Commission for
Rural Communities
Tackling rural disadvantage

Annual Report and Accounts 2011-12

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Annual Report

Chairman's foreword

The Commission for Rural Communities (CRC) has continued to be active and to deliver a work programme reflecting its statutory functions throughout 2011-12. The organisation will continue to operate throughout 2012-13, and we have put in place a work programme which will ensure that time is spent reflecting important issues facing disadvantaged rural communities back to Government and other decision-making bodies.

The Public Bodies Bill became an Act in November 2011, and as a consequence a number of Non-Departmental Public Bodies will be abolished. Defra undertook consultation on the possible abolition of the CRC, and at the time of writing an Order has been laid in Parliament that is expected to lead to the closure of the organisation at the end of March 2013. I am grateful that so many people have told me that they have found the CRC's work to be important, and that they hope that the interests of rural communities will continue to be represented comprehensively to Government after we close.

2011-12 was the first year that the CRC operated with a smaller structure, with four members of staff supporting the work of Commissioners and myself. The internationally recognised expertise of Commissioners has enabled us to continue to be vocal on a number of fronts, not least relating to the uplands, and to the National Planning Policy Framework published at the end of March. We have also been in a position to carry out research on key issues such as social isolation experienced by older people, and about the future of young people in rural areas at a time of economic difficulty. A theme for us this year has been to examine the role of community and voluntary groups in rural communities, where people have very often been found to be extremely supportive of each other. I am grateful to Commissioners for their continuing and valuable contributions to the work of the CRC.

Jon Carling joined us as Chief Executive on 1 April 2011, having been Head of the Regional Observatory in North East England. I am pleased that our staff team, though small, has been very productive and flexible. It is essential to a small organisation that staff are hard-working, able to multi-task, and to draw on resources that are available to them from other sources. The CRC staff have demonstrated these qualities abundantly and I pay tribute to them. We have also drawn on Defra for our support services such as IT and Finance, delivered under a Service Level Agreement.

The CRC has always worked closely with Defra, our sponsor Department. The relationship has probably been stronger than ever over the past year, as we have taken a keen interest in the work of the Rural Communities Policy Unit (RCPU), established early in 2011. I am pleased that we have been able to support and advise them on many workstreams, including the uplands, housing and planning issues, the rural aspects of Local Enterprise Partnerships, and on engaging with rural stakeholders.

The CRC will continue to act as critical friend to Defra, and our work programme will complement that of the RCPU. During 2012-13 we will continue to take an active interest in the rural aspects of all areas of Government policy. We will be looking to review our recommendations relating to the rural economy in the light of the recession and economic difficulties, and to continue to seek out successful examples of communities working together to improve well-being in rural areas. In particular, we will seek to update some of our recommendations from previous years, as we hand over our legacy to Defra and other continuing bodies.

My thanks go to Elinor Goodman, a Commissioner for six years and someone whose interest in rural housing matters goes back well before that time. Elinor resigned from the Commission in January to concentrate on her responsibilities as a member of the Panel of Assessors for the Leveson Inquiry into the Culture, Ethics and Practice of the Press, and the Commissioners and I wish her very well in the future.

I am pleased to present the Commission for Rural Communities' Annual Report and Accounts for 2011–12.

Stuart Burgess, CBE
Chairman

Chief Executive's introduction

At the start of 2011-12, Defra Ministers approved a business plan for CRC which included commitments to deliver a number of specific projects. The Plan also set an expectation that the CRC would continue to carry out its advisory, advocacy and watchdog roles by participating in Government working groups, committees and through other more ad hoc processes. This section of the Annual Report and Accounts describes the CRC's work during 2011-12, and how the business plan was delivered.

Jon Carling
Chief Executive
Commission for Rural Communities
30 June 2012

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 suffering economic under-performance. This is increasingly important in the current, fast-changing economic climate as we seek to ensure that the challenges facing rural people, places and economies are reflected in the Coalition Government's policies.

Policy Work

Two key projects

Key projects for the Commission this year have been:

- Review of social isolation experienced by older people living in rural communities
- Barriers to education, employment and training for young people in rural areas

Both projects have required extensive research, including a review of changing Government policy relating to each project, and consideration of how that, and changing modes of service delivery, are impacting on the population groups in question. In addition to that desk research, we have interviewed a very wide range of stakeholders in Government, sub-national bodies, and people in the private, voluntary and public sectors.

In particular, we wanted to know what older people, and younger people, felt about changes to the way services were delivered at a time of economic difficulty and consequent reductions in public spending. To enable that to happen, the Chairman and small groups of Commissioners and staff undertook visits to rural areas throughout England. The Commission is extremely grateful to our contacts in Lincolnshire, Cornwall, Cumbria, Northumberland, Derbyshire, Somerset, North Yorkshire and Shropshire for welcoming us to their counties, their support in organising informative and interesting visit programmes, and their preparedness to answer all kinds of challenging questions.

The reports also identify examples of good practice amongst community and voluntary organisations, as society seeks new and innovative ways of meeting the needs of rural communities and ensuring that they continue to be sustainable. We have come across many inspirational individuals, often unpaid, developing a vision for the delivery of a service in a partnership of organisations, and driving that vision forward to become reality with the support and participation of many in their community. We believe that this kind of community and voluntary activity can be replicated in other areas, but to achieve it there is often a need for those individuals to have support and guidance to make the most of their leadership qualities.

At the time of writing the two reports are at 'advanced draft' stage and are expected to be published shortly.

The uplands

In June 2010 CRC published the report 'High ground, high potential – a future for England's upland communities'. As well as monitoring the progress made by Defra on the report's various recommendations, our Commissioners Howard Petch, Mark Shucksmith and Michael Winter have been working with a group of stakeholders (The Windsor Group) brought together by a consultation on the uplands which took place at St George's House, Windsor, in December 2010. The aim of this group is to encourage economic initiatives in the uplands and develop new ways to support and resource training and technology for existing and emerging businesses.

Positive partnership working between CRC and the Windsor Group has seen the development of a joint work programme which draws together the CRC report's recommendations and the objectives of the Windsor group.

Rural Economies Growth Review

With the Chancellor's Autumn Statement in November 2011, Defra published the outcome of its rural economies growth review. I am pleased that CRC was able to contribute to this, both via discussions with the Head of Defra's Rural Communities Policy Unit, and at two stakeholder workshops attended by our Commissioners Sue Prince and Professor Michael Winter. It was gratifying for the CRC to be able to make a meaningful contribution to this significant policy area, for example by influencing the criteria used by Government to identify the first pilots for Rural Growth Networks.

National Planning Policy Framework

There was much debate during the year about the Government's National Planning Policy Framework (NPPF), published in March 2012. The CRC entered the debate, publicly, with a number of letters and articles in the national press, and made submissions to the Communities and Local Government (CLG) Select Committee and to the Government consultation. Elinor Goodman and Professor Mark Shucksmith were the lead Commissioners, enthusiastically supported by Adam Lavis, our Senior Policy Officer. The CRC has been supportive of many aspects of the NPPF because we believe that it has the potential to help rural communities lead the development of necessary housing and other infrastructure that helps them to remain sustainable, whilst striking the right balance between economic, social and environmental priorities, and we are pleased that the published NPPF retains many of our own priorities.

Working with Government and responding to consultations

The CRC has continued to be active in responding to live issues, and in particular in responding to Government consultations on issues that affect rural communities. In this regard, we have made the following responses:

- September 2011: response to DCLG consultation around the draft National Planning Policy Framework

- September 2011: response to Cabinet Office consultation on the Open Public Services White Paper

- November 2011: response to the Defra consultation on the new rural policy functions within Government and the proposed abolition of the Commission for Rural Communities

- December 2011: response to Department of Health Social Care Engagement Exercise, prior to the planned social care white paper

In addition, CRC has made contributions to the Defra-led groups of rural Local Enterprise Partnerships and the Rural Development Programme for England (RDPE) Monitoring Committee. Our Commissioner, Richard Childs, is a member of the steering group for Defra's contract with Action with Communities in Rural England (ACRE) to deliver intelligence on rural affairs through the network of Rural Community Councils.

Communications

In its current form, the Commission no longer has a Communications Team, and neither is communications an element of the Service Level Agreement with Defra for the provision of back-office services. Nonetheless, it is important that we use the means available to ensure that our views are known to a wide audience. Our communications activities have included:

- letters giving our views on the National Planning Policy Framework (NPPF) were published in various national newspapers during the year

- a by-lined article in a Sunday newspaper in the name of Dr Burgess about the NPPF, including an invitation to bring Government, the National Trust and others together to try and resolve the issues presented in the national debate on the subject

- Dr Burgess has appeared on local radio and local television several times to discuss rural issues; there were several broadcast interviews around the CRC's visit to rural communities this year

- maintenance of the CRC website, as a repository for reports, press releases, minutes and other documentation produced by the organisation

- a letter in June 2011 from Dr Burgess to our mailing list of 1200 people, telling them of the CRC's business plan and priorities for 2011-12

- an electronic newsletter, which has been sent to the same mailing list each quarter, giving updates on CRC activities, and copies of any reports, press releases and submissions to Government consultations

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.

In January 2012, Elinor Goodman resigned as a Commissioner to concentrate on her responsibilities as a member of the Panel of Assessors for the Leveson Inquiry into the Culture, Ethics and Practice of the Press. There are currently eight Commissioners, the minimum numbers required under the Natural Environment and Rural Communities Act.

The terms of office for the Chairman and all Commissioners came to an end on 31 March 2012. An extension to 31 March 2013 for all the Commissioners and the Chairman, has been agreed with the Office of the Commissioner for Public Appointments. This recognises the current transition phase of the CRC with the need to maintain continuity of expertise to undertake the statutory duties required of the Commission.

Commissioners are employed for 1.5 days a month and the Chairman is employed for 2.5 days per week. In addition, during 2011-12 funding was made available for 108 additional remunerated ''Commissioner days'' to enable Commissioners to represent the CRC at meetings, events or on initiatives such as follow-up work to the Uplands Communities. Other examples of how this time has been used include negotiating with Ministers and others around the national planning policy framework, and preparing research papers on key issues affecting rural communities.

The Commission had seven physical meetings during the year, and two teleconferences.

Commissioners

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

* These Commissioners were also members of the Audit and Risk Committee, chaired by Howard Petch.
**Elinor Goodman resigned 30 January 2012

Jon Carling was appointed Chief Executive 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:

Advocate: representing rural needs

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

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

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 March 2013 when, subject to the laying of an Order in Parliament and any subsequent debates, it will be abolished. During this period the streamlined CRC retains its independence, and works alongside 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 are delivered by the Commissioners acting collectively and individually with staff support. Commissioners as individuals contribute to potential Government projects, where appropriate sitting on steering groups and providing expertise, support and challenge to these projects. As a collective they continue to meet as a Board acting as a 'critical friend' to Government, and providing constructive challenge. The Commission is also producing some focused reports to build upon existing evidence, on issues they highlight as being of particular importance in their watchdog capacity.

The staff team works flexibly and creatively. It consists of a Chief Executive, Commission Secretary, Senior Policy Officer and part-time Administration Officer. Defra supply the corporate functions of IT, HR, Finance, Legal Services and Audit under terms set out in a service level agreement. The CRC is largely a 'virtual' organisation, with people working from home wherever possible or at an office in Barnwood, Gloucestershire. The team also makes use of touchdown facilities on others parts of the Defra Estate.

Accounts direction

The CRC is financed 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 2011 to 31 March 2012.

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 £0.620m (2010-11, £5.934m). This decrease in expenditure reflects the smaller structure of the CRC during 2011-12. Once Grant-in-aid funding of £0.626m (2010-11, £5.949m) has been credited to the Revenue Reserve there remains a reserve carried forward of £0.421m (2010-11, £0.475m). The net liabilities include £0.391m (2010-11, £0.496m) of provisions for early retirement.

Register of interests

A register of interests of Commissioners and senior staff is maintained, with details being presented 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. The CRC has no material deposits. All assets and liabilities are denominated in sterling. The CRC therefore manages a continuing liquidity risk and is not exposed to any interest rate or currency risks.

The CRC does have Trade Debtors. These are considered to have minimal risk to the CRC.

Going concern

The statement of financial position at 31 March 2012 shows net liabilities of £0.421m. 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 2012-13, 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. As reported in notes to the accounts (1.1) it is considered appropriate to adopt a going concern basis for the preparation of the financial statements.

Pension liabilities

For details of available pension schemes and the way in which pension liabilities are treated, please refer to note 1.3 of the Accounting Policies and note 4 in the notes to the accounts.

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 increased to 95% (2010-11, 93%), and by number it has fallen to 81% (2010-11, 93%).

	£'000	**Number**
Total invoices paid in period	1,053	258
Total invoices paid within target	1,006	210
Percentage of invoices paid within target	95%	81%

The average number of working days taken to pay invoices was 21 days (2010-11, 10 days).

The decrease in the number of prompt payments resulted from delay in putting processes in place on transfer of the finance function to Defra finance staff.

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

There has been no sick leave during the year.

Personal Data Related Incidents

The CRC reported no incidents related to protected personal data to the Information Commissioner's Office in 2011-12.

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 2011-12 was £10,000 (2010-11, £23,000).

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
30 June 2012

Remuneration Report

Remuneration Policy

No members of staff are equivalent members of the Senior Civil Service. All staff are paid in accordance with Civil Service terms and conditions.

Service Contracts

Chief Executive

The Chief Executive is a Grade 6 Civil Servant, working to standard civil service terms and conditions. His appointment was made in April 2011 in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment 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 2011-12, the Chairman (Dr Stuart Burgess) was contracted to a time commitment of 2.5 days per week. Commissioners were contracted to a time commitment of 1.5 days per month with the option for a further day per month. 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 and the Chief Executive and are subject to audit.

Remuneration – Chief Executive/Directors

	2011-12				2010-11			
	Salary	**Bonus**	**Total**	**Benefits in kind**[1]	**Salary**	**Bonus**	**Total**	**Benefits in kind**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Jon Carling Chief Executive *(1 April '11 to 31 March '12)*	55-60	0	55-60	0	0	0	0	0
Sarah McAdam Chief Executive (from 1 August 2009 to 31 March 2011)	0	0	0	0	90-95	5-10	95-105	0
Gill Payne Acting Chief Executive (from 1 April 2009 to 31 July 2009); Executive Director (from 1 August 2009 to 31 March 2011)	0	0	0	0	95-100*	0-5	95-105	0
Nicola Lloyd Executive Director (to 30 November 2010)	0	0	0	0	40-45 (60-65 full year equivalent)	0	40-45	0
Crispin Moor Executive Director (to 30 November 2010)	0	0	0	0	40-45 (65-70 full year equivalent)	0	40-45	0
Amanda Peck Executive Director (to 31 March 2011)	0	0	0	0	85-90**	0-5	85-95	0
Graham Russell Executive Director (to 30 November 2010)	0	0	0	0	40-45 (65-70 full year equivalent)	0	40-45	0

*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.

	2011-12
	£'000
Band of Highest paid Director's Remuneration	55-60
Median Total Remuneration	33
Remuneration Ratio	1.74

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

CRC is a significantly reduced organisation in 2011-12 compared to 2010-11. Due to the significant movement of staff in 2010-11 it is not possible to provide a reasonable comparison.

The banded remuneration of the highest-paid director in the CRC in the financial year 2011-12 was £55-60,000 (2010-11, £90-95,000). This was 1.74 times the median remuneration of the workforce, which was £33,000.

1 All listed benefits in kind are actually payments for travel to meetings on behalf of the CRC

In 2011-12, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £11,651 to £57,800.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The ratio is calculated by dividing the midpoint of the highest paid director's remuneration band by the median of the total annualised March 2012 remuneration of all staff (permanently employed and others). The latter is reported to the nearest £1,000 although the calculation of the ratio uses the exact number.

Commissioners

	2011-12		**2010-11**	
	Salary	**Benefits in kind**[2]	**Salary**	**Benefits in kind**
	£'000	**£'000**	**£'000**	**£'000**
Dr. Stuart Burgess *Chairman*	45-50	10.6	90-95	3.2
Professor Sheena Asthana	15-20	0.5	10-15	1.1
Richard Childs	5-10	1.8	10-15	2.4
Elinor Goodman *(to 31 January 2012)*	5-10	0.7	5-10	0.5
John Mills	5-10	0.8	5-10	1.1
Howard Petch	5-10	2.3	5-10	1.5
Sue Prince	5-10	1.3	5.10	1.0
Rachel Purchase	5-10	0.5	5-10	3.0
Professor Mark Shucksmith	5-10	4.5	10-15	7.1
Professor Michel Winter	5-10	2.6	5-10	2.3

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 under a PAYE settlement agreement.

2 All listed benefits in kind are actually payments for travel to meetings on behalf of the CRC

Pension Benefits

	Accrued pension at pension age as at 31/3/12 and related lump sum	Real increase in pension and related lump sum at pension age	CETV 31/3/12	CETV 31/3/11	Real increase in CETV	Employer pension contribution to partnership pension account to nearest £1000
	£'000	£'000	£'000	£'000	£'000	£'000
Stuart Burgess *(Chairman)*	10 to 12.5 with lump sum of 0	0.5	157	147	5	1.6
Jon Carling *(Chief Executive)*	5 - 7.5 with lump sum of 0	1.2	101	78	15	2.0

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

Commissioners

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

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

During the year contributions of £11,602 (2010-11, £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 changes in the Consumer Prices Index (CPI). 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 (CETVs)

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

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
30 June 2012

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 Managing Public Money published by HM Treasury.

Jon Carling
Chief Executive
Commission for Rural Communities
30 June 2012

Governance Statement

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

In tandem with the passage of the Public Bodies Bill (now an Act) through Parliament, in which the CRC was identified as an organisation for possible closure, the size and scope of the CRC was substantially reduced at the end of 2010-11, and the CRC's evidence functions were transferred to Defra's Rural Communities Policy Unit. In 2011-12 the continuing CRC has been a small NDPB with 3.5 full time equivalent staff, and a delivery budget of £450,000. A further £150,000 non-delivery budget covers costs relating to the transition to the current CRC format, and back-office support services which have been provided by Defra.

1. Governance Arrangements

At the end of 2011-12, the CRC has eight Commissioners, plus Dr Stuart Burgess, the Chairman, and together they constitute the Commission's non-executive Board. They set the strategic direction of the organisation, agree a draft business plan for approval by Defra Ministers, and ensure that activities agreed in the business plan are delivered. The CRC's Board is the Commission which operates in the spirit of the Corporate Governance Code. However, that is a code for Government Departments so there are inevitable differences in Governance: Ministers are not members of the Board, for example; and there are no specified non-Executive Board Members because none of the Commissioners have executive responsibilities.

Eight Commissioners is the minimum number required by the Natural Environment and Rural Communities Act, 2006. The contracts of the Chairman and the other Commissioners were extended for a further year, to 31 March 2013, by agreement with the Office of the Commissioner for Public Appointments. These extensions will enable the expected closure of the CRC to take place whilst continuing to maintain the expertise and experience required to undertake the CRC's statutory duties.

Commissioners are employed for 1.5 days a month, whilst the Chairman is employed 2.5 days per week. In addition, 108 additional remunerated 'Commissioner days' were made available in 2011-12 to enable Commissioners to undertake policy-related activity in addition to their governance roles.

The Commission met seven times during the year, and there were additional meetings and conversations by teleconference. In addition to open meetings, the Commission has sometimes met in closed session.

The Commission has established an Audit and Risk Committee (ARC) which oversees and advises the Chief Executive on the organisation's accounting and risk management procedures, and reports any difficulties it finds back to the Board. It advises the Chief Executive on these matters and holds him to account. The ARC comprises four Commissioners including its Chairman, Howard Petch. The ARC has met three times during 2011-12 and it's discussions have focused on risk assessment, expenditure against the CRC's budget's profile, plans for and outcomes of internal and external audits, and it is taking an overview of the process that is expected to lead to the closure of the organisation. The ARC has received financial performance data from Defra's finance team, under the service level agreement, and has been pleased with the content and presentation.

The Board appointed me as Chief Executive from 1 April 2011. As Chief Executive and Accounting Officer I have responsibility for the delivery of the CRC's business plan, and I advise the Commission on the discharge of its responsibilities and on the management of risks and resources. I review the progress against the business plan at every Commission meeting, and speak to the Chairman about relevant issues at least twice a week. The Commission's meetings have focused on the two key reports relating to young people and to social isolation, and on the CRC's views on various aspects of Government activity. Key amongst those have been policy relating to upland communities, and the National Planning Policy Framework. In addition, the Commission has welcomed all opportunities for discussion about the work of Defra's Rural Communities Policy Unit, which leads cross-Government policy relating to rural communities and is also the CRC's sponsor team.

2. Relationship with Defra

Defra and the CRC have jointly agreed a Framework Document which sets out clear lines of accountability between Defra, our sponsor Department, the Chairman and Commissioners and me, as CEO and Accounting Officer.

All open Commission meetings are attended by members of Defra's Rural Communities Policy Unit (RCPU – the sponsor team), and there are monthly meetings between the Chief Executive and the Head of RCPU. There have also been three meetings during the year between the Chairman and Chief Executive of the CRC and Defra Ministers, during which progress against the CRC's Business Plan has been reviewed. The average rate of attendance by the Chair and Commissioners for the seven Commission meetings was 73%.

The SLA with Defra includes provision for a number of back-office services to be delivered for the CRC. These include finance and accounting, human resources, ICT support, legal services, internal audit, and accommodation. There follows a short narrative describing the delivery of services for each of those in 2011-12.

Finance/accounting

Defra provides the day-to-day service of carrying out financial transactions for the CRC, managing our bank accounts, and maintaining a record of spend against profile. From October, this record was provided to the Chief Executive on a monthly basis. Defra also produces quarterly financial accounts and presents these to the Audit and Risk Committee.

Human resources

During the first five months of 2011-12, CRC had to make six members of staff redundant. Procedures for this were put in place before the start of 2011-12 and the redundancy processes were smooth and uncontroversial. The CRC's call on Defra's HR support during the year was very modest, although we expect to need to use the services more in 2012-13 as the organisation proceeds to final closure in March 2013.

ICT support

The ICT support services provided by Defra have been effective. We have had very satisfactory day-to-day support, and the transfer of the SAP server from Barnwood to London was undertaken efficiently. There were however, some initial operating problems with the transfer of the server and its full functionality. This affected the ability of Defra Finance to supply a fully rounded service as referred to above.

Legal services

There has been no call for legal services during the year.

Internal audit

An internal audit plan was put in place at the start of the year and all planned audit assignments were delivered. These audits have enabled CRC to identify and address several important issues.

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 CRC has largely operated as a 'virtual' organisation, with most staff home-based.

3. Risk Management

At the beginning of 2011-12 a new risk register was drawn up for the CRC, and agreed by the ARC in June. The risk register was reviewed at subsequent ARC meetings, and amended accordingly. Key points on the risk register were also reported to the Commission by the Chairman of the ARC. Actions were put in place to mitigate the risks identified, especially for the five risks identified by the ARC as 'high', and progress against these was reviewed at ARC meetings.

Those five 'high' risks, and actions taken to mitigate them, were as follows:

Risk	*Mitigation*	*Outcome*
Government regards CRC as less relevant	• Continuing high profile of Chairman around the country • Commissioners and staff explore and exploit opportunities to influence Government • CEO implements communications policy	Government continues to engage with CRC and there are examples of Government responding positively to CRC recommendations in 2011-12
Confusion re: downsized CRC jeopardises stakeholder confidence	• Communications policy includes annual letter from Chairman to stakeholders, and four e-newsletters from CEO, plus modest press activity	Stakeholders continue to be aware of the CRC, and to engage in discussions and calls for evidence
Lack of continuity because on-going CRC staff find posts in other organisations	• Issues raised with Defra as necessary; but no on-going staff left this year	No staff have left the CRC during 2011-12
Defra support services do not adequately fulfil commitments set out in SLA	• Programme of work agreed with Defra to remedy any shortcomings	Support has been acceptable in most areas, although internal audits raise issues around accounting procedures which were duly addressed.
CRC underspends significantly on budget during 2011-12	• Agreement established with Defra to outsource a research project in Q4 2011-12	Underspend on delivery budget offset by overspend on non-core budget

4. Review of internal controls

My review of the effectiveness of the CRC's internal controls is informed by the work of internal auditors, and by the finance team, both of which are provided by Defra under the SLA. During 2011-12 three internal audits took place. The audit of anti-fraud arrangements resulted in an 'adequate' rating, reflecting the anti-fraud policy and fraud response plan adopted by the CRC during the year. However, the audits of budgetary control and management, and of key controls, raised a number of issues, mainly related to procedures operated by the support team within Defra and were rated 'weak'. I have chaired weekly meetings of a joint Defra/CRC team which has reviewed the findings from those audits and put arrangements in place to rectify the issues identified. In the light of those improvements, I subsequently received a management letter from Internal Audit, which indicated that the CRC's procedures around budgetary control and management had improved to 'adequate'. These audits have reflected the 'high' risk associated with the SLA, as identified above.

A further issue identified by the key controls audit was the financial delegation to me. As I came into post the sponsor team established that the £450,000 delivery budget should be delegated to me. During the year, Defra's accountants advised that the full delegation should be made to the CRC for the additional £150,000 for non-core transitional and support costs. The key controls audit made this a recommendation and so at the end of the financial year Defra delegated the non-core budget to me retrospectively.

A monitor of spend against profiled budget has been provided to me by the Defra finance team on a monthly basis since October, and reported to each meeting of the Commission and the ARC. The budget was reviewed in year to include an additional commissioned research project to be undertaken by one Commissioner, making use of unused additional Commissioner days.

5. Review of effectiveness

Given the limited resource available to what is now a very small NDPB, the CRC has continued to perform effectively during 2011-12. The business plan has been delivered in full and to the satisfaction of the sponsor department, and the CRC has been active in responding to Government announcements, and has gained some profile in the press. CRC stakeholders continue to be aware of the organisation's existence and have responded well to the two calls for evidence that we issued during the year. At its meeting on 25 May 2012, the Audit and Risk Committee inserted into the risk register a risk around the Commission's effectiveness, and will review this at each ARC meeting during the year. Whilst the Commission has not undertaken a formal review of its performance during the year, the Board has overseen and monitored delivery of the CRC's work programme, and Commissioners have played an active part in the collection of evidence for the two key reports, as well as working with Government on a wide range of policy issues.

Jon Carling
Chief Executive
Commission for Rural Communities
30 June 2012

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 2012 under the Natural Environment and Rural Communities Act 2006. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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.

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Commission for Rural Communities' affairs as at 31 March 2012 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.

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 Our Management Structure and the Management Commentary 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 returns adequate for my audit have not been received from branches not visited by my staff; 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 Governance Statement 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

4 July 2012

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Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

		2011-12	2010-11
		£000	£000
	Note		
Expenditure			
Staff costs	3	437	3,437
Depreciation and Amortisation	7, 8	5	77
Other Expenditures	5	135	1,452
Restructuring Costs	3	48	1,318
		625	**6,284**
Income			
Income from Activities	6	(5)	(350)
		(5)	**(350)**
Net Expenditure		**620**	**5,934**
Interest payable/receivable		0	0
Net Expenditure after Interest		**620**	**5,934**

All activities are continuing. During 2011-12 CRC continued to operate at a reduced capacity.

The notes on pages 31 to 43 form part of these accounts.

Statement of Financial Position as at 31 March 2012

		2012	2011
		£000	**£000**
	Note		
Non-current assets:			
Property, plant and equipment	7	2	7
Intangible assets	8	0	1
Total non-current assets		**2**	**8**
Current assets:			
Trade and other receivables	10	19	14
Cash and cash equivalents	11	36	1,227
Total current assets		**55**	**1,241**
Total assets		**57**	**1,249**
Current liabilities			
Trade and other payables	12	(86)	(1,129)
Provisions	13	(113)	(213)
Total current liabilities		**(199)**	**(1,342)**
Non-current assets plus/less net current assets/liabilities		**(142)**	**(93)**
Non-current liabilities			
Provisions	13	(279)	(382)
Total non-current liabilities		**(279)**	**(382)**
Assets less liabilities		**(421)**	**(475)**
Taxpayers' equity			
General reserve		(421)	(475)
		(421)	**(475)**

The notes on pages 31 to 43 form part of these accounts

Jon Carling
Chief Executive
Commission for Rural Communities
30 June 2012

Statement of Cash Flows for the year ended 31 March 2012

	Note	2011-12	2010-11
		£000	**£000**
Cash flows from operating activities			
Net Surplus after interest		(620)	(5,934)
Depreciation and Amortisation	7, 8	5	77
(Increase)/Decrease in trade and other receivables		(4)	168
less movements in receivables relating to items not passing through the Net Expenditure account		48	(472)
Increase/(Decrease) in trade payables and other payables		(1,043)	442
less movements in payables relating to items not passing through the Net Expenditure account		0	0
Use of provisions	13	(203)	222
Net cash outflow from operating activities		**(1,817)**	**(5,497)**
Cash flows from investing activities			
Adjustment to Right of Use Contract		0	119
Disposal of Right of Use Asset		0	310
Net cash outflow from investing activities		**0**	**429**
Cash flows from financing activities			
Grants from sponsoring department		626	5,949
Net financing		**626**	**5,949**
Net increase/(decrease) in cash and cash equivalents in the period		**(1,191)**	**881**
Cash and cash equivalents at the beginning of the period	11	**1,227**	**346**
Cash and cash equivalents at the end of the period	11	**36**	**1,227**

The notes on pages 31 to 43 form part of these accounts

Statement of Changes in Taxpayers’ Equity

for the year ended 31 March 2012

	£000
Balance at 31 March 2010	(490)
Changes in Taxpayers’ Equity 2010-11	
Net Expenditure in year	(5,934)
Grant-in-aid Revenue	5,949
Balance at 31 March 2011	**(475)**
Changes in taxpayers’ equity for 2011-12	
Net Expenditure in year	(572)
Grant-in-aid Revenue	626
Balance at 31 March 2012	**(421)**

The notes on pages 31 to 43 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 2011-12 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 passed later in 2012 with an actual abolition date of 31 March 2013. 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, and these financial statements do not include any adjustments that may result from the Commission's abolition.

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 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) Insurance

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

(g) 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.

(h) Provisions

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

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

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

Provisions are discounted at the HM Treasury prescribed rate of 2.2%.

(i) 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.

(j) Departmental Resource Accounts

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

1.3 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. Statement of Operating Costs by Operating Segment

	2011-12			2010-11		
	£'000	£'000	£'000	£'000	£'000	£'000
	Core Business	Non Core Business	Total	Core Business	Non Core Business	Total
Gross Expenditure						
Ongoing function	448	3	451	5,932	352	6,284
Back office costs	174	0	174	0	0	0
Income	0	(5)	(5)	0	(350)	(350)
Net Expenditure	**622**	**(2)**	**620**	**5,932**	**2**	**5,934**

The CRC is predominately funded by Grant-in-Aid by Defra. Non-core business is in relation to project income deferred from 2010-11. During 2011-12 funding was provided by Defra to cover back office and other corporate costs supported through the SLA as well as to cover the residual team retained to complete the 2010-11 annual accounts. Included in the above are the costs associated with redundancy.

3. Staff numbers and related costs

	2011-12			2010-11
	£000	£000	£000	£000
Staff costs comprise:	**Total**	**Permanently employed staff**	**Chair & Commissioners**	**Total**
Wages and salaries	293	181	112	2,470
Social security costs	34	28	6	267
Other pension costs	49	37	12	451
Seconded staff costs	0	0	0	43
Agency staff costs	0	0	0	2
Notional salary costs	48	48	0	0
Sub Total	**424**	**294**	**130**	**3,233**
Less recoveries in respect of outward secondments	0	0	0	(8)
Total net costs	**424**	**294**	**130**	**3,225**
Early Retirement Costs	13			212
Redundancies	48			1,318
Total net costs	**485**			**4,755**

During the year a total of £62,452 (2010-11 £541,223) was paid to staff for pay-in-lieu-of-notice and compensation-in-lieu-of-notice as a result of redundancy. Other redundancy costs paid during 2011-12 were accrued to 2010-11.

The notional salary costs of £48,137 are for the back office functions provided by Defra on behalf of the CRC under an SLA. These notional costs are entirely offset by corresponding non cash funding to cover the costs.

All salary related costs and severance payments for senior staff are disclosed in the Remuneration Report on page 15.

Average number of persons employed

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

Number	2011-12			2010-11
	Total	**Permanent staff**	**Others**	**Total**
Directly Employed	5	5	0	69
Notional staff	1	1	0	0
Total	**6**	**6**	**0**	**69**

As at 31 March 2012 four staff remain in post. The notional staff figures represents the equivalent man hours spent by Defra staff from finance, internal audit, and IT on CRC issues.

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	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<£10,000		7				**7**
£10,000 – £25,000	5	14		1	**5**	**15**
£25,000 – £50,000	1	13			**1**	**13**
£50,000 – £100,000		6		2		**8**
£100,000 – £150,000						
£150,000 – £200,000						
Total number of exit packages	**6**	**40**	**0**	**3**	**6**	**43**
Total resource cost £000	**146**	**1,120**	**0**	**128**	**146**	**1,248**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The above costs include payments in respect of redundancy (£71,185) and pay-in-lieu-of-notice (£27,598) which formed the provisions set up in 2010-11 (see note 13).

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 2011-12, employer's contributions of £37,617 (2010-11, £451,188) were payable to the PCSPS 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 2012-13, the rates are unchanged. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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; however, none of the remaining CRC staff have chosen to do so. Employer's contributions in 2011–12 were therefore nil (2010-11, £7,317). In addition, nil employer contributions 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 (2010-11, £484). Contributions due to the partnership pension providers at the balance sheet date were nil (2010-11 £131) and contributions prepaid at that date were £nil (2010-11 nil).

5. Other Expenditure

	2011-12	2010-11
	£000	**£000**
Running Costs		
Consultancy Costs	0	36
Research and Technical Consultancy	19	275
IT Costs	11	16
PFI Contract – Service and Finance Charges	0	365
Legal/Indemnity costs	0	13
Publicity Information	9	119
Travel and Subsistence	52	193
Professional Fees	0	8
Subscriptions	4	0
Estates Charges	0	99
Recruitment and Training	14	144
Conference & Seminar Fees	1	37
Administrative Costs	5	74
Telecommunications	7	47
External Audit Fee	10	23
Other Costs	3	3
Non-cash items		
Loss on disposal of property, plant and equipment	0	11
Gain on Cancellation of PFI Contract	0	(11)
Total	**135**	**1,452**

6. Income

	2011-12	2010-11
	£000	**£000**
UK Income		
Project Income	5	237
EU Income	0	113
	5	**350**

7. Property, Plant and Equipment

	31 March 2012		
	Information Technology	Furniture & Fittings	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2011	36	7	43
Additions	0	0	0
Disposals	0	0	0
At 31 March 2012	**36**	**7**	**43**
Depreciation			
At 1 April 2011	29	7	36
Charged in year	4	0	4
Disposals	0	0	0
At 31 March 2012*	**34**	**7**	**41**
Net Book Value			
at 31 March 2011	**7**	**0**	**7**
at 31 March 2012	**2**	**0**	**2**
Asset financing:			
Owned	**2**	**0**	**2**

	31 March 2011		
	Information Technology	Furniture & Fittings	Total
	£000	£000	£000
At 1 April 2010	684	7	691
Additions	(119)	0	(119)
Disposals	(529)	0	(529)
At 31 March 2011	**36**	**7**	**43**
Depreciation			
At 1 April 2010	174	6	180
Charged in year	74	1	75
Disposals	(219)	0	(219)
At 31 March 2011	**29**	**7**	**36**
Net Book Value			
at 31 March 2010	510	1	511
at 31 March 2011	7	0	7
Asset financing:			
Owned	**7**	**0**	**7**

There were no disposals, impairments, reclassifications or revaluation of assets in 2011-12.
* Due to roundings the figures do not sum.

8. Intangible assets

	31 March 2012
	Software Licences
	£000
Cost or valuation	
At 1 April 2011	13
Additions	0
Disposals	0
At 31 March 2012	**13**
Amortisation	
At 1 April 2011	12
Charged in year	1
Disposals	0
At 31 March 2012	**13**
Net Book Value	
at 31 March 2011	**1**
at 31 March 2012	**0**

	31 March 2011
	Software Licences
	£000
Cost or valuation	
At 1 April 2010	13
Additions	0
Disposals	0
At 31 March 2011	**13**
Amortisation	
At 1 April 2010	10
Charged in year	2
Disposals	0
At 31 March 2011	**12**
Net Book Value	
at 31 March 2010	**3**
at 31 March 2011	**1**

9. Financial Instruments

As the cash requirements of CRC are met through Grant-in-Aid provided by the Department for Environment, Food and Rural Affairs, 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 CRC is therefore exposed to little credit, liquidity or market risk.

10. Trade receivables and other current assets

	31 March 2012	31 March 2011
	£000	£000
Amounts falling due within one year:		
Trade receivables	16	4
Prepayments and accrued Income	3	10
	19	**14**

11. Cash and cash equivalents

	31 March 2012	31 March 2011
	£000	£000
Balance at 1 April 2011	1,227	346
Net increase/(decrease) in cash and cash equivalent balances	(1,191)	881
Balance at 31 March 2012	**36**	**1,227**
The following balances at 31 March 2012 were held at:		
Commercial banks and cash in hand	36	1,227
Short term investments		
Balance at 31 March 2012	**36**	**1,227**

12. Trade payables and other current liabilities

	31 March 2012	31 March 2011
	£000	£000
Amounts falling due within one year		
Other taxation and social security	20	340
Trade payables	31	22
Other payables	0	0
Accruals	35	762
Deferred Income	0	5
	86	**1,129**

13. Provisions for liabilities and charges

	Provision in Lieu of Notice	Redundancy	Early Retirement	Total
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2011	28	71	496	595
Provided in the year	0	0	0	0
Provisions not required written back	0	0	0	0
Provisions utilised in the year	(28)	(71)	(113)	(212)
Unwinding of discount			8	**8**
Balance at 31 March 2012	**0**	**0**	**391**	**391**
Balance at 1 April 2010	0	0	373	**373**
Provided in the year	28	71	190	**289**
Provisions not required written back	0	0	0	**0**
Provisions utilised in the year	0	0	(74)	**(74)**
Unwinding of discount			7	**7**
Balance at 31 March 2011	**28**	**71**	**496**	**595**
Analysis of expected timing of discounted flows				
Not later than one year	0	0	112	**112**
Later than one year and not later than five years	0	0	249	**249**
Later than five years	0	0	30	**30**
	0	**0**	**391**	**391**

The early retirement costs are those additional costs of benefits beyond the normal PCPCS benefits, in respect of employees who retire early. These are met by the CRC paying the required amount annually to the PCPCS 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 £8,424 has been provided for in year.

14. Capital commitments

There were no capital commitments for the CRC in 2011-12.

15. Commitments under leases

CRC has no obligations under operating leases or finance leases.

16. Other financial commitments

At 31 March 2012 CRC had no other financial commitments.

17. Contingent liabilities disclosed under IAS 37

At 31 March 2012 CRC had no contingent liabilities in place.

18. Events after the reporting period

Defra laid an Order in Parliament on 16 May 2012 that will lead to the closure of CRC at the end of March 2013, subject to Parliamentary scrutiny. At the time of writing, the order has been examined by the Secondary Legislation Scrutiny Committee in the House of Lords. They reviewed and approved it.

The Environment Food and Rural Affairs (EFRA) Committee is currently reviewing the draft Order but, at the time of drafting, have not publicly determined a position. The Committee has to notify Defra by 13th July if they are intending to trigger the enhanced affirmation which will extend the process of scrutiny to 60 Parliamentary days (from the point at which the draft Order was laid). If, as anticpated, extended scrutiny is triggered by the EFRA Committee it will result in additional Payment In Lieu Of Notice to CRC staff.

On 1 June 2012 staff were placed at risk of redundancy.

In accordance with the requirements of IAS10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

19. Intra-Governmental Balances

	31 March 2012	31 March 2011
	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**
External to Government	19	14
Total	**19**	**14**

	31 March 2012	31 March 2011
	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	**£'000**	**£'000**
Balances with other central government bodies	34	345
External to Government	52	784
Total	**86**	**1,129**

There no trade payables and other liabilities falling due after more than one year

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 was nil (2010-11 £0.122m), Grant-in-aid received totalled £0.626m (2010-11 £5.949m) whilst costs incurred totalled £0.017m (2010-11 £0.481m). In addition to this, there was a notional cost of £0.048m relating to back office services provided by Defra. This was offset by corresponding non cash funding.

No other material transactions were entered into with other entities for which Defra is regarded as parent.

In addition, the CRC has had transactions with the Department for Work and Pensions (£0.002m). (In 2010-11 income received from the Department for Work and Pensions was £0.216m). The CRC has not had any material transactions with any other government departments or central government bodies.

There were no related party transactions with individuals in 2011-12.

21. Third-party assets

The CRC had no Third-party assets as at 31 March 2012

22. Early adoption of IFRSs, amendments and interpretations

CRC have not adopted any IFRSs, amendments or interpretations early.

IFRSs, amendments and interpretations in issue but not yet effective, or adopted

IAS 8, accounting policies, changes in accounting estimates and errors, requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRSs, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period. The following have not been adopted early by CRC:

- IFRS 7 Financial Instruments: Disclosure amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013. Also an amendment to improve the disclosure requirements in relation to transferred financial asset which is effective for accounting periods beginning on or after 1 July 2011.

- IFRS 9 Financial Instruments: A new standard intended to replace IAS39. The effective date is for accounting periods beginning on or after 1 January 2015.

- IFRS 13 Fair Value Measurement: IFRS 13 applies when other IFRSs require or permit fair value measurements. The new requirements are effective for accounting periods beginning on or after 1 January 2013.

- IAS 1 Presentation of Financial Statements: Amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on or after 1 June 2012.

- IAS 19 Employee Benefits: The amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.

- IAS 32 Offsetting Financial Assets and Financial Liabilities: Amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on or after 1 January 2014.

None of these new or amended standards and interpretations is likely to be applicable or anticipated to have future material impact on the financial statements of CRC.

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