



Commission for
Rural Communities

Tackling rural disadvantage

**Annual Report and Accounts
2007-08**



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1

Annual Report

Chairman's Foreword

In our first full year I am pleased to report sound – and visible – progress; drawing attention to the issues affecting rural England and making a difference.

It has been a momentous year: our rural areas have faced unprecedented challenges including severe summer flooding and the recurrence of foot and mouth disease. But despite these shocks to the system, rural England is a picture of resilience, of entrepreneurship, of well-being and success – and also the potential source of greater wealth generation for the national economy. As the statutory adviser to government and others on rural affairs in England, it is our job to ensure that the real nature of rural England today is understood at the highest levels of government. This is not just about the unexpected events but the unplanned consequences of policy and practice in rural areas – closure of post offices, review of the National Health Service, and lack of local services and affordable housing. We have reported on the catastrophes; input to policy development and proposed ways and means of unleashing the untapped potential. Most of all we have consistently spoken up for the deprived and socially excluded who, in rural areas, face the challenge of coping with national policies often designed with the urban majority in mind.

It is my pleasure to present the Commission for Rural Communities' Annual Report and Accounts for 2007-08. This document is a review not only of our performance as an organisation but also of what we have achieved on behalf of the rural communities we are privileged to represent.

Chief Executive's Introduction

This review covers our work during the 2007-08 financial year, our first full year of activity since becoming an independent body in October 2006.

It has been a year of transition and we succeeded in laying the foundations of an efficient and effective organisation which will achieve lasting benefits for rural communities. It has also been one of notable progress across a number of policy areas as our approach of combining evidence and research, solutions-focused activity and influence on policy and practice takes effect.

Our remit is extensive, covering almost the whole of government policy as it impacts on those who live and work in rural communities. Our goal is to make a difference in everything we do by being innovative and challenging, yet realistic in working collaboratively with a wide range of organisations and individuals.

As an organisation that works across government, a new Prime Minister and ministerial team in July 2007 brought new opportunities and we have worked hard to build and renew our relationships across government and the main political parties. The new administration has brought a flurry of consultations, reviews and new thinking to which we have been pleased to contribute and help shape.

We have also laid the foundations for future working, for example; in our involvement with the Rural Development Programme for England which has led to the Commission for Rural Communities (CRC) being asked to establish and operate the National Rural Network (NRN) to develop engagement and best practice in the programme.

These achievements are set against a period of ongoing transition for the organisation. During the year we have consolidated our main functions at our Gloucestershire base, and moved our London office to a much smaller "embassy" style hub in Whitehall. Inevitably this essential rationalisation has meant the loss of valued colleagues, but we have also been able to recruit some talented new blood to reinforce our body of expertise. I thank them all. It would be remiss not to make special mention of former directors Brian Wilson, Ken Roy, Nick Holliday and Gill Davison, who worked hard to establish CRC, and my former deputy, Margaret Clark, for her dedication and achievement on behalf of rural communities. It is a testament to the commitment and professionalism of our staff that they have continued to deliver the highest standards of research, advice and advocacy throughout this period of change.

This review outlines our key achievements during 2007-08. At the beginning of the year we set out to evaluate our performance in a number of ways. Measuring the impact of our work – the real difference we have made to the lives of those who live and work in rural England – is the most challenging. Sometimes we can point to a specific change in policy brought about as a direct result of our recommendations, but the vast majority of our work is far more subtle. It is about raising awareness, challenging preconceptions, building partnerships and spreading good practice. For some aspects of our work we are at the beginning of a journey to raise awareness of the challenges, diversity and opportunities presented by rural England. Change will take time, but we have now established a firm footing to take our work forward and make a real and lasting difference to those who live and work in rural England.

Performance Review

To give our work focus and direction, we structure our activity around six key policy areas. These are supported by three “cross-cutting” programmes; Rural Advocate, Rural Proofing and 21st Century Rural England, themes which underpin all of our work and our corporate functions. This performance review sets out our major achievements during the year.

Securing Social Justice

Many people who live and work in rural England enjoy a prosperous and healthy lifestyle, but this picture of affluence and well-being often masks real hardship. Last year one in six households in rural England were living below the poverty line. Our belief is that nobody should be disadvantaged because of where they live. Our work this year has centred on following up the recommendations in our 2006 report “Rural Disadvantage: Priorities for action”:

- **Promoting financial inclusion** – Following our research finding that 300,000 rural people do not have a bank account, and access to financial services in many rural areas is severely limited, we launched our ‘Quids In’ campaign to create greater awareness of rural financial exclusion. Highlighting creative, community-based solutions to show what can be achieved with imagination and commitment, we called on the private sector and the government to engage with and support rural communities to help improve access to services. The campaign is supported by the Department for Work and Pensions’ “Now let’s talk money” campaign and the British Bankers Association. The Royal Bank of Scotland has now made a direct approach to work further with us on this important issue.
- **Take-up of benefits in rural areas** – Our State of the Countryside update highlighted that more than 250,000 pensioners in rural areas were not claiming their entitlement to pension credits. We called on organisations in rural communities to work with us to ensure that people in rural areas were aware of their entitlement; increased take-up of benefits could reduce pensioner poverty dramatically.
- **Coalition on social justice** – We established the Rural Social Justice Coalition, bringing together Age Concern, Shelter, the UK Coalition on Poverty, the Plunkett Foundation, the National Consumer Council, Community Alliance and Action for Communities in Rural England. By tackling this issue at a national level we aim to raise awareness, gain wider understanding and collect good practice on rural disadvantage.
- **Building the evidence base on the nature of rural disadvantage** – We have continued to work with a number of research bodies to improve the evidence base on the nature of deprivation in rural areas. This will provide important foundations for tackling social justice issues going forward.

Planning for Sustainable Rural Communities

This programme takes forward our work in three key areas: housing, planning and transport. It also encompasses the rapidly growing climate change agenda and the need to reduce carbon emissions, tackling the widespread assumption that urban settlements are inherently more sustainable than rural communities. We also study the threats and opportunities facing the future of rural England, such as the continued attraction of rural areas to in-migrants from towns and cities (both to live and work) and the growing social and economic needs of an ageing rural population.

- **Sustainable communities** – The main thrust of this work has been the preparation of a discussion paper “Planning for sustainable rural communities: a new agenda”, based on a series of research exercises (including five think pieces from experts in this field) and more than a dozen seminars, workshops and conferences. This paper formed the basis of a series of roundtable consultations and discussions held with more than 20 stakeholders which will inform a more detailed CRC position statement to be developed in 2008-09.

- **Affordable housing** – Lack of affordable rural housing continues to be the single most pressing issue facing rural communities today. Pressing for change in policy and delivery at central, regional and local level is a priority for us. We started the year with a major housing conference examining the progress made one year on from the recommendations of the Affordable Rural Housing Commission. As a direct result of our targeted influencing work, the government tabled a new amendment to the Housing and Regeneration Bill limiting the ability of residents in new, shared-ownership rural properties to sell them on the open market. The government described this amendment as a “powerful tool to make sure that affordable housing remains affordable in perpetuity”. We have been active members of the national Rural Housing Advisory Group, chaired by the Housing Corporation, to advise the Secretary of State for Housing. We have also been advising Liberal Democrat MP Matthew Taylor, appointed by the Prime Minister to investigate the policy and delivery blockages to meeting rural housing and employment needs. We are currently preparing a rural housing action plan to highlight and prioritise the key action required by whom and when.

Amendment to Housing and Regeneration Bill

Problem identified

The Commonhold and Leasehold Enfranchisement Act undermined the ability to retain rural shared-ownership housing in the affordable housing sector in perpetuity. This would affect future supply and willingness of landowners to release new sites at a price that would make it viable to develop affordable housing.

Action

Analysis of the Housing and Regeneration Bill showed that despite Government consultation on this matter, it had not been addressed. Working with relevant national housing and countryside organisations and MPs, CRC developed a case and wording for an amendment to the Bill. A meeting with the Bill Team established common ground and agreed the wording of a Government amendment.

Outcome

The Government amendment was supported and included in the Bill. It is expected to be enacted in autumn 2008 and will give an exemption from leasehold enfranchisement in “protected areas” – this designation to be subject to consultation after enactment, but Ministers have stated that it will include rural areas.

“The amendments have been tabled in response to concerns expressed to the government by rural stakeholders, including the Commission for Rural Communities. The amendments will help to ensure that shared-ownership properties are retained for future purchases, where replacement would be difficult. It will give first-time buyers a chance to get on the housing ladder in these areas, while, at the same time, keeping properties as affordable housing for future purchasers.”

Iain Wright MP, Parliamentary Under-Secretary of State for Housing, Communities and Local Government

- **Planning** – We are tracking and evaluating emerging planning policies at local level in Local Development Frameworks (LDFs) including designated areas of restraint such as National Parks and Areas of Outstanding Natural Beauty. We are also monitoring progress on community planning, such as the links between community-led planning (eg, parish plans) sustainable community strategies and LDFs with Carnegie Rural Action Research Project. We have also worked with partners on rural planning policy issues via conferences, workshops and project sponsorships, including the Town and Country Planning Association and the Royal Town Planning Institute.

Problem identified:

Evidence from the Improvement and Development Agency's (IDeA's) rural excellence programme and various other events demonstrated that rural local authorities were either unaware or lacked confidence

in applying Planning Policy Statement 3 (PPS 3) policies for affordable housing. This was confirmed by feedback from the Department for Communities and Local Government (CLG) and Government Offices. The key barriers identified were: reliance on hierarchical approaches to defining sustainability; limited evidence base and lack of skills and capacity to maximise affordable housing contributions from market sites; and risk-averse politicians and senior staff.

Action:

Consultation with a sample of local authorities to identify the content and type of training event that would support take-up of the approaches set out in PPS 3; design of a programme that addressed the needs identified; and discussion with CLG and IDeA to secure funding for a time limited programme of events.

Outcome:

Funding secured from CLG and small CRC contribution to run eight sub-regional events during 2008, administered by IDeA with support from CRC.

- **Transport** – Transport is a key component of sustainable rural communities, both for its contribution to social and economic well-being, and also for its impact on self-sufficiency and carbon emissions. We have taken a lead in addressing the needs, opportunities and threats surrounding public and private transport in rural areas, commissioning several think pieces on the problems and future prospects from experts in this field. We have also engaged key stakeholders in the debate, including the Department for Transport, Campaign for Better Transport and the Association of Community Transport.

Fair Access to Services

Access to services is one of the key areas of concern for rural communities. Our aim is to ensure that rural needs and circumstances are integrated into service planning, funding and delivery to ensure equitable access for rural communities.

- **Post Offices** – We have kept a close interest in the post office closure programme, drawing attention to the effects that closure would have on rural residents and businesses. We submitted written evidence to the Business, Enterprise and Regulatory Parliamentary Committee who adopted our recommendation of the presumption against closure of a post office where this was combined with the last remaining shop in a village. We have actively monitored the consultation process in conjunction with PostWatch and also fund Rural Service Support; an on-line facility giving access to experts who can assist communities in identifying alternative ways of providing postal services.
- **Health** – Co-ordinating our work with Lord Darzi's review of the National Health Service (NHS) has included assessing the rural impact of the review by holding a series of consultation events around the country and building a rural dossier of evidence, including a DVD, as our formal submission. Our work has ensured a rural dimension to the NHS Review and our Chief Executive was invited to join the Department of Health's rural steering group. We have also published evaluations of the review of the NHS 10-year plan and GP out-of-hours services.
- **Dental care** – Good practice in the provision and commissioning of NHS dental provision in rural areas was published following a meeting with the Chief Dental Officer and it was agreed that the CRC would work with them to monitor the impact of the new commissioning arrangements and promote good practice to Primary Care Trusts. The Department of Health website now has a separate page on rural commissioning that links directly to our website.
- **Migrant workers** – The impact of migrant workers on rural services has significant consequences for service providers and service users in parts of the country. We have worked with the Institute for Public Policy Research (IPPR) to publish a dedicated rural working paper based on new primary research and existing good practice on the rural aspect of migrant workers and public services, followed by an expert round table seminar with high level and senior government participants, and a survey of migrants.

Working with others, we successfully influenced thinking of the Commission on Integration and Cohesion, chaired by Darra Singh. The final report of the Commission, published in June 2007, made it clear that with the recent arrival of migrant workers a number of rural areas were, for the first time, facing integration and community cohesion challenges. We were also successful in advising Communities and Local Government and the Improvement and Development Agency to include a strong focus on the needs of more rural local authorities in developing their migration support programme for local government. We have also worked closely with the European Migration Policy Group to disseminate best practice across the European Union.

- **Schools** – At the request of the Rural Schools Group, chaired by Schools Minister Jim Knight, we assembled evidence of the impact of closure of village schools on rural communities, which was submitted to the Department for Children, Schools and Families (DCSF). It suggested that data sets should use the urban/rural definition and DCSF were able actively to monitor the impact of their programme in rural areas. We also worked with the Improvement and Development Agency for local government to identify good practice and innovative ways that schools can prevent the need for closure and provide high quality education. This will be turned into an electronic good practice guide for local authorities.
- **Sharing best practice** – Our leaflets highlighting case studies of best practice on youth projects have led to positive feedback showing that they helped support further funding applications:

“The study was instrumental in winning a £10,000 grant which was used to develop an on-line service specifically to help youngsters overcome rural social exclusion. It’s much more than e-mail – there are on-line music-making and DJ-ing, chat rooms etc. This developmental work led to another £10,000 grant for the online project and a further £10,000 to develop a volunteering service on the back of the on-line work. Other work that the case study has influenced is a three-stage engagement project – this study persuaded the Home Office to extend the programme for another three years,”

Paul Kirkpatrick, Northumberland Positive Futures.



Strong Rural Economies

Strong and vibrant rural economies underpin rural sustainability and make a significant contribution to the economy, regionally and nationally. We focus in particular on the needs of rural areas suffering from economic under-performance and employment-related solutions on skills, migrant workers and young people. One way we have sought to achieve this is by influencing the outcome on rural economies of the government's Comprehensive Spending Review and working with economic agencies to define the interventions required to achieve economic well-being.

- **Request from the Prime Minister for advice on strengthening rural economies** – In the light of the outbreaks of Foot and Mouth Disease and the floods during 2007, the Prime Minister asked Stuart Burgess as Rural Advocate for advice on further measures to strengthen rural economies. Dr Burgess called on the CRC's policy expertise to help compile comprehensive research and recommendations to transform the economic potential of our rural areas. This presented an important opportunity to contribute to matters of major national concern and to extend further the general awareness of the challenges facing rural England. We also briefed the Environment, Food and Rural Affairs (EFRA) select committee on how they might take forward their inquiry into the potential of rural economies and liaised closely with the Pitt and Anderson inquiries into flooding and foot and mouth disease respectively.
- **Impact of the Sub-National Review** –The review of sub-national economic development and renewal has significant implications for rural areas and we have been actively involved in advising on its potential impact.
- **Encouraging innovation** – Many businesses, service providers and communities across rural England demonstrate the benefits of innovation in their products, processes and ways of working. More rural areas need help to develop and adopt innovative practices to release their economic and social potential. We are working closely with the Department for Innovation, Universities and Skills, Department for Environment, Food and Rural Affairs (Defra) and National Endowment for Science, Technology and the Arts (NESTA) to build a rural component in the UK Innovation Strategy.
- **Rural Insights business survey** – We shall produce rural insights surveys on a three-year cycle looking at trends in social, economic and environmental factors in turn. This year we published reports on women in enterprise in disadvantaged areas of Yorkshire and north Lincolnshire, and economic aspirations and activities of young people in rural West Midlands.
- **Impact of the Budget on rural areas** – In consultation with stakeholders, we produced an analysis of how the Budget and Pre-Budget Report will affect rural areas.



Connecting Rural Communities and the Land

The increasingly complex interdependencies between the land and those who live and work in the countryside are essential for understanding the changing nature of rural England today. During 2007-08 we commissioned several studies examining these interrelationships and what they tell us about the future development and sustainability of rural areas.

- **Starting a national debate** – At the Royal Show In July we published our research findings on the social contribution of land-based industries to rural communities and launched a national debate on connecting rural communities and the land, testing the hypothesis that connections between people and the land are vital to the distinctiveness and sustainability of rural England.
- **Land use conflicts among rural stakeholders** – Using poly-tunnels as an example, this study aimed to identify ways of resolving conflicts between landowners and the community and the consequent policy implications and opportunities. This resulted in best practice guidelines for planning authorities.
- **Climate change** – Research was carried out into what rural areas can offer to the climate change agenda in terms of contributing to mitigation and adaptation.



Renewing Rural Governance

The aim of this programme is to enable rural people to influence and engage in decisions that affect their lives.

- **Strengthening the role of local councillors** – We completed our Participation Inquiry into the role of local councillors and launched the report and recommendations in January, highlighting that communities feel almost total detachment from the decision-making process and nearly half of rural residents feel unable to influence local decisions directly affecting their lives. The report's 10 recommendations were to encourage citizens to engage more fully in local decision-making, enhance the democratic role for rural communities; and create a stronger, more effective voice for local councillors. We worked closely with national, regional and local stakeholders, including Communities and Local Government and their Councillors' Commission, the Local Government Association and National Association of Local Councils, to develop our recommendations and take them forward. We were encouraged that Local Government Minister Parmjit Dhanda found our report "valuable and compelling".
- **Reforming the parish council sector** – We produced a report on the "features and characteristics of successful County Associations of Local Councils" which explored and promoted reform of the parish council sector.

21st Century Rural England

Our 21st Century Rural England programme, aims to build broad understanding about the current condition and direction of change across rural England in the early 21st century.

- **The State of the Countryside** – Our flagship publication, this comprehensive annual data source assesses the social, economic and environmental conditions and changes in rural England. It is considered to be the definitive source of information on rural issues and is used extensively by policy-making and academic institutions. Findings in 2007 highlighted the changing demographics of the countryside; for example, there are now nearly 400,000 fewer young people aged 15-29 in rural areas than just 20 years ago. The report also showed that rural areas experienced over 200% growth in the number of migrant workers in the last four years; and that the average rural household spent nearly £480 per week in 2005, £60 per week higher than the average urban household. At the same time, 928,000 households had incomes below 60% of the national median.
- **Updates** – Recognising the need for more detailed, topic-focused updates to be produced as new data and information is released, this year we introduced a series of State of the Countryside update bulletins which allowed us to monitor key national rural indicators and to track change over time. Topics have included the take-up of benefits, access to services, business start-up and performance and indices of multiple deprivation.
- **Disseminating our findings** – Using research and analysis from the State of the Countryside, we held a series of seminars and visits around the country to share this knowledge and expertise with a wide range of stakeholders.

Rural Proofing

Rural proofing is at the heart of our work, ensuring that policy developed with large conurbations in mind does not impact in a negative way in more dispersed rural areas.

- **Monitoring the work of Government departments** – We reported on the extent to which government departments have considered and addressed the needs of the rural population in the development and implementation of policy. We launched our “Monitoring Rural Proofing 2007” report, at a roundtable event at which we were joined by representatives from Home Office, Departments for Culture, Media and Sport and Business Enterprise and Regulatory Reform as well as national stakeholder organisations and regional bodies including the regional Rural Affairs Forums and Government Offices and representatives from local government. The report was well received and our strategy to highlight positive examples was felt to be a successful way to lay the foundations for refreshing and repositioning rural proofing in the coming year.
- **Consulting on the future of rural proofing** – Rural proofing can and does deliver positive outcomes for rural communities. In 2007 we launched a major review to explore how these benefits can be achieved more consistently across government at all levels. We plan to report our findings in July 2008.
- **Providing guidance and advice** – We continue to promote rural proofing of key cross-cutting government processes and to respond to formal government consultations. This included providing rural proofing advice to Communities and Local Government as the department develops a formal process for Comprehensive Area Assessment, the new Place Survey and the 198 indicators for evaluating performance in service delivery. During the year we published advice and guidance to help those with responsibility for rural proofing at national, regional and local levels to carry out their task more effectively, for example, on rural-proofing the Local Area Agreement negotiation process.
- **Sharing international best practice** – Other countries have been keen to learn from our experience of rural proofing and the approach taken in England. We have been invited to address European and international conferences to share best practice and our expertise on rural proofing as a policy assessment tool.

Supporting the Work of the Rural Advocate

Our Chairman Stuart Burgess is also the government's Rural Advocate. His role is to put the case for rural people to the highest levels of government and to make sure that rural people's needs and circumstances are properly understood. We have provided support for the Rural Advocate by providing policy advice, organising visits, and ensuring that the messages he hears firsthand from the people who live and work in rural England inform our policy work.

- **Ensuring the rural voice is heard** – During the year, Dr Burgess has completed 16 formal visits and 33 meetings with ministers and officials. He has travelled extensively throughout England and beyond and addressed 39 conferences and dinners. Details of the issues the Rural Advocate has heard and the action we are taking are published on our website after each visit.

• **Reporting to the Prime Minister** – The “Report of the Rural Advocate 2007” provides a detailed account of the issues Dr Burgess has heard from the people living and working in rural areas and sets out priority areas for action. Themes from this year’s report include:

- delivering more affordable housing
- fair resource allocation
- the contribution rural communities can make to adapting to climate change
- the future of hill farming
- supporting rural voluntary and community action

• **Strengthening rural economies** – Following the flooding and foot and mouth disease outbreaks last year, the Prime Minister asked the Rural Advocate to report to him on how rural economies could be strengthened. This major piece of work was a key focus in the last six months of the financial year to be published in June 2008.



Getting our Message Across

As a small organisation with an extensive remit it is imperative that we maximise our impact through targeted communications and working collaboratively with others.

- **Influencing at the heart of government** – We have strengthened our links with ministers, policy advisers and MPs and provided evidence and advice to several select committees and all party groups. We have also worked with the three main political parties to ensure that rural issues remain high on the political agenda. We held fringe events at the three major political party conferences on the theme “7.5 million votes: why rural matters”. At the Conservative and Liberal Democrat conferences we partnered the National Association of Local Councils to test some of the messages emerging from our Participation Inquiry looking at strengthening the role of local councillors as democratic champions. At the Labour party conference we looked at some of the issues affecting rural voters today: affordable rural housing and migrant workers. Turnout at all three events was excellent, demonstrating a continuing interest in rural affairs.
- **Engaging with stakeholders** – As a small organisation we need to work collaboratively with others to have maximum impact and ensure that the needs of rural communities are understood and acted upon across the public, private and voluntary sectors. We have worked with a wide range of stakeholders; building relationships, partnerships and coalitions to explore common ground and ensure the rural voice is heard. In particular we have looked at how we can strengthen our links with regional and local bodies such as the regional Rural Affairs Forums, Regional Development Agencies, Government Offices in the regions and Rural Community Councils. We have also worked closely with Action for Communities in Rural England, the National Association of Local Councils and the Local Government Association as well as building alliances with organisations such as Age Concern, the National Consumer Council, the Carnegie Trust, Shelter, British Bankers Association, and the Plunkett Foundation. We have forged links with overseas governments and have worked closely with the international Organisation for Economic Co-operation and Development (OECD). We have hosted visiting delegations from China, Sweden, Finland and Germany.
- **Increasing our media profile** – In the past year our work has attracted more than 200 press articles and we have taken part in 110 broadcast interviews on radio and television, including 12 at national level.
- **Publications** – This year we have produced 21 publications, ranging from major reports to the direct mail campaign “Quids In” to support our work on financial inclusion.
- **Website** – Traffic to the website has increased dramatically since vesting, with more than 600,000 visits to the site in 2007 – 400,000 up on the previous year – and three million pages viewed.
- **Events** – As an authority on rural issues, we have been invited to speak at 25 conferences, seminars and workshops both in the UK and overseas. We have also sponsored a wide range of events linked to key areas of our work including the National Association of Local Councils’ community empowerment awards.

Running the Organisation Efficiently

This has been our first full year of existence as an independent organisation. Success in our policy work has been against a background of ongoing transition for the organisation as we have completed change programmes, including relocation and downsizing of our London office, and developed systems and processes to underpin our future efficiency.

- **Consolidating our activities in Gloucestershire** – This year has seen a major transition in our working arrangements, with the relocation of our London office and the consolidation of our core activities at our headquarters in Cheltenham. We successfully relocated some staff members to Gloucestershire and supported others to find positive careers elsewhere.
- **Opening our Whitehall Office** – We have retained a small “embassy” in Whitehall enabling us to continue our work at the heart of government. The office was opened officially by Defra’s Secretary of State, Hilary Benn at a reception attended by around 100 guests.
- **Reducing corporate costs** – We undertook a thorough review of corporate expenditure, benchmarking our performance against other similar-sized public bodies. As a result, we have significantly reduced expenditure in this area through restructuring and streamlining processes, and continue to review our processes to deliver further efficiencies.
- **Improving capacity and capability** – We have developed new approaches to performance management and management development and will continue to roll these out over the coming year.
- **Transforming our information technology** – As part of the Defra E-Nabling project we upgraded our computer systems, to provide a more stable platform.
- **Equal opportunities** – As an equal opportunities employer we are committed to promoting equal opportunity and welcome applications for employment from all sections of the community. We are committed to positive action to enable all individuals to develop their full potential. At 31 March 2008 we employed one disabled person.
- **Employee involvement** – A Joint Partnership Committee brings together representatives of management and trade unions in a working environment. All-staff meetings are held monthly to discuss topical issues and an all-staff conference was held in October. Programme managers meet as a group with the Commission Management Board approximately 10 times a year. In addition staff working on, or interested in specific programmes attended programme planning meetings as part of the corporate plan development process.
- **Open government** – We comply with the Open Government Code of Practice on access to Government Information and have an agreed publications scheme under the Freedom of Information Act.
- **Register of interests** – A register of interests of Commissioners and senior staff is maintained. A copy can be accessed on our website at www.ruralcommunities.gov.uk

Looking Ahead

Now that we have established the themes and work programmes that are the core of our work, in the coming year we aim to improve efficiency, focus and flexibility by consolidating our work around four key policy areas:

- Sustainable rural communities in the 21st century
- Rural services: fair access and equitable outcomes
- Strong and prosperous rural economies
- Active and inclusive representation and decision making.

We will continue to give special focus to disadvantage and underperformance.

Further support is provided under two broad headings:

- An effective organisation
Strategic Analysis
Advocacy: Strategic Communications, Rural Advocate programme, Whitehall Office
- An efficient organisation
Corporate Management
Strategic Development

In addition Defra has asked us to manage on its behalf the National Rural Network for the Rural Development Programme for England. This three-year project focuses on sharing knowledge and experience, promoting innovation across the UK regions and acting as the main point of contact with the European network. It will sit alongside our work to learn from international best practice, notably through relationships with the OECD and similar organisations.

We will also be able significantly to reduce our administrative costs now that the organisation is up and running. Coupled with a reduction in overall headcount, this is intended to absorb the reduction in our grant-in-aid from our sponsoring department, Defra, to minimise reduction in programme budgets.

Publications and Consultations

Our publications

The following key publications were issued by the CRC in 2007-08. All our publications are available from the CRC website: www.ruralcommunities.gov.uk

May	State of the Countryside Update 3: Cash Purchases of Housing Stock	
June	<p>Taking Forward the Recommendations of the Affordable Rural Housing Commission: Progress so far</p> <p>Best practice case studies – Making it Happen:</p> <ul style="list-style-type: none"> • Buckland Newton, Dorset (timber frame, straw bale housing project) • Derbyshire Dales & High Peak (sub-regional partnership across two local authorities) • Hampshire Alliance for Rural Affordable Housing (county-wide approach to building rural affordable housing) • South Hams District Council's Approach (improved delivery by positive planning) • South Somerset Homes (building for the future, bridging the affordability gap) • The Cumbria Sub-Regional Housing Group (effectiveness comes from closer integration) • Wealden District Council (Housing our People project – HOPe) <p>Rural Services Data Series – Technical Report</p> <p>Planning for Sustainable Rural Communities: A New Agenda?</p> <p>The Features and Characteristics of Successful County Associations of Local Councils</p>	CRC 45
July	<p>State of the Countryside 2007</p> <p>Defining Rural England</p> <p>Annual Report and Accounts 2006/2007</p> <p>Are England's rural communities benefiting from the increased expenditure on health services under the NHS 10-year Plan?</p> <p>Out of hours GP services in rural areas</p>	<p>CRC 46</p> <p>CRC 49</p>
September	<p>Annual Review 2006/2007</p> <p>Making Best Practice Stick: the film</p>	CRC 50
October	Dental Services in Rural Areas	

November	Monitoring Rural Proofing 2007	CRC 52
	Access to services in rural areas	CRC 57
	Taking Forward the Recommendations of the Affordable Rural Housing Commission: Final report	
December	Dr Stuart Burgess: Rural Advocate (leaflet)	CRC 54
	State of the Countryside Update 4: Pension Credit take-up in rural areas	
January	Participation Inquiry: Strengthening the role of local councillors	CRC 55
February	Quids in - Financial Inclusion: Boosting rural communities: Summary Report	CRC 59
March	Report of the Rural Advocate 2007	CRC 58

Consultations

April	Response to the Department for Education and Skills and Learning and Skills Council Funding Consultation – 'Delivering world-class skills in a demand-led system'
	Submission to the Commission on Integration and Cohesion (migrant workers)
June	Response to the Commission on Integration and Cohesion final report
	Response to the consultation by Department Communities and Local Government (CLG) on proposals for unitary authorities in shire England.
	Formal submission to the Government's consultation on the Draft Climate Change Bill.
	The Features and Characteristics of Successful County Associations of Local Councils
July	Response to the report 'A charter for rural communities', from the Carnegie Commission for Rural Community Development.
	Comments on the Treasury's review of sub-national economic development and regeneration.
	Response to CLG's 'Third Sector Strategy for Communities and Local Government'
September	Response to the House of Lords Economic Affairs Committee on the Economic Impact of Migration
October	Response to the CLG's consultation on Shared Ownership and Leasehold Enfranchisement
	Response to CLG's Housing Green Paper
January	Views on the recommendations made by the report of the Councillors Commission, "Representing the future"

February	Response to CLG's 'Creating Strong and Prosperous Communities' on local petitions and calls for action Response to the Audit Commission's 'Comprehensive Area Assessment - a joint consultation' Submission to the Business, Enterprise and Regulatory Reform Parliamentary Committee into the Post Office Closure Programme
March	Response to Matthew Taylor's Review on Rural Economy and Affordable Housing Response to consultation on PPS 4: planning for sustainable economic development

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Our Management Structure

Our Commissioners (Non-Executives)

The Commission is overseen by ten Commissioners plus the Chairman. The work of the Commissioners is to set the strategic direction of the CRC and to ensure that activities agreed in the Corporate Plan are delivered.

1. Dr Stuart Burgess (Chairman & Rural Advocate)
2. Professor Sheena Asthana*
3. Richard Burge
4. Dr Jim Cox
5. Norman Glass*
6. Ms Elinor Goodman
7. Ms Alison McLean
8. Howard Petch*
9. Professor Mark Shucksmith
10. John Varley*
11. Professor Michael Winter

The Commissioners met 11 times during the year. This included five formal meetings and six seminars or visits on topics of specific interest.

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

* These Commissioners were also members of the Audit and Risk Committee chaired by John Varley.



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Our Commission Management Board (Executives)

1. Graham Garbutt (Chief Executive Officer)
2. Gill Davison (16 April 2007 – 31 March 2008)
3. Nicola Lloyd (appointed 21 January 2008)
4. Crispin Moor
5. Gill Payne
6. Ken Roy (to 7 December 2007)
7. Graham Russell (appointed 11 June 2007)

Former Countryside Agency and CRC Directors:
Nick Holliday (to 31 October 2007)
Margaret Clark (to 17 July 2007)
Brian Wilson (to 1 January 2008)



Statutory Background

The Commission operates under the Government Financial Reporting requirements, as set out in the Financial Reporting Manual.

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

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

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

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

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

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

Advocate: representing rural needs

Advisor: 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.

Financial commentary

The accounts cover the year from 1 April 2007 to 31 March 2008.

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

The Commission for Rural Communities 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.

Accounts direction

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

Results and appropriations

In conducting its activities the Commission 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 Commission totalled £8,333,726 (2006-07 £9,273,647). This gives rise to a deficit for the year, after taking account of £9,335 interest receivable, of £8,324,391 (2006-07 £9,270,189). Once grant-in-aid funding of £8,909,369 (2006-07 £8,599,000) has been credited to the Revenue Reserve there remains a reserve carried forward of £913,211 (2006-07 £1,498,189). The net liabilities include £700,589 of provisions for early retirement and Hartpury legal indemnity costs and £212,622 excess of creditors over total assets.

In addition to any voluntary pension contributions made by members and staff, the Commission made payments to meet its liabilities under the Principal Civil Service Pension Scheme in respect of pensions for those who are or have been in the service of the Commission. These payments amounted to £488,609 for 2007-08 (2006-07 £514,359).

Financial performance

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

Managing risk in financial instruments

The Commission has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks.

Going concern

The balance sheet at 31 March 2008 shows net liabilities of £913,211. This reflects the inclusion of liabilities falling due in future years that, to the extent that they are not to be met from the Commission's other sources of income, may only be met by future grants or grants-in-aid from the Commission's sponsoring department, Defra. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2008-09, taking into account the amounts required to meet the entity's liabilities falling due in that year, has already been included in the department's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Financial Statements.

Future developments

Following the decision of the then Secretary of State, Margaret Beckett, the Commission, with help from Defra Estates Division, had been seeking to relocate to a "lagging rural area", the Forest of Dean in Gloucestershire. Negotiations were discontinued in the last quarter of the financial year. Rural Affairs Minister, Jonathan Shaw, subsequently removed the "lagging area" requirement. CRC has been seeking clarification from Defra Estates on the likely longer-term availability of John Dower House as a head office whilst resuming the search for suitable alternative premises within a reasonable catchment area of the present location.

In line with the Lyons Review, the Commission closed its London office in September 2007 and opened a much-reduced presence at 55 Whitehall.

Pension liabilities

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

Payment of creditors

The Commission follows the Better Payment Practice Code. The Commission aims to pay all invoices that are correctly presented within 20 working days of receipt, compared with Government guidance of 30 days. The agency succeeded in paying 96% of invoices within 20 days of receipt. The average number of days to pay a receipt for the year ended 31 March 2008 was 10.

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 and lay copies of it, together with his report, before each House of Parliament. The external Audit fees incurred in respect of 2007-08 were £22,000 (2006-07 £20,000). The National Audit Office issued no other reports on the Commission in 2007-08.

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



Graham Garbutt

Chief Executive
4 July 2008

2

Annual Accounts and other Required Disclosures

Remuneration Report

Remuneration Policy

The only members of the Senior Civil Service were the Chief Executive and to July 2007, when the post was vacated and discontinued, the Deputy Chief Executive. Their pay is decided by the Directors' Pay Committee comprising the Commission Chairman and the Director of Defra's Rural Policy Division by analogy to that of the Senior Civil Service (SCS).

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

Eligibility for performance bonus is determined in arrears.

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.

The Chief Executive's contract transferred from the Countryside Agency to the Commission at vesting on 1 October 2006. The contract notice period is a minimum of two months, written notice, to the Chairman. In the event of early or compulsory termination of the contract, other than for misconduct, the Chief Executive would be eligible for benefits under the Civil Servant Compensation Scheme.

Commissioners

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

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

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

The Chairman (Dr Stuart Burgess) is contracted to a time commitment of up to five days per week. Commissioners are contracted to a time commitment of 2.5 days per month with the option for a further day per month.

On 26 March 2008 the Secretary of State re-appointed the following Commissioners for a second three-year term commencing 1 April 2008: Sheena Asthana, Richard Burge, Jim Cox, Howard Petch, Mark Shucksmith and Michael Winter. In addition, Alison McLean and John Varley's appointments were extended for a year to 31 March 2009.

Salary and pension entitlements

The disclosures in the following tables relate to remuneration and pensions of senior staff of the Commission since 1 April 2007.

The tables below are subject to audit.

Remuneration

Directors				
	2007-08		2006-07	
	Salary	Benefits in Kind (to Nearest £100)	Salary	Benefits in Kind (to Nearest £100)
	£k	£	£k	£
Graham Garbutt Chief Executive <i>Chief Executive</i>	120 - 125	-	55 - 60 (110 - 115 full year equivalent)	-
Margaret Clark - OBE <i>Deputy Chief Executive until 17 July 2007</i>	45 - 50* (90 - 95 full year equivalent)	-	40 - 45 (90 - 95 full year equivalent)	-

* Included in this figure is a payment £17,489 for 'Payment in Lieu of Notice' for termination of employment before the contractual notice period ended.

Commissioners				
	2007-08		2006-07	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
	£k	£	£k	£
Dr Stuart Burgess <i>Chairman & Rural Advocate</i>	85-90	-	30-35 (65-70 full year equivalent)	-
Professor Sheena Asthana	10-15	-	5-10	-
Richard Burge	10-15	-	5-10	-
Dr Jim Cox	5-10	-	5-10	-
Ms Elinor Goodman	10-15	-	5-10	-
Norman Glass	5-10	-	5-10	-
Ms Alison McLean	15-20	-	5-10	-
Howard Petch	10-15	-	5-10	-
Professor Mark Shucksmith	10-15	-	5-10	-
John Varley	10-15	-	5-10	-
Professor Michael Winter	10-15	-	5-10	-

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Commission and treated by HM Revenue and Customs as a taxable emolument.

Pension Benefits

Directors						
	Accrued pension at pension age as at 31/3/08 and related lump sum	Real increase in pension and related lump sum at pension age	CETV 31/03/2008	CETV 31/03/2007	Real increase in CETV	Employer contribution to partnership pension account (to nearest £100)
	£k	£k	£k	£k	£k	£
Graham Garbutt <i>Chief Executive</i>	50-55 plus lump sum of 160-165	0-2.5 plus lump sum of 2.5-5	1385	1199	34	-
Margaret Clark - OBE <i>Deputy Chief Executive until 17 July 07</i>	45-50 plus lump sum of 135-140	(-2.5)-0 plus lump sum of (-2.5)-0	1022	1075	-7	-
Stuart Burgess <i>Chairman</i>	0-5 plus lump sum of 0	0-2.5 plus lump sum of 0	86	46	34	-

Note. Due to certain factors being corrected in last years CETV calculator there may be a slight difference between the final period CETV for 2006-07 and the start of period CETV for 2007-08

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 the **by analogy pension scheme** to the Principal Civil Service Pension Scheme (PCSPS). Any ongoing liability arising from this arrangement will be borne by Defra.

The Chairman's remuneration includes £2,773 (2006-07 £1,197) of pension contributions. (This figure excludes additional voluntary contributions). During the year contributions of £20,205 (2006-07 £8,722) were funded by the employer.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic, premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership pension account**).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium, classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It 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.



Graham Garbutt
Chief Executive
4 July 2008

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

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

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

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

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

Statement on Internal Control

1. Introduction

The Commission for Rural Communities was vested on 1 October 2006 under the Natural Environment and Rural Communities (NERC) Act 2006, having formerly operated as a division of the Countryside Agency. This was therefore our first full year as a stand-alone entity. The risk management processes in place for the transition process have been developed and updated.

2. Scope of responsibility

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

3. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Commission for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

4. Capacity to handle risk

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

5. The risk and control framework

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

key risks in the areas reviewed. John Varley, as chairman of the Audit and Risk Committee, has monitored the log of Commissioners' claims for remuneration of additional days under a new system implemented during the year.

5.2 Programme and Project Management. The majority of our work is delivered through programme teams and managed by Programme Managers under the direction of the Commission Management Board. Work continues on the relocation of the Commission's headquarters with advice from appropriate property, technical and legal advisers. Key individuals involved within the Commission have had appropriate project management awareness and training.

5.3 Risk Strategy and Risk Management. I have put an appropriate process in place to identify key corporate risks. The Commission agreed the overall corporate risk register and management actions. The Audit and Risk Committee reviewed individual items and the effectiveness of the system of internal control.

5.4 Strategy and Planning. Within the corporate plan we set out our strategic objectives which make clear the main focus of our work and the broad outcomes to be achieved over the three-year planning period. There is a comprehensive corporate planning system with identified programmes of action and resources, supported by a detailed business plan. Relationships with Defra sponsorship and policy branches have been constructive but continued uncertainty over Defra funding agreements made corporate and business planning difficult.

5.5 Performance Management. The Commission has had continuous monitoring and quarterly reporting of financial and general performance management. This comprised quarterly reporting by Directors of progress against the business plan and Corporate Plan, and regular reports to the Commission. A system to link work objectives of individual staff to the Corporate Plan has been in place and monitored throughout the period.

5.6 Change Management. We conducted a thorough corporate cost review involving external benchmarking against similar organisations. This led to further restructuring, reducing headcount – notably in corporate areas – and fewer programmes. Further rationalisation was required at short notice to prepare for a further substantial reduction in our Grant-in-Aid from Defra with effect from April 2008, managed through a voluntary redundancy programme.

6. Review of Effectiveness

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

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

7. Significant Internal Control Issues

7.1 There are two areas of note: continued uncertainty over budgets and locations of our head office.

7.2 Throughout our existence we have been dogged by uncertainty and late confirmation of budgets. From April 2008 we are faced with another major year-on-year reduction, amounting to 16 per cent. Late

notification of this cut required us to run a voluntary redundancy programme in the last quarter of the financial year to enable us to start the new year with affordable staffing levels.

7.3 The second area continues to be the project to relocate from the former Countryside Agency headquarters building, now owned by Defra, which we share with Natural England. Defra was unable to reach agreement with Hartpury College for a purpose-built head office for us. We are continuing to look for a suitable alternative in roughly the same area to minimise staff disruption and relocation costs. The Minister has removed the requirement for any new location to be within a 'lagging' rural area.

7.4 During the year, in line with the Lyons agenda, most of our staff have been moved from our London office, either by relocation or, in the majority of cases, redundancy. We were pleased to be able to recruit high calibre staff in Gloucestershire. A few staff were relocated in London to our new Whitehall office.



Graham Garbutt

Accounting Officer

Commission for Rural Communities

4 July 2008

The Certificate and Report of the Comptroller and Auditor General of the Houses of Parliament

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 2008 under the Natural Environment and Rural Communities Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Commission, Chief Executive and auditor

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

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

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

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

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

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

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Natural Environment and Rural Communities Act 2006 and directions made thereunder by the Secretary of State, of the state of the Commission's affairs as at 31 March 2008 and of its net operating cost for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State's directions made thereunder and;
- information, which comprises the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
11 July 2008

Operating Cost Statement for year ending 31 March 2008

		2007-08	2006-07
	Note	£	£
Expenditure			
Grants	2	-	8,934
Staff costs	3	4,580,005	4,748,086
Other operating costs	5	3,736,515	4,510,260
Depreciation	7	14,246	5,488
Amortisation	8	2,960	879
		8,333,726	9,273,647
Operating deficit		8,333,726	9,273,647
Interest receivable	6	(9,335)	(3,458)
Notional cost of capital	1	(42,551)	(26,570)
Cost of ordinary activities		8,281,840	9,243,619
Transfers and appropriations:			
Notional cost of capital reversal		42,551	26,570
Net operating cost		8,324,391	9,270,189

The notes on pages 42 to 51 form part of these accounts.

Statement of Recognised Gains and Losses

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

Balance Sheet as at 31 March 2008

		2007-08	2007-08	2006-07	2006-07
	Note	£	£	£	£
Fixed Assets					
Tangible fixed assets	7		62,652		69,575
Intangible fixed assets	8		8,958		11,918
Current assets					
Stocks	9	-		3,545	
Debtors falling due within one year	10	46,274		39,146	
Cash at bank in hand		1,010,306		1,276,636	
		1,056,580		1,319,327	
Creditors					
Amounts falling due within one year	11	(1,340,812)		(1,905,737)	
Net current liabilities					
			(284,232)		(586,410)
Total assets less current liabilities					
			(212,622)		(504,917)
Provisions for liabilities and charges					
	12		(700,589)		(993,272)
Net liabilities including provisions					
			(913,211)		(1,498,189)
Financed by:					
Capital reserves					
Revenue Reserve	14		(913,211)		(1,498,189)
			(913,211)		(1,498,189)



Graham Garbutt
Chief Executive
4 July 2008

The notes on pages 42 to 51 form part of these accounts.

Cash Flow Statement for the year Ended 31 March 2008

		2007-08	2007-08	2006-07
	Note	£	£	£
Net cash outflow from operating activities	13	-	(9,168,376)	(7,234,504)
Capital Expenditure and financial investment				
Payments to acquire fixed assets - tangible	7	(7,323)		(75,063)
Payments to acquire fixed assets - intangible	8	-		(12,797)
Net cash outflow from investing activities			(7,323)	(87,860)
Net cash inflow/(outflow) before financing			(9,175,699)	(7,322,364)
Financing				
Revenue Grant-in-aid		8,902,046		8,511,140
Grant in Aid used to finance the purchase of fixed assets		7,323		87,860
Net cash inflow from financing			8,909,369	8,599,000
Increase/(decrease) in cash in year			(266,330)	1,276,636

The notes on pages 42 to 51 form part of these accounts.

Notes to the accounts

1. Statement of Accounting Policies

(a) Accounting Convention

These accounts have been prepared by the Commission in compliance with the 2007-08 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by the Secretary of State for the Department for Environment, Food and Rural Affairs. In accordance with Section 7(2) of the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for Companies (UK GAAP) to the extent that this is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy, which has been judged to be most appropriate to the particular circumstances of the Commission for Rural Communities for the purpose of giving a true and fair view, has been selected. They have been applied consistently in dealing with items considered material to the accounts.

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

(b) Tangible and Intangible Fixed Assets

Fixed assets are valued at depreciated historical cost. Assets are not re-valued in the accounts due to the type of assets held and the amounts being immaterial.

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

Depreciation is provided at rates calculated to write-off the value of assets by the straight line method over the estimated useful life of the assets

Fixtures & Fittings – 3 years

IT equipment - 5 years.

Intangible fixed assets (Amortisation) - 5 years.

(c) Stocks

Stocks of publications material are valued on a 'first in first out' basis at the lower of net realisable value and historic cost. For the purposes of valuation, publications are deemed to have a useful life of two years. Moving forward, it is unlikely that stocks will be recognised as they have no saleable value.

(d) Taxation

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

(e) Expenditure

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

(f) Leases

The Commission has no operating or finance leases.

(g) Notional Costs

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

(h) Grant in Aid

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

(i) Pensions

The Commission operates an Early Retirement Scheme providing retirement benefits to qualifying employees under the rules of the Principal Civil Service Pension Scheme. The Commission bears the benefit costs up to retiring age of the employees retired under the Early Retirement Scheme. In the year that the employee takes early retirement, the total pension liability is charged to the operating cost statement. A provision for future pension payments is provided and pensions and related benefits payments are charged annually against the provision. The Chairman is not entitled to join the PCSPS but is a member of the by-analogy scheme. Any ongoing liability arising from this arrangement will be borne by Defra.

(j) Provisions

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

2. Grants Expenditure

	2007-08	2006-07
	£	£
Miscellaneous grants paid	-	8,934

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

3. Staff Costs

	2007-08	2007-08	2006-07
	£	£	£
Salaries			
Chairman	87,732		
Members	124,292		
Staff	2,565,480		
		2,777,504	2,695,006
Social Security Costs			
Chairman	10,562		
Members	14,119		
Staff	222,098		
		246,779	229,662
Superannuation			
Staff	488,609		
		488,609	514,359
Seconded staff costs		205,086	149,232
Agency staff costs		124,384	155,643
Provision for early retirement costs		531,768	70,912
Redundancy costs*		205,875	933,272
Total Staff costs		4,580,005	4,748,086

*Within this is included £13,821 of redundancy provision provided for in year

Staff Numbers

The number of permanent staff employed at 31 March 2008 (including those on fixed term appointments) was:

	2007-08	2006-07
	No.	No.
Directors and other managerial staff	6*	7*
Middle managers, countryside officers and other professional staff	60	53
Administrative and secretarial staff	9	17
Commission/temporary staff	3	7
	78	84

* includes one staff at Senior Civil Service grade 5 and above.

4. Defined Benefit Schemes

Principal Civil Service Pension Scheme

The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission for Rural Communities is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2007-08, employer's contributions of £488,609 were payable to the PCSPS (2006-07 £514,359) at one of four rates in the range 17.1% to 25.5 % of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 can opt to open a partnership account, a stakeholder pension with an employer contribution. Employer's contributions of £6,062 for 2007-08 (2006-07 £18,755) 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 £483 (2006-07 £1,184), 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 £100.28. Contributions prepaid at that date were £nil.

5. Other Operating Costs

	2007-08	2006-07
	£	£
Research and Technical Consultancy	625,639	1,000,706
Consultancy	714,913	316,718
IT Costs	417,771	893,842
Provision for Legal Indemnity Costs	155,000	-
Publicity, Information and Other Expenditure	439,806	892,772
Travel and Subsistence	370,479	383,318
Professional Fees	36,970	349,826
Estates Charges	269,593	270,607
Recruitment and Training	186,985	195,940
Conference & Seminar Fees	285,036	93,799
Administrative Costs	180,947	67,614
Telecoms	53,376	30,471
Write offs and Special Payments	-	14,647
	3,736,515	4,510,260

Professional fees include an external audit fee of £22,000 in respect of 2007-08. The NAO received no payment for non-audit services.

6. Interest Receivable

	2007-08	2006-07
	£	£
Bank deposit interest	9,335	3,458
	9,335	3,458

7. Tangible Fixed Assets

	IT Equipment 2007-08	Fixtures & Fittings 2007-08	Total 2007-08
<i>At cost</i>	£	£	£
As at 1 April 2007	75,063	-	75,063
Additions during the year	582	6,741	7,323
Disposal during the year	-	-	-
As at 31 March 2008	75,645	6,741	82,386
<i>Less Depreciation</i>			
As at 1 April 2007	5,488	-	5,488
Charge for the year	12,529	1,717	14,246
Disposals	-	-	-
As at 31 March 2008	18,017	1,717	19,734
<i>Net Book Value</i>			
As at 31 March 2008	57,628	5,024	62,652
As at 31 March 2007	69,575	-	69,575

8. Intangible Fixed Assets

	Software Licences 2007-08
<i>At cost</i>	£
As at 1 April 2007	12,797
Additions during the year	-
Disposal during the year	-
As at 31 March 2008	12,797
<i>Less Amortisation</i>	
As at 1 April 2007	879
Charge for the year	2,960
Disposals	-
As at 31 March 2008	3,839
<i>Net Book Value</i>	
As at 31 March 2008	8,958
As at 31 March 2007	11,918

9. Stocks

	2007-08	2006-07
	£	£
Publications	-	3,545
	-	3,545

10. Debtors

	2007-08	2006-07
	£	£
Trade Debtors	6,970	-
Interest Receivable	-	3,458
Prepayments	37,473	35,097
Staff Loans and Season Ticket Loans	1,831	591
	46,274	39,146

11. Creditors: amounts falling due in less than one year

	2007-08	2006-07
	£	£
Trade creditors	446,967	537,924
Accruals	684,612	924,248
Other taxation, social security	133,359	82,318
Other creditors	75,874	361,247
	1,340,812	1,905,737

12. Provisions

	2007-08	2007-08	2007-08	2007-08
	£	£	£	£
	Legal Indemnity Provision	Redundancies	Early retirement	Total
Opening balance at 1 April 2007	-	(933,272)	(60,000)	(993,272)
Provided for in the year	(155,000)	(13,821)	(496,671)	(665,492)
Provision utilised in the year	-	933,272	24,903	958,175
Balance as at 31 March 2008	(155,000)	(13,821)	(531,768)	(700,589)

The redundancy and early retirement provision is required to meet the current estimated ongoing liabilities in respect of staff redundancies and early retirement arising from the re-organisation of the Commission for Rural Communities. A provision has also been made in the 2007-08 accounts for the indemnity payment and related legal costs for the aborted Hartpury relocation.

13. Reconciliation from Net Operating Cost to Net Cash Outflow from Operating Activities (Note to cash-flow statement)

	2007-08	2006-07
	£	£
Net Operating Cost	(8,324,391)	(9,270,189)
Adjustment for non-cash transactions:		
Depreciation	14,246	5,488
Amortisation	2,960	879
(Decrease) in provisions	(292,683)	993,272
Decrease in stocks	3,545	18,455
(Increase) in debtors	(7,128)	(39,146)
(Decrease) in creditors	(564,925)	1,056,737
Net cash outflow from Operating Activities	(9,168,376)	(7,234,504)

14. Revenue Reserve

	2007-08	2006-07
	£	£
Reserve brought forward	(1,498,189)	(827,000)
Net operating cost for the financial year	(8,324,391)	(9,270,189)
Revenue grant-in-aid	8,902,046	8,511,140
Capital grant-in-aid	7,323	87,860
Reserve carried forward	(913,211)	(1,498,189)

15. Other Financial Commitments

The Commission had no annual commitments in respect of operating leases or non-cancellable contracts in 2007-08.

16. Contingent Liabilities

There were no Contingent liabilities at 31 March 2008.

17. Contingent Assets

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

18. Post Balance Sheet Events

There have been no post balance sheet events.

These accounts were authorised, for issue on 11 July 2008, when they were transmitted to the Secretary of State for laying before Parliament in accordance with Paragraph 23 of Schedule 2 to the Natural Environment and Rural Communities (NERC) Act 2006.



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19. Intra-Governmental Balances

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after more than one year	Creditors: Amounts falling due within one year	Creditors: Amounts falling due after more than one year
	£	£	£	£
Balances with other central government bodies	6,970	-	66,704	-
Balances with local authorities	-	-	-	-
Total at 31 March 2008	6,970	-	66,704	-

20. Related Party Transactions

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

There were no related party transactions with individuals in 2007-08.