.

- Worked with CLG and LGA to produce and launch good-practice guidance setting out how the concept of Lifetime Neighbourhoods can be successfully delivered. The guidance seeks to explore and provide examples of how local people and neighbourhoods can better address the needs of an ageing society and work together to plan for the future.

Broadband and mobile phone coverage

- Highlighted the social and economic impact of poor mobile coverage on rural areas in our report 'Rural mobile phone coverage – issues and recommendations' which built on previous digital inclusion work including our 'Mind the Gap' report. Our evidence has been used to inform Broadband UK and Ofcom which subsequently opened up the 3G spectrum which benefits rural users of mobile broadband. The evidence bolstered our call for universal service obligation which is under consideration by the European Union.

- Continued to lead the Community Broadband Support Resource project group and agreed a way forward after our withdrawal.

Rural Minimum Income Standard

- Working with the Joseph Rowntree Foundation (JRF), the Child Poverty Unit, Children's Society, Department for Work and Pensions, Independent Age, the RAC Foundation and the Rural Services Network, and building on a five-year programme of minimum income standards research undertaken by JRF and Loughborough University, we demonstrated that people living in the countryside have higher living costs than those living in urban areas due to their dependence on private transport and more expensive domestic fuel. It demonstrated that higher costs and the prevalence of low pay lead to greater risk of in-work poverty in rural areas.

Poverty amongst farming households

- Identified the root causes of the poverty trap faced by one-quarter of farming households in our report on poverty amongst farming households and set out recommendations for government – which we presented to our sponsoring minister, Richard Benyon.

Court closures

- 'Rural-proofed' the Ministry of Justice's proposed programme of court closures and provided advice to officials undertaking the impact assessments at the request of the Rural Affairs Minister, Richard Benyon. Despite this input, the outcome of the consultation was disappointing from a rural perspective.

Financial inclusion

- Completed the final year of our three-year contract with the Department for Work and Pensions as Rural Champion for Financial Inclusion. Our dedicated team helped improve access to banking, financial services and better forms of credit for rural people by establishing Growth Fund contracts in Wiltshire, Northumberland, North Yorkshire, Cornwall, Devon, Somerset and Gloucestershire. A series of financial inclusion workshops were held in partnership with organisations in the East of England, including Citizens Advice Bureau, the Regional Development Agency and the East of England Illegal Money Lending Team.

- Produced and disseminated financial inclusion guidance for social landlords in partnership with the Chartered Institute of Housing.

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

Market town economies

- Commissioned Birkbeck College to construct a new form of spatial analysis for small, medium and large towns – as opposed to the traditional rural and urban definition – using business census data and published in a State of the Countryside Update. In addition to keen interest from organisations such as Action for Market Towns and Small Towns for Tomorrow, it is anticipated that the approach will engage government departments such as Communities and Local Government (CLG), and Business, Innovation and Skills (BIS) to encourage consideration from a research and policy perspective of these hubs for rural economic and service activity.

Employment and training

- Advised the Department for Work and Pensions on rural aspects of its proposals for 'the work programme' by bringing together representatives of private, civic society and public sector organisations working to deliver employment and employability support in a seminar jointly hosted with the Employment Related Services Association.

Rural recession impact

- Published our 'Agenda for Change', the result of discussions over a 12-month period with rural businesses, communities and their representatives on how to release their economic potential. We agreed with CLG that further development on both Agenda for Change and our more recent report on Local Enterprise Partnerships would be undertaken by Defra's new Rural Communities Policy Unit.

- Continued to provide quarterly Rural Economies Intelligence reports to Defra Ministers, drawing on evidence provided by a wide range of stakeholders. Topics have included the rural housing market and economic conditions affecting rural organisations' contribution to the Big Society.

- Facilitated the development of the Rural Business Finance Forum to strengthen the capacity of rural business organisations to influence government policy on business investment, finance and tax. The Forum met to consider the impacts of The Budget, the Comprehensive Spending Review and finally to develop a response to the Office of Tax Simplification's small business tax review. Members indicated that they wished the forum to continue and the Rural Communities Policy Unit has indicated that it might provide support.

Local Enterprise Partnerships

- Achieved considerable media coverage for our review and commentary on the treatment of 'rural' in the new Local Enterprise Partnerships (LEPs) so that rural areas can contribute to and benefit from this drive to more local economic development. The evidence received was also used in our submission to the BIS select committee's inquiry into LEPs and the Regional Growth Fund.

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

Building capacity

- Worked with the National Association of Local Councils (NALC) and other stakeholders including the Society of Local Council Clerks, CLG and the Local Government Association, to develop a new training strategy and delivery plan for parish and town councils across England and Wales. We seconded an officer to NALC to develop e-learning induction training for parish and town councillors; supported NALC's Parish/Town Councillor of the Year Award; and published a joint communications 'toolkit' for local councils to help them engage effectively with the communities they serve.

Big Society and Localism

- Highlighted good practice and potential barriers around the Big Society concept – staging a rural impact workshop with Defra, and hosting a roundtable event jointly with the 'think tank' ResPublica with partners such as ACRE, the Plunkett Foundation and the Joseph Rowntree Foundation. The resulting briefing paper recommended:

    - Churches to work with government to see how their assets can better be used to support rural Big Society.
    - Local councils to capture revenue from the New Homes Bonus.
    - Government to champion the role of village agents to support and advise on social capital-building.
    - Local GP consortia to report annually to their local communities.

Maximising our impacts: Evidence, Communicating and Engagement

Evidence and State of the Countryside reporting

- Produced the definitive statistical analysis of rural issues: the State of the Countryside 2010, the first such report for two years, with the data and report being published in accordance with the Statistics and Registration Services Act. This was supported by a short series of well-attended roadshows for interested stakeholders.

- Worked with the Office of National Statistics and Defra to develop a rural and urban definition for the 2011 Census.

- Produced State of the Countryside Updates on factors affecting the most remote and sparsely populated areas and on Market Towns.

- Updated our 10 Big Numbers and the Rural Services Series data.

Communications, stakeholders and partners

- Embedded the findings of the CRC stakeholder survey and developed CRC stakeholder engagement.

- Launched the new CRC website and maintained and developed strategic communications tools including social networking, internal communications, brand support and photography. A 'snapshot' of the website was taken by The National Archive in February at which point it was closed. A more easily managed CRC site, within the Defra website, was developed for use from April 2011 – www.defra.gov.uk/crc.

RDPE Network and UK National Rural Network

- Managed the network to support delivery of the Rural Development Programme (RDPE) and the UK National Rural Network (UK NRN) on behalf of Defra and ensured compliance with EU requirements. Gained high levels of satisfaction from a growing number of participants and positive assessment through the formal RDPE mid-term evaluation, with a fraction of the resources deployed by other EU Member States.

- Organised UK and England level networking events in partnership with stakeholders, for example: maximising rural regeneration through business support and environmental support; programme and project integration opportunities; taking stock and sharing knowledge in RDPE; future proofing Local Action Groups.

- Developed available networking tools: the RDPE Network website continued to develop services requested by stakeholders, including a user-generated RDPE projects database with more than 900 examples, policy updates and guidance; fortnightly Leader e-news and bi-monthly general e-news, directing participants to information and networking activities and specific research projects.

- Reviewed and supported the transition options for future RDPE Network and UK NRN delivery arrangements and managed the successful transfer into Defra.

- Further information is available at www.rdpenetwork.org.uk

Governance

An efficient organisation

For the corporate teams the decision to wind-down the organisation brought an increased workload, and greater emphasis has been required on governance standards to ensure proper use of resources during the wind-down period. A detailed winding-down project was initiated to reduce operations to a minimum by 31 March 2011. This included:

- Managing the exit of the majority of the staff from the organisation by 31 March.
- Winding down the organisation and support functions not required to continue.
- Putting into place a structure and support function to enable Commissioners to exercise their statutory responsibilities in a different form from 1 April 2011 until abolition.

HR

CRC sought to minimise the number of compulsory redundancies:

- 15 staff transferred to Defra under COSoP (Cabinet Office Statement of Practice), the majority taking up posts in the Rural Communities Policy Unit.
- One on a long-term secondment to another Government department was made permanent in that department.
- Two secured new roles elsewhere within government and four secured alternative employment outside the public sector.
- Five left under voluntary schemes run in September 2010 and January 2011.
- Two were appointed to the residual CRC.

Significant efforts were made to support staff into alternative employment, including access to the 'CS Vacs' website and to e-learning resources. A programme of workshops and one-to-one coaching to assist with job search, CV writing, interview skills, and business start-up were organised and short-term external secondments and internal development opportunities arranged. The training budget was used to provide individual 'bursaries' to staff to obtain qualifications or undertake training likely to increase their employability.

Defra allocated a delivery budget of £450,000 to CRC for 2011-12 and also agreed to fund accommodation and back-office support such as HR, Finance, Legal and IT services, and the costs relating to a residual team. Four CRC staff (3.5 full-time equivalents) were selected to support Commissioners to exercise their functions until abolition; two of these posts were filled via an internal recruit exercise.

The CRC has complied fully with the timetable and process set out in the Cabinet Office protocol for the handling of 'surplus staff situations'. The majority of exit costs were met from under-spend in the CRC's Grant-in-aid for 2010/11.

Finance

In January an internal audit review of Key Financial Controls concluded that 'the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective'.

Contracts not required beyond 31 March 2011 were terminated.

Three finance staff and one from HR will be required to continue working into the first quarter of the 2011/12 financial year, notably to finalise the 2010/11 Annual Report and Accounts and to handover to Defra Finance who take responsibility for the 2011/12 ledger and bank accounts as at 1 April 2011.

Communications

Copies of all our reports and publications were passed to The National Archives and the British Library. The CRC website was frozen and will be held by The National Archives. Defra e-communications agreed to host a new CRC website at www.defra.gov.uk/crc.

Physical data files were sent to Defra, either to the Rural Communities Policy Unit (RCPU) or to the Defra Knowledge Management team for archiving.

Accommodation

The offices at John Dower House and 55 Whitehall were vacated at the end of March 2011. Accommodation from 1 April was established in a Defra building at Barnwood, Gloucester, although it was the intention to operate a 'virtual' organisation, with most staff home-based.

Publications and consultations

The following publications and consultations were issued under the previous Government and may relate to Departments and/or initiatives that have been renamed or no longer exist.

Our publications

April	Rural commentary on the first Comprehensive Area Assessments	
May	Commission for Rural Communities' Stakeholder Survey 2010 (Ipsos MORI)	
June	High ground, high potential – a future for England's upland communities	CRC 114
	High ground, high potential – a future for England's upland communities summary report	CRC 115
	Targeting Fuel Poverty (joint with Durham County Council)	
July	State of the countryside 2010	CRC 119
	State of the countryside 2010 summary report	CRC 120
	Recovery and growth in rural England. What are the signs of recovery and directions for growth in rural economies?	
	Growth sectors in rural England: perspectives on planning for growth by rural businesses, authorities and organisations	
	Annual Report and Accounts 2009-10	HC 200
	Financial Inclusion and Rural Social Housing (joint with Chartered Institute of Housing)	
	Affordable housing keeps villages alive (joint with National Housing Federation)	
September	Being a young carer in rural England: Summary report	
	Insights from users and providers of maternity services in rural England: Summary report	
	Child in the countryside: a challenging reality	
	Before we go: a revised work programme for 2010/11	
	Agenda for change: releasing the economic potential of England's rural areas	
October	Rural Economies intelligence report: economic conditions for organisations contributing to the Big Society in rural England	
	Rural Economies intelligence report: economic conditions for organisations contributing to the Big Society in rural England	

November	State of the countryside update: Sparsely populated areas Recognising rural interests within Local Enterprise Partnerships Commissioning children's centres: a rural perspective Rural Experience legacy report Poverty amongst farming households: Achieving sustainable livelihoods Losing your job in rural England: Summary report Summary of the CRC/Employment Related Services Association 'Employment and Employability support in rural areas' roundtable Improving the Effectiveness of Delivering Affordable Rural Housing: Section 106 Agreements, Rural Exceptions Sites and Community Land Trusts Rural mobile phone coverage – issues and recommendations A minimum income standard for rural households (joint with Joseph Rowntree Foundation)	
December	Insights from stroke survivors and providers of stroke care in rural England: Summary report Rural Economies Intelligence December 2010: Rural Housing	
January	Get Generating: A renewable Energy Guide for Rural Communities (joint with Action with Communities in Rural England, Campaign to Protect Rural England and National Association of Local Councils)	
February	State of the countryside update: Market towns Rural Broadband – why does it matter? The Rural Big Society, joint with Respublica	

Consultation responses

April	Department for Children, Schools and Families' (DCSF) consultation on the core principles, standards and skills for effective outreach from children's centres Communities and Local Government (CLG) consultation on the English Indices of Deprivation
May	CLG Planning Policy Statement: Planning for a Low Carbon Future in a Changing Climate
June	CLG Planning Policy Statement: Planning for a Natural and Healthy Environment DCSF consultation on The Future Distribution of School Funding CLG consultation on New Policy Document for Planning Obligations
August	Business, Innovation and Skills Committee inquiry into New Local Enterprise Partnerships
September	Ministry of Justice consultation on referendums on Council Tax increases
October	CLG inquiry into Localism
January	Cabinet Office consultation: Supporting A Stronger Civil Society

Our Management Structure

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. From April 2011 they will be required by the Secretary of State to deliver the statutory functions with a streamlined organisation and have been preparing for this change since December 2010.

The complement of Commissioners remained unchanged throughout the year.

The Chairman came to the end of his second three-year term of office in September 2010 and the Commissioner for Public Appointments agreed an extension to 31 March 2011. Sheena Asthana, Jim Cox, Howard Petch, Mark Shucksmith and Michael Winter completed their second term of office at the end of March 2011. In view of the transition and the need to maintain continuity of expertise and the requirement to undertake the statutory duties required of the streamlined Commission, the Office of the Commissioner for Public Appointments agreed their extension, including the Chairman, until 31 March 2012. Jim Cox, having accepted alternative appointments, did not seek extension of his term of office.

Commissioners have been 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, events or on initiatives such as the Uplands Communities Inquiry. The Chairman's appointment, which until June 2010 included his work as Rural Advocate, is full time.

At its meeting in January 2011, the Commission agreed that with effect from April 2011, the basis for the Commissioners' remuneration would be reduced from 2.5 to 1.5 days per month – a reduction of 40%. This was regarded as the requisite level to cover effectively the Commission's collective governance role and responsibilities together with the necessary attendance at Commission meetings, participation in teleconferences, and so forth. This change, moreover, would broadly mirror the 50% reduction in days, from full time to 2.5 days per week, that the Chairman had already accepted for the new financial year. Based on the agreed budget for 2011-12, this would release funding equivalent to 108 ''Commissioner days'' a year that would be available for additional remuneration for relevant activity to fulfil their individual roles and responsibilities as CRC Commissioners.

The Commission met seven times during the year.

Commissioners
Dr Stuart Burgess, Chairman
Professor Sheena Asthana*
Richard Childs*
Dr Jim Cox
Elinor Goodman
John Mills*
Howard Petch*
Sue Prince
Rachel Purchase
Professor Mark Shucksmith
Professor Michael Winter

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

Executive Board

Sarah McAdam, Chief Executive
(transferred to Defra on 14 February 2011 but retained Accounting Officer responsibilities until 31 March 2011)
Nicola Lloyd (transferred to Defra, 1 December 2010)
Crispin Moor (transferred to Defra, 1 December 2010)
Graham Russell (transferred to Defra, 1 December 2010)
Gill Payne, Deputy Chief Executive from 14 February 2011
Amanda Peck
Sue Bennett (Commission Secretary)

Jonathan Carling was appointed Chief Executive with effect from 1 April 2011.

Management Commentary

Statutory Background

The Commission for Rural Communities is an executive non-departmental public body (NDPB) established as a body corporate 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.

Its main functions are set out in the NERC Act which requires the CRC to promote:

a) awareness amongst 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:

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

<u>Adviser:</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.

With effect from 1 April 2011 the CRC was reduced to a streamlined body consisting of Commissioners and a small staff support team. It is expected to continue until spring or early summer 2012 when, subject to Royal Assent of the Public Bodies Bill and any subsequent consultation required, it will be abolished. During this period the streamlined CRC, whilst retaining its independence, will work alongside and complement the Rural Communities Policy Unit (RCPU) in Defra to ensure that decision makers continue to receive expert advice and constructive insights about the impact of their policies on people who live and work in rural areas.

The Commission is required to undertake its statutory functions of Advice, Advocacy, and Watchdog as set out in the Natural Environment and Rural Communities (NERC) Act 2006; these functions will be delivered by the Commissioners acting collectively and individually with limited support but having some access direct to the Department. Commissioners as individuals are likely to contribute to potential Government projects, where appropriate sitting on steering groups and providing expertise, support and challenge to these projects.
As a collective they will continue to meet as a Board acting as a 'critical friend' to Government, and providing constructive challenge. The Commission might also choose to produce a few focused reports, which would build upon existing evidence, on issues they highlight as being of particular importance in their watchdog capacity.

This is a very different operating model and culture for the CRC and the small staff support will need to work flexibly and creatively as a team. The team will consist of a Chief Executive, Commission Secretary, Policy Officer and part-time Administration Officer. Defra will supply the corporate functions of IT, HR, Finance and Audit under terms set out in a service level agreement. The expectation is that this will be a 'virtual' organisation and that generally people will work from home wherever possible. There will be office space in Barnwood, Gloucestershire and touchdown facilities in any part of the Defra Estate.

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.

Financial commentary

The accounts cover the year from 1 April 2010 to 31 March 2011.

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 £5.934m (2009-10, £6.450m). Once Grant-in-aid funding of £5.949m (2009-10, £6.488m) has been credited to the Revenue Reserve there remains a reserve carried forward of £0.475m (2009-10, £0.490m). The net liabilities include £0.595m (2009-10, £0.423m) of provisions for early retirement and redundancy costs and £0.120m excess of total assets over creditors (2009-10, £0.117 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 during 2009-10. That contract was cancelled during 2010-11.

Register of interests

A register of interests of Commissioners and senior staff is maintained. A copy can be obtained on our website. (www.defra.gov.uk/crc)

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.

Going concern

The Secretary of State for Defra announced on 29 June 2010 that the Commission for Rural Communities was to be abolished. Legislation is expected to be passed late in 2011 with an actual abolition date in 2012. Until that point, the CRC is still expected to fulfil its statutory functions albeit with a vastly reduced capacity. As a result, the Chief Executive as Accounting Officer considers it appropriate to prepare the financial statements on a going concern basis.

The statement of financial position at 31 March 2011 shows net liabilities of £0.475m. 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 2011-12, taking into account the amounts required to meet the entities 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.

Pension liabilities

For details of available pension schemes and the way in which pension liabilities are treated, please refer to note 1(i) of the Accounting Policies and note 4 in the Financial Statements.

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.

The following statistics provide a year-on-year comparative settlement period analysis. By value, payment performance has fallen slightly to 93% (2009-10, 94%), whilst by number it has risen to 93% (2009-10, 91%).

	£'000	**Number**
Total invoices paid in period	2,366	1,287
Total invoices paid within target	2,191	1,201
Percentage of invoices paid within target	93%	93%

The average number of working days taken to pay invoices was 10 days (2009-10, 12 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.

Sickness

The average number of days taken as sick leave during the year was 6.3 per staff member.

Personal Data Related Incidents

The CRC reported no incidents related to protected personal data to the Information Commissioner's Office in 2010-11.

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 2010-11 was £23,000 (2009-10, £24,000).

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.

Jon Carling
Chief Executive
Commission for Rural Communities
15 June 2011

Remuneration Report

Remuneration Policy

Sarah McAdam, as Chief Executive, was the only equivalent member of the Senior Civil Service. Her pay was 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.

Service Contracts

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 held appointments which were open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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.

For 2010-11, the Chairman (Dr Stuart Burgess) was contracted to a time commitment of up to five days per week. Commissioners were contracted to a time commitment of two and a half days per month with the option for a further day per month. This has been amended with effect from 1 April 2011; further details can be found in the Management Structure section of the Annual Report.

Salary and pension entitlements

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

Remuneration

Directors

audited information

	2010-11			2009-10		
	Salary (including performance related element)	**Bonus Payments**	**Benefits in kind (to nearest £100)**	**Salary (including performance related element)**	**Bonus Payments**	**Benefits in kind (to nearest £100)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Sarah McAdam *Chief Executive (from 1 August 2009 to 31 March 2011)*	90-95	5-10	-	55-60 (85-90 *full year equivalent*)	-	-
Gill Payne *Acting Chief Executive (from 1 April 2009 to 31 July 2009); Executive Director (from 1 August 2009 to 31 March 2011)*	95-100*	0-5	-	75-80	-	-
Nicola Lloyd *Executive Director (to 30 November 2010)*	40-45 (60-65 *full year equivalent*)	-	-	55-60	-	-
Crispin Moor *Executive Director (to 30 November 2010)*	40-45 (65-70 *full year equivalent*)	-	-	60-65	-	-
Amanda Peck *Executive Director (to 31 March 2011)*	85-90**	0-5	-	55-60	-	-
Graham Russell *Executive Director (to 30 November 2010)*	40-45 (65-70 *full year equivalent*)	-	-	65-70	-	-

*Included in this figure is a payment of £31,662.92 for 'Payment in Lieu of Notice' for termination of employment before the contractual notice period ended. Gill Payne also received a compensation figure of £47,917 which is not included in the above figure.

**Included in this figure is a payment of £27,203.36 for 'Payment in Lieu of Notice' for termination of employment before the contractual notice period ended. Amanda Peck also received a compensation payment of £40,932 which is not included in the above figure.

Commissioners				audited information
	2010-11		**2009-10**	
	Salary	**Benefits in kind (to nearest £100)**	**Salary**	**Benefits in kind (to nearest £100)**
	£'000	**£'000**	**£'000**	**£'000**
Dr Stuart Burgess *Chairman and Rural Advocate*	90-95	3.2	90-95	1.4
Professor Sheena Asthana	10-15	1.1	10-15	3.1
Richard Burge *(until 31 August 2009)*	-	-	5-10 *(10-15 full year equivalent)*	-
Richard Childs	10-15	2.4	10-15	3.7
Dr Jim Cox *(to 31 March 2011)*	10-15	2.5	10-15	4.7
Elinor Goodman	5-10	0.5	5-10	0.4
John Mills	5-10	1.1	5-10	2.4
Howard Petch	5-10	1.5	10-15	1.8
Sue Prince	5-10	1.0	5-10	2.0
Rachel Purchase	5-10	3.0	10-15	1.4
Professor Mark Shucksmith	10-15	7.1	10-15	5.2
Professor Michael Winter	5-10	2.3	10-15	4.4

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 2010-11 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 31/3/11 and related lump sum	**Real increase in pension and related lump sum at pension age**	**CETV 31/03/2011**	**CETV 31/03/2010**	**Real increase in CETV**	**Employer pension contribution to partnership pension account to nearest £100**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Stuart Burgess *Chairman*	7.5-10 plus lump sum of 0	0-2.5 plus lump sum of 0	149	124	17	3.2
Sarah McAdam *Chief Executive (from 1 August 2009 to March 2011)*	22.5-25 plus lump sum of 72.5-75	0-2.5 plus lump sum of 5-7.5	360	290	26	1.4
Gill Payne *Acting Chief Executive (from 1 April 2009 to 31 July 2009) Executive Director (from 1 August 2009 to 31 March 2011)*	7.5-10 plus lump sum of 25-27.5	0-2.5 plus lump sum of 0-2.5	137	109	11	1.0
Nicola Lloyd *Executive Director (to 30 November 2010)*	12.5-15 plus lump sum of 0	0-2.5 plus lump sum of 0	218	202	8	3
Crispin Moor *Executive Director (to 30 November 2010)*	17.5-20 plus lump sum of 55-57.5	0-2.5 plus lump sum of 0-2.5	282	256	7	2.0
Amanda Peck *Executive Director (to 31 March 2011)*	5-7.5 plus lump sum of 17.5-20	0-2.5 plus lump sum of 0-2.5	75	58	7	1.0
Graham Russell *Executive Director (to 30 November 2010)*	17.5-20 plus lump sum of 0	0-2.5 plus lump sum of 0	338	308	10	1.5

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 **pension scheme by analogy** 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 (2009-10, £23,205) 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 Pensions Increase legislation. 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

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 ma be due when pension benefits are taken.

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.

Jon Carling
Chief Executive
Commission for Rural Communities
15 June 2011

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

Under the Natural Environment and Rural Communities (NERC) Act 2006, the Secretary of State for the Environment, Food and Rural Affairs, with the consent of the Treasury has directed the Commission for Rural Communities to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission for Rural Communities and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, 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 as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer of Defra has designated the Chief Executive as Accounting Officer of the Commission for Rural Communities. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission for Rural Communities' assets, are set out in Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Managing Public Money

Jon Carling
Chief Executive
Commission for Rural Communities
15 June 2011

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, together with the previous AO Sarah McAdam, 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. A new framework document is being developed to reflect the CRC's revised operating model from 1 April 2011 and the new arrangements for the delivery of 'back office' functions during the 2011/12 financial year.

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 2011 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 during 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 approved by 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 (ARC). Additional details on the strategy can be found in the Risk and Control Framework section below. I am satisfied that the strategy adequately addresses all of the internal audit recommendations.

All staff have previously received risk awareness training.

4. The risk and control framework

The announcement about the abolition of the CRC required a radical revision of both the 2010-11 Delivery Plan and the risk and control framework. The Delivery Plan was re-focused to enable a still significant number of deliverable projects to be carried out during 2010-11, and to maximise the CRC's ability to leave a lasting legacy of work. There was also a recognition that specific risks were likely to arise as a consequence of the requirement to wind down the CRC's operation to a minimum in a relatively short period of time. The Executive Board undertook a one-off risk workshop in September 2010 to identify these risks and plan how they would be mitigated and managed. A new risk register was then drawn up, discussed in detail with the ARC, presented to the full Commission and kept under regular review at Executive Board meetings. A joint Defra/CRC Project Board was established to oversee the transition to the new rural policy delivery arrangements, chaired by the Senior Responsible Officer for Defra's Rural Programme. Risks which had the potential to impact upon the objectives of the joint Project Board were included in the Project Board risk register and reviewed monthly by the Project Board.

5. Review of effectiveness

As Accounting Officer, together with the previous AO Sarah McAdam, I have responsibility for reviewing the effectiveness of the system of internal control. This statement of internal control was drafted under the supervision of Sarah McAdam, who was CEO of the Commission for Rural Communities throughout the 2010/11 financial year. Her draft was reviewed by the CRC's Audit & Risk Committee in March 2011 and amended in the light of their comments.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the CRC who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the 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 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 subsequently revised following the abolition announcement in June 2010. This revised plan covered:

- Our Closure/Transition plan
- Core Financial Controls

Neither of the audits revealed any fundamental internal control issues. In the opinion of the internal auditors, the board is able to take substantial assurance from the controls and systems operating in respect of Core Financial Controls and Human Resources. The Closure Plan was viewed as providing substantial assurance that the controls under which the organisation is managing the transition are suitably designed, consistently applied and effective.

The annual report from our internal auditors confirmed that the CRC had adequate and effective governance, risk management and control processes. This audit report was presented to ARC in June 2011.

Results of audits and the management response and agreed actions have always been 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.

Jon Carling
Chief Executive
Commission for Rural Communities
15 June 2011

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 2011 under the Natural Environment and Rural Communities Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in 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 Commission, Chief Executive and auditor

As explained more fully in the Statement of the Commission's and Chief Executive's Responsibilities, the Commission and the Chief Executive as Accounting Officer are 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, certify and report on the financial statements in accordance with the Natural Environment and Rural Communities Act 2006. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 Commission for Rural Communities' affairs as at 31 March 2011 and of its net expenditure 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 Secretary of State directions issued thereunder.

Emphasis of Matter: Going Concern Uncertainty

Without qualifying my opinion, I draw attention to the disclosures in the financial statements made in note 1.1 "Going Concern" which address the Government's announcement that, subject to Parliamentary approval for the necessary legislation, they intend to abolish the Commission for Rural Communities. This is subject legislation and there is therefore uncertainty as to whether the organisation will continue.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Natural Environment and Rural Communities Act 2006; and

- the information given in the Management Commentary section of 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 and the part of the Remuneration Report to be audited 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

24 June 2011

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Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

		2010-11	2009-10
		£'000	£'000
	Note	**£**	£
Expenditure			
Staff Costs	3	3,437	3,774
Depreciation and Amortisation	7,8	77	86
Other Operating Costs	5	1,452	3,080
Restructuring Costs	3	1,318	-
		6,284	6,940
Income			
Income from activities	6	(350)	(490)
		(350)	(490)
Net Expenditure		**5,934**	6,450
Interest Receivable		-	-
Net Expenditure		**5,934**	6,450

Although the activities of the CRC have been pared back following the decision to abolish the CRC, statutory functions continue to be delivered and therefore all activities are deemed continuing.

The notes on pages 41 to 56 form part of these accounts.

Statement of Financial Position as at 31 March 2011

		31 March 2011		31 March 2010	
	Note	£'000	£'000	£'000	£'000
Non-Current Assets					
Property, Plant & Equipment	7	7		511	
Intangible Non-Current Assets	8	1		3	
Total Non-Current Assets			**8**		514
Current Assets					
Trade and other Receivables	10	14		182	
Cash and Cash Equivalents	11	1,227		346	
Total Current Assets			**1,241**		528
Total Assets			**1,249**		1,042
Current Liabilities					
Trade Payables and other Liabilities	12	(1,129)		(751)	
Provisions for Liabilities and Charges	13	(213)		(73)	
Total Current Liabilities			**(1,342)**		(824)
Non-Current Assets less Net Current Liabilities			**(93)**		218
Non-Current Liabilities					
Trade Payables and other Liabilities	12	-		(408)	
Provisions for Liabilities and Charges	13	(382)		(300)	
Total Non-Current Liabilities			**(382)**		(708)
Assets less Liabilities			**(475)**		(490)
Reserves					
Revenue Reserve			**(475)**		(490)
			(475)		(490)

The notes on pages 41 to 56 form part of these accounts.

Jon Carling
Chief Executive
Commission for Rural Communities
15 June 2010

Statement of Cash Flows for the year ended 31 March 2011

	Note	**2010-11** **£'000**	2009-10 £ '000
Cash Flow from Operating Activities			
Net Expenditure after Cost of Capital and Interest		(5,934)	(6,450)
Adjustment for Non Cash transactions			
Depreciation and Amortisation	7,8	77	86
Increase/(Decrease) in Provision	13	222	(50)
(Increase)/Decrease in Trade and other Receivables	10	168	(12)
Increase/(Decrease) in Trade and other Payables	12	442	(168)
Increase/(Decrease) in Payables not in Net Expenditure Account	12	(472)	304
Net Cash Outflow from Operating Activities		**(5,497)**	(6,290)
Cash Flows from Investing Activities			
Adjustment to Right of Use Contract	7	119	(369)
Disposal of Right of Use Asset	7	310	-
Net Cash Outflow from Investing Activities		**429**	(369)
Cash Flows from Financing Activities			
Revenue Grant-in-aid		5,949	6,488
Net Cash Inflow from Financing Activities		**5,949**	6,488
Net Financing			
Net Decrease in Cash and Cash Equivalents in the Period		**881**	(171)
Cash and Cash Equivalents at the beginning of the Period		**346**	517
Cash and Cash Equivalents at the end of the Period		**1,227**	346

The notes on pages 41 to 56 form part of these accounts.

Statement of Taxpayers' Equity for the year ended 31 March 2011

Income and Expenditure Reserve	**£'000**
Balance at 31 March 2009	**(528)**
Changes in Reserves 2009-10	
Net Expenditure for the year	**(6,450)**
Grant-in-aid Revenue	6,488
Balance at 31 March 2010	**(490)**
Changes in Reserves 2010-11	
Net Expenditure for the year	**(5,934)**
Grant-in-aid Revenue	5,949
Balance at 31 March 2011	**(475)**

The notes on pages 41 to 56 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 2010-11 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. Legislation is expected to be voted on by Parliament late in 2011 with a proposed abolition date in 2012. Until that point, the CRC is still expected to fulfil its statutory functions albeit with a vastly reduced capacity. As a result, the Chief Executive as Accounting Officer considers it appropriate to prepare the financial statements on a going concern basis. As a result of the reduced capacity, some assets have been disposed of and the majority of staff contracts terminated. The impact of this is reflected in the financial statements, the most significant amount being costs relating to staff departures.

The statement of financial position at 31 March 2011 shows net liabilities of £0.475m. 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.

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 service concession arrangement (SCA) asset was revalued based on the present value of the minimum lease payments in accordance with IAS17. The contract pertaining to the SCA was cancelled during 2010-11.

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 Concession Arrangements (SCA)

The CRC had entered into a contract with IBM for the supply of IT services. The contract was initially for a term of eight years from February 2010. The contract fell within the scope of IFRIC 12 and was disclosed within the 2009-10 accounts as a service concession arrangement. A lease liability was included to reflect the capital value payments to IBM to lease IT infrastructure assets throughout the duration of the eight-year contract. A matching asset was raised to reflect the benefit that the CRC would have derived from having access to IBM's IT infrastructure assets. Depreciation was applied on a straight line basis consistent with the CRC's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, were classed as one tangible service concession asset under property, plant and equipment. On 31 March 2011the contract was cancelled without incurring any financial penalty.

(g) Insurance

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

(h) 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.

(i) 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 up to the age of sixty 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.

A further two provisions were created in 2009-10 to cover the exit costs incurred as a result of the planned abolition of the CRC. Both provisions relate to payments that will be incurred in the first month of 2011-12 relating to redundancy costs and pay in lieu of notice. Due to their imminent resolution, these provisions have not been discounted at the HM Treasury prescribed rate of 2.2%.

(j) 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.

(k) Departmental Resource Accounts

All income and expenditure falls under the Administration classification in Departmental Resource Accounts.

1.2 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme. Please refer to Note 4 for comprehensive details of the scheme offered.

2. Analysis of Net Expenditure by Segment

	Core Business	Non-Core Business	Total
	£'000	£'000	£'000
Gross Expenditure	5,932	352	6,284
Income	-	(350)	(350)
Net Expenditure	**5,932**	**2**	**5,934**

The CRC is predominantly funded by Grant-in-Aid from Defra. During 2010-11, 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.

3. Staff numbers and related costs

Staff costs comprise:	**2009-10**				2009-10
	£'000	**£'000**	**£'000**	**£'000**	£'000
	Total	**Permanently Employed Staff**	**Chair and Commissioners**	**Others**	Total
Wages and Salaries	**2,470**	2,156	190	124	2,708
Social Security Costs	**267**	239	16	12	219
Other Pension Costs	**451**	410	23	18	523
Seconded Staff Costs	**43**	-	-	43	78
Agency Staff Costs	**2**	-	-	2	230
	3,233	**2,805**	**229**	**199**	3,758
Less Recoveries in respect of Outward Secondments	**(8)**				(8)
Total Net Costs	**3,225**				3,750
Early retirement costs	**212**				24
Redundancy Costs (*)	**1,318**				-
	4,755				3,774

(*) During the year a total of £541,223 was paid to staff for pay-in-lieu-of-notice and compensation-in-lieu-of-notice as a result of redundancy. These costs are included in the figure above.

The CRC obtained the appropriate approvals from HM Treasury for all pay-in-lieu-of notice paid during the year. The Audit and Risk Committee was kept informed of the progress of these approvals throughout the financial year.

Average number of persons employed

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

	2010-11			2009-10
Directly Employed	**Total**	**Permanent Staff**	**Others**	Total
	69	63	6	74

At 31 March 2011 eight staff remained in post. Four members of staff are expected to have left by the end of July 2011.

3.1 *Reporting of Civil Service and other compensation schemes – exit packages*

Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	7	-	**7**
£10,000 - £25,000	14	1	**15**
£25,000 - £50,000	13	-	**13**
£50,000 - £100,000	6	2	**8**
£100,000- £150,000	-	-	-
£150,000- £200,000	-	-	-
>£200,000	-	-	-
Total number of exit packages by type	40	3	**43**
Total resource cost (£'000s)	1,120	128	**1,248**

4. 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

For 2010-11, employer's contributions of £451,188 were payable to the PCSPS (2009-10, £507,139) 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 usually every four years following a full scheme valuation. From 2011-12, 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 2010-11 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 £7,317 for 2010–11 (2009-10, £4,262) 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 £484 (2009-10, £244), 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 £131. Contributions prepaid at that date were £nil.

5. Other Expenditure

		Restated
	2010-11	2009-10
	£'000	£'000
Running Costs		
Research and Technical Consultancy	**275**	552
Consultancy Costs	**36**	535
IT Costs	**16**	94
PFI Contract – Service and Finance Charges	**365**	218
Legal/Indemnity costs	**13**	10
Publicity Information	**119**	295
Travel and Subsistence	**193**	406
Professional Fees	**8**	13
Estates Charges	**99**	328
Recruitment and Training	**144**	183
Conference & Seminar Fees	**37**	234
Administrative Costs	**74**	114
Telecoms	**47**	52
External Audit Fee	**23**	24
Other Costs	**3**	22
Non Cash Items		
Loss on Disposal of Asset	**11**	-
Gain on Cancellation of PFI Contract	**(11)**	-
	1,452	3,080

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 during 2010-11 was £360,850 (2009-10 £643,440). These premises are no longer occupied by the CRC.

Service and finance charges have been incurred in relation to the use of IT infrastructure assets supplied under contract with IBM. The finance charge for 2010-11 was £31,912. We have not been able to separate the finance and service charge elements of these costs for 2009-10.

Upon the cancellation of the service concession arrangment, the value of the liability exceeded the value of the asset by £11,329. This resulted in a net gain on disposal/cancellation.

A loss on disposal was incurred against one of our assets. Attempts to sell the asset were unsuccessful so it was donated to another public body.

6. Income

	2010-11	2009-10
	£'000	£'000
UK Income		
Financial Inclusion – Department for Work and Pensions	215	205
Rural Champions – Defra	21	74
Other Income	1	-
EU Income		
Rural Development Programme for England – European Commission	100	171
UK National Rural Network – various	13	40
	350	**490**

7. Property, Plant and Equipment

	Information Technology	**Furniture & Fittings**	**Total**
	£'000	£'000	£'000
Cost or valuation			
As at 1 April 2010	684	7	691
Adjustment to the PFI contract	(119)	-	(119)
Disposal during the year	(529)	-	(529)
As at 31 March 2011	**36**	**7**	**43**
Depreciation			
As at 1 April 2010	174	6	180
Charged in year	74	1	75
Disposals during the year	(219)	-	(219)
As at 31 March 2011	**29**	**7**	**36**

	Information Technology	Furniture & Fittings	Total
	£'000	£'000	£'000
Net Book Value			
As at 31 March 2011	**7**	**-**	**7**
As at 31 March 2010	**510**	**1**	**511**
Asset Financing			
Owned	7	-	7
On-balance sheet PFI contracts	-	-	-
Net Book Value at 31 March 2011	**7**	**-**	**7**
Cost or valuation			
As at 1 April 2009	315	7	322
Additions during the year	-	-	-
Extension to the PFI contract	369	-	369
Disposal during the year	-	-	-
As at 31 March 2010	**684**	**7**	**691**
Depreciation			
As at 1 April 2009	93	4	97
Charged in year	81	2	83
Disposals	-	-	-
As at 31 March 2010	**174**	**6**	**180**
Net Book Value			
As at 31 March 2010	**510**	**1**	**511**
As at 31 March 2009	**222**	**3**	**225**
Asset Financing			
Owned	34	1	35
On-balance sheet PFI contracts	476	-	476
Net Book Value at 31 March 2010	**510**	**1**	**511**

On 31 March 2011, the service concession arrangement with IBM was cancelled. All equipment was returned to IBM upon cancellation of the contract.

8. Intangible assets

	31 March 2011
Intangible Assets comprise Software Licences	£'000
At cost	
As at 1 April 2010	13
Additions during the year	-
Disposal during the year	-
As at 31 March 2011	**13**
Amortisation	
As at 1 April 2010	10
Charged in year	2
Disposals	-
As at 31 March 2011	**12**
Net Book Value	
As at 31 March 2011	**1**
As at 31 March 2010	**3**

	31 March 2010
At cost	£'000
As at 1 April 2009	13
Additions during the year	-
Disposal during the year	-
As at 31 March 2010	**13**
Amortisation	
As at 1 April 2009	7
Charged in year	3
Disposals	-
As at 31 March 2010	**10**
Net Book Value	
As at 31 March 2010	**3**
As at 31 March 2009	**6**

9. 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.

10. Trade receivables and other current assets

	31 March 2011	31 March 2010
	£'000	£'000
Amounts falling due within one year		
Trade receivables	4	133
Prepayments and accrued Income	10	49
	14	182

11. Cash and cash equivalents

	31 March 2011	31 March 2010
	£'000	£'000
Balance at 1 April	346	517
Net increase/(decrease) in cash and cash equivalent balances	881	(171)
Balance at 31 March	**1,227**	346

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

12. Trade payables and other liabilities

	31 March 2011	31 March 2010
	£'000	£'000
Amounts falling due within one year		
Other Taxation, Social Security	340	143
Trade Payables	22	123
Other Creditors	-	-
Accruals	762	377
Deferred Income	5	40
Current part of imputed finance lease element of on balance sheet SCA	-	68
	1,129	751
Amounts falling due after more than one year		
Imputed finance lease element of on balance sheet SCA contracts	-	408
	-	408

Included within the imputed finance lease element for 2009-10 was the future liability to pay for the SCA assets to IBM. The current liability in 2009-10 was £67,606, the non-current liability was £408,470. This contract was cancelled during 2010-11 and resulted in a net gain on disposal of £11,329.

13. Provisions for liabilities and charges

	Pay in Lieu of Notice	Redundancy	Early Retirement	Total
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2010	-	-	373	**373**
Provided in the year	28	71	190	**289**
Provisions not required written back	-	-	-	**-**
Provisions utilised in the year	-	-	(74)	**(74)**
Unwinding of discount	-	-	7	**7**
Balance at 31 March 2011	**28**	**71**	**496**	**595**
Balance at 1 April 2009	-	-	423	**423**
Provided in the year	-	-	-	**-**
Provisions not required written back	-	-	-	**-**
Provisions utilised in the year	-	-	(70)	**(70)**
Unwinding of discount	-	-	20	**20**
Balance at 31 March 2010	**-**	**-**	**373**	**373**
Analysis of expected timing of discounted flows				
In the remainder of the Spending Review period (to 2012)	28	71	114	**213**
Between 2013 and 2017	-	-	328	**328**
Between 2018 and 2022	-	-	54	**54**
Thereafter	-	-	**-**	**-**
	28	**71**	**496**	**595**

Two members of staff were issued with their notice on 31 March 2011. A provision has been created for £28,000 to cover their associated costs for pay-in-lieu-of-notice which will be paid in April 2011. Due to the imminent settlement of this provision, it has not been discounted by the standard HM Treasury rate of 2.2%.

During the year, 40 members of staff were notified that they would be made redundant following the announcement to abolish the CRC and their exit dates were confirmed. A provision has been created to cover the costs of redundancy for five staff who will be made redundant during 2011-12 which will be incurred during the first six months of 2011-12. Due to the imminent settlement of this provision, it has not been discounted by the standard HM Treasury rate of 2.2%. The remainder were made redundant in 2010-11.

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 £7k has been provided for in year.

Two further members of staff took early retirement during 2010-11. As a result an additional provision of £190,000 has been created to cover their costs through to 2020.

14. Commitments under leases

14.1 *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:	**31 March 2011**	31 March 2010
	£'000	£'000
Buildings		
Not later than one year	-	1
Later then one year and not later than five years	-	-
Later than five years	-	-
	-	1
Other		
Not later than one year	-	-
Later then one year and not later than five years	-	-
Later than five years	-	-
	-	-

There are no obligations under finance leases.

15. Commitments under Service Concession Arrangement

This was included in the 2009-10 accounts as ''Commitments under PFI contracts''. The heading has been changed to ensure consistency with Defra.

15.1 *On-balance sheet*

	31 March 2011	31 March 2010
	£'000	£'000
Total obligations under on-balance sheet PFI contracts for the following periods comprises:		
Not later than one year	-	68
Later than one year and not later than five years	-	248
Later than five years	-	160
	-	476
Less interest element	-	-
	-	476

15.2 *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).

	31 March 2011	31 March 2010
	£'000	£'000
Total obligations under on-balance sheet PFI contracts for the following periods comprises:		
Not later than one year	-	207
Later than one year and not later than five years	-	764
Later than five years	-	481
	-	1,452

The CRC had a contract with IBM for the provision of IT services and infrastructure assets. This contract was renewed on 1 February 2010. It aimed 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 had the right to use assets owned by IBM and IBM were obliged to provide a consistent level of performance as set out in the contract. This included underlying IT product developments commissioned by the CRC.

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

There was flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination was 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 had the option to purchase specified assets at net book value on exiting the contract. This gave the CRC control of the assets during the life of the contract. The CRC cancelled the contract with effect from 31 March 2011 and did not incur any financial penalty for termination.

16. Other Financial Commitments

At 31 March 2011 the CRC had no outstanding Financial Commitments .

The CRC had entered into non-cancellable contracts (which were not leases or PFI contracts) for facilities management and the provision of IT services.

	31 March 2011	31 March 2010
	£'000	£'000
Expiry within one year	-	70
Expiry within 2 to 5 years	-	-
Expiry thereafter	-	-
	-	70

In 2009-10 £70,258 related to facilities management costs associated with the proportion of occupation of buildings that were either owned or leased by Defra. The commitments were consistent with arrangements containing a lease as defined by IFRIC 4.

The three year Memorandum of Terms of Occupation (MoTO) for John Dower House was still unsigned. As a result, the costs for John Dower House for 2009-10 were classified as expiring within one year to reflect the minimum notice period of 12 months contained within the MoTO. On 31 March 2011 the CRC vacated John Dower House; as a result we no longer have an outstanding financial commitment for the property.

17. Contingent liabilities disclosed under IAS 37

There are no Contingent Liabilities as at 31 March 2011.

18. Events after the Reporting Period

There have been no events after the reporting period.which require adjustment or disclosure in these financial statements.

These accounts were authorised by the Chief Executive Officer for issue on 24 June 2011.

19. Intra-Governmental Balances

	31 March 2011	31 March 2010
	Trade and other Receivables: Amounts falling due within one year	Trade and other Receivables: Amounts falling due within one year
Trade and other Receivables	£'000	£'000
Balances with other central government bodies	-	127
Balances with local authorities	-	-
External to Government	14	55
Total	**14**	182

	31 March 2011	31 March 2010	**31 March 2011**	31 March 2010
	Trade Payables and other Liabilities: Amounts falling due within one year	Trade Payables and other Liabilities: Amounts falling due within one year	Trade Payables and other Liabilities: Amounts falling due after one year	Trade Payables and other Liabilities: Amounts falling due after one year
Trade Payables and other Liabilities	£'000	£'000	£'000	£'000
Balances with other central government bodies	345	284	-	408
Balances with local authorities	-	-	-	-
External to Government	784	467	-	-
Total	**1,129**	751	**-**	408

20. Related Party Transactions

The CRC is a body corporate sponsored by Defra. The Department is regarded as a related party. During the year, the CRC has had a number of material transactions with the Department. Income received totalled £0.122m, Grant-in-aid received totalled £5.949m whilst costs incurred totalled £0.481m.

The CRC entered into transactions with Natural England (costs incurred totalled £0.011m) 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 CRC has also had material transactions with the Department for Work and Pensions (income received totalled £0.216m) but has not had any material transactions with any other government departments or central government bodies.

There were no related party transactions with individuals in 2010-11.

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