



CROFTING COMMISSION
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Crofting Commission
Annual Report & Accounts
2019/20

Crofting Commission Annual Report and Accounts 2019/20

Laid before the Scottish Parliament in pursuance of Section 2B and Schedule 1, paragraph 19 of the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007 and the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013.

To the Right Honourable Nicola Sturgeon
Her Majesty's First Minister.

Dear First Minister

We have the honour to present the eighth Annual Report and Accounts of the Crofting Commission covering the year 2019/20.

Yours sincerely



Rod Mackenzie, Convener



Bill Barron, Chief Executive

SG/2020/119



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Performance Report

This section provides a review of the work of the Crofting Commission in 2019/20, including analysis of our delivery and performance and our position at the end of the year.

Convener's Foreword

It is hard to believe this is my third report as Convener of the Crofting Commission and more significantly we, as a Board of Commissioners are now in our fourth year!



Rod Mackenzie

As a dynamic and impatient person, I have been more than a little frustrated at times with the speed things happen within an Non-Departmental Public Body (NDPB) and have maybe unfairly gauged the lack of progress on some projects. This I realise is the norm but looking objectively at the progression of some of the projects, there has been steady, lasting progress made since the new Board took office.

When we took office our 5-year policy plan looked at key themes for crofting. Amongst the key themes were availability of croft land, use of croft land or rather non-use, such as non-residency and misuse and retaining land in crofting tenure, which in turn maintains remote communities and retains population. Use of common grazings and encouraging crofters sharing in common grazings to regularly appoint grazings committees.

The grazings team have made great advances with encouraging and assisting shareholders to form grazings committees and to have these recorded with the Commission. Resolution of disputes and providing sound guidance, coupled with a new grazings regulation template has been welcomed and the Commission is increasingly being regarded now as proactive in its dealings with common grazings. It goes without saying that this work is time consuming and needs the best of interpersonal skills from our team.

The RALUT (Residency and Land Use Team) have also made steady progress. Of all the sections of the Crofting Act, the duties of a crofter section is one of the most prescriptive. The 3 main duties are, to live within 20 miles (32 kilometres) of the croft, cultivate and maintain the croft, or put it to another purposeful use and not to misuse or neglect the croft. Of these duties, the easiest to

monitor and regulate is non-residency. Our team already write to those who have indicated on their annual crofting census form that they are not ordinarily resident, but they now also have plans to write to those who have indicated on their crofting census form that they are resident on the croft, but their residential address would indicate otherwise.

Other plans will be to write to those who have habitually not returned their crofting census forms. The reason for not returning a census form can be many fold, not just that the crofter is not resident, it may be that the Commission has the wrong address or that the crofter has died and the Commission has not been informed. The Team also investigates cases of suspected breach of duty reported by a grazings committee or by a member of the crofting community. The important message here from our RALU team is that although they will issue letters, there are mitigating actions that non-resident crofters can take to resolve their breach of duties. The first stage would be to contact the Commission and engage with us, rather than ignore the correspondence. Once a suspected breach of duty case is actioned, it is a statutory process and “the clock starts ticking”. This Board of Commissioners is fully supportive of getting vacant, unused crofts back in use, as there are many benefits that will ensue, such as local food production, maintaining rural populations, environmental benefits and many more.

The day-to-day work of regulating crofting never stops and improvements to regulatory functions, such as the progressive introduction of “delegated decision making” allows the regulatory team to progress applications more efficiently and more consistently, due to the process of tiered decision making. Only the more

complicated and contentious cases come to a panel of three Commissioners at Tier 3 and very occasionally a case gets escalated to the full Board for consideration. Another initiative that the regulatory team have introduced is “triaging” applications, where an application is assessed as to its likelihood of being approved or not. This assessment does not bar or prevent the applicant from proceeding with their application but gives them a chance to amend certain aspects of it if they so wish.

IT at the Commission is vitally important, as all the functions totally rely on our systems. The team here are constantly updating and reviewing the IT processes. One of the most successful recent IT improvements has been the Register of Crofts (ROC) Online, which now when individual crofts are searched, shows decoying Directions that pertain to that croft. This has been a great help to crofting law practitioners. It is hoped that apportionment orders can also be added to this portal to further widen the information available on individual crofts.

Interaction with other crofting stakeholders was a priority for this Board and we have been successful to date, by being active with many committees and organisations, such as with the Land Commission, NFUS, SCF, SAC, HIE, SNH, Moorland Forum, Climate Change conference, to name but a few. Bill Barron and I were scheduled to present to the Convention of the Highlands & Islands (COHI) in March to promote the advantages of crofting and to highlight the importance of active crofting as a sustainable form of land use and the benefits that it brings to climate, environment and population retention in remote areas. This unfortunately was postponed

until October and we hope that we will get the chance to present at that time.

Very briefly before finishing, I want to touch on the Covid-19 situation. This is an unprecedented situation but not entirely unexpected. We are human beings and as such are subject to attack from disease and viruses. The situation has exposed and tested the resilience of many organisations, including the Commission. Since the end of March our staff have been at home and most were not previously equipped to work from their home environment. Remote IT connection was an issue. Access to equipment, computer servers and paperwork within Great Glen House was severely restricted. Since then however many hurdles have been overcome and in no small part these issues have been tackled by the ingenuity of senior managers, staff and Board members, who have all come to work together in these strange times. Since the start of this crisis we have learned much and now we must adjust our business to the “new normal”, with reviews of our operations, processes and work locations, given that now we have been working away from a collective office environment.

Finally, my thanks to Fergus Ewing, Cabinet Secretary, Scottish Government Sponsor Division, fellow Board members, assessors, management and all the Commission staff, for their ongoing help and support. We will all need to focus on the challenges that inevitably lie ahead.



Rod Mackenzie, Convener



Chief Executive's Overview

2019/20 was the third year of the current elected Commissioners' terms of office, and we continued to deliver the priorities the Board established for the organisation in 2017.



Bill Barron

Continuity of the Board for the whole of the 5-year term was confirmed when the Scottish Government announced the reappointment of the three appointed Commissioners. This continuity at Board level is helpful for management and staff, and allows the organisation to pursue its strategic priorities in a sustained and consistent manner.

Last year I reported that 2018/19 had been a very difficult year for our operational effectiveness, with a severe backlog of casework in the summer of 2018. I am delighted that this year I can report on substantially improved service to our customers, as shown by the median turnaround times recorded in our performance measures on page 25. The 'Delegated Decision Making' table shows that the Commission issued over 1,100 regulatory decisions during the year, which is substantially more than in previous years (1,003 in 2018/19). Furthermore, when we launched our customer satisfaction survey late in the year, it was very pleasing that all of the first few returns were complementary about our services. (After that, further returns were interrupted by the Covid-19 pandemic!)

This improvement in performance results from the efforts of many people, including our colleagues in 'the Department' (Scottish Government Rural Payments and Inspections Division) and in the Registers of Scotland (RoS), our Commissioners, staff across the office, and of course the applicants and their agents and solicitors, who take trouble in submitting their applications accurately and who patiently reply to our queries. But I would particularly like to commend the new members of our senior management team, Aaron Ramsay, Heather Mack and Mary Ross (covering Heather's maternity leave), under whose leadership these improvements have been achieved by their teams, and who have been unstinting in their support for me.

Alongside this, as the Convener has highlighted in his Foreword, both our Residency and Land Use and Grazings teams have expanded their activities this year. I was particularly pleased to sit in on part of Arthur MacDonald's excellent training event for grazings committees in Stornoway, which had been arranged by our grazings team in partnership with the Scottish Government's Farm Advisory Service.



Last August, we benefited from an increased wider scope External Audit report, from Deloitte LLP. In line with the Code of Audit Practice, this year's audit report focussed on a wider range of issues than in previous years. The top two recommendations were that we should complete our Workforce Plan and should develop a Medium Term Financial Plan to reflect how we could adapt under a range of different future budget scenarios.

Both documents were finalised during the year, and the Workforce Plan in particular will change the way we work. The Commission is very fortunate to have high calibre staff, some with many years' experience and others who have joined much more recently. The Workforce Plan sets out how we as Crofting Commission managers will support our staff, seeking to ensure that they have a good experience of working at the Commission, and have opportunities for training and development and wherever possible, taking on new roles. The plan also considers what happens when staff choose to move on, with consideration of succession planning for key posts.

Of course, when we produced our Workforce Plan, we had no idea of the pandemic which was about to change all our ways of working. Those

of us who are permanent Scottish Government civil servants know we are in a privileged position in that the continuity of our jobs is not at serious risk – and I know the reality for many crofters is far more challenging. However, like other organisations, the Commission has had to learn fast how to adapt to the new realities, and it has not been easy. But I am confident that the skills and resourcefulness of our Board and staff, with the support of the Scottish Government, will stand us in good stead.

Still more recently, in July 2020, came the Scottish Government's announcement of a substantial budget increase to enable us to expand our work of promoting crofting. This too will have a long-term effect on the Commission's work, including the creation of posts in other parts of the crofting counties.

The following sections of this report provide a broader snapshot of our activities over the year, together with full financial information.



Bill Barron, Chief Executive



Who We Are

The constitution, powers and duties of the Crofting Commission are set out in The Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007, the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013.

The Crofting Reform (Scotland) Act 2010 created the Crofting Commission, which came into being on 1 April 2012, taking over from the Crofters Commission. The Crofting Commission is a Non-Departmental Public Body (NDPB) which operates on a day-to-day basis independently of the Government, but for which the Scottish Ministers are ultimately responsible.

The Crofting Commission Board consists of six elected Commissioners and three Commissioners appointed by the Scottish Government, led by a Convener. The Board of Commissioners are supported by a staff of 55 led by a Chief Executive.



OUR VISION

That crofts and crofting communities continue to enhance the social, cultural, economic, and environmental fabric of the crofting areas.



OUR PURPOSE

To regulate the crofting system fairly, and to protect and strengthen it for future generations.



OUR VALUES

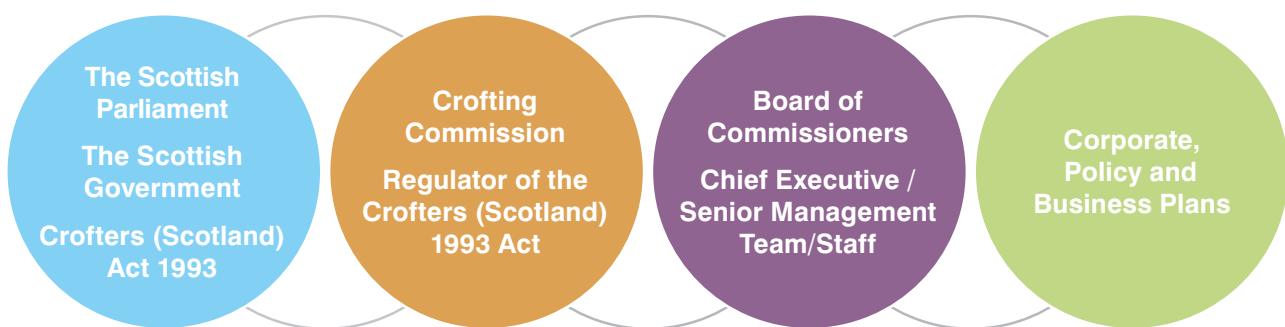
The Commission has developed corporate values which reflect what is important to us as an organisation and are at the heart of how we strive to operate on a day to day basis.

- Caring for crofting communities and the environment
- Positive teamwork
- Commitment to service quality and improvement
- Encourage staff and Commissioner development
- Being fair and impartial

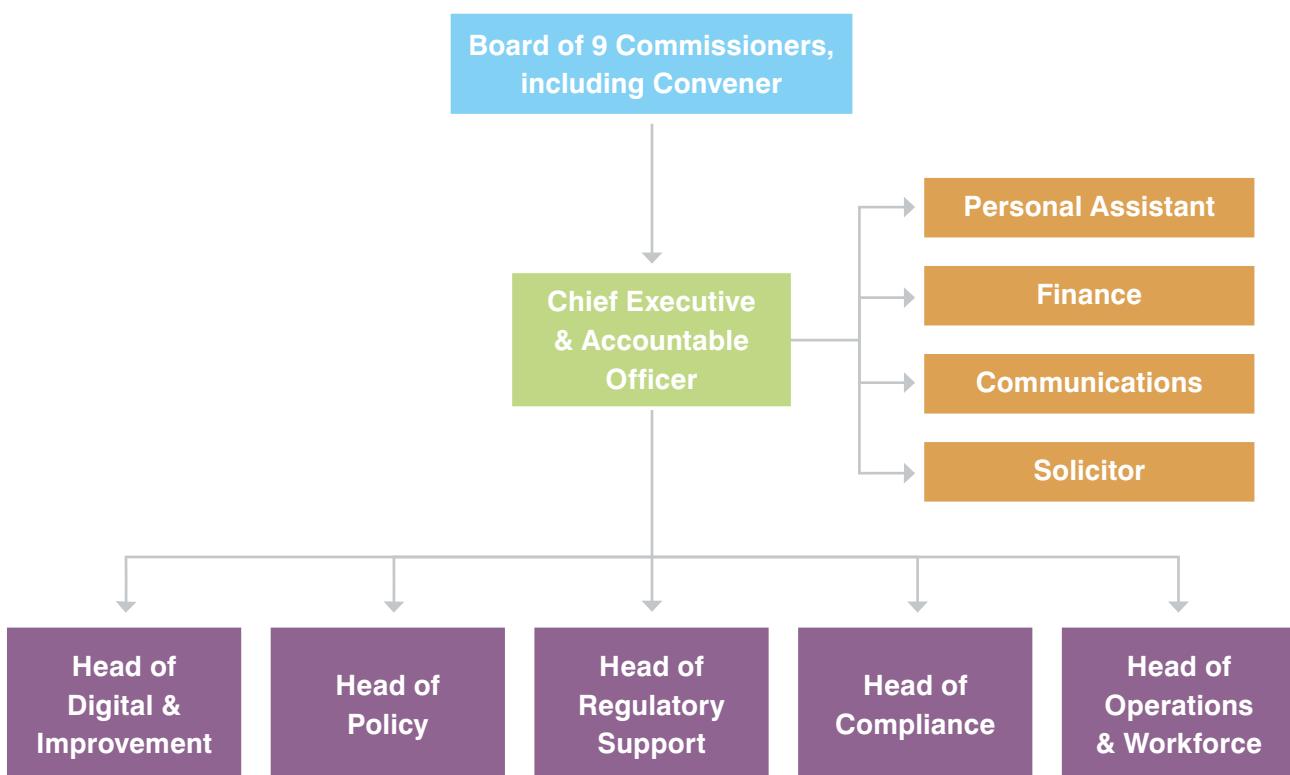
Business Model

The principal functions of the Crofting Commission as defined in the Crofters (Scotland) Act 1993 (the Act) are: regulating crofting, re-organising crofting, promoting the interests of crofting and keeping under review matters relating to crofting. The Act also places a duty on the Commission to investigate reports of breaches of duty by tenants and owner-occupier crofters.

The Commission also advises the Scottish Ministers on matters relating to crofting and collaborates with stakeholders on the economic development and social improvement of the crofting counties.



Organisational Structure



Objectives and Strategies

The Outcomes in the Crofting Commission's Corporate Plan are closely linked to help deliver 4 of the Scottish Government's National Performance Framework outcomes. You can view our full Corporate Plan at www.crofting.scotland.gov.uk/about-us



Scottish Government's National Performance Framework

National Performance Framework **Our Corporate Plan** 

How we contribute: Integral to crofting is a model of small-scale sustainable agriculture on often marginal land, and this type of food production has clear benefits for biodiversity and carbon mitigation. Much of the Commission's work protects and strengthens this aspect of crofting. In particular, in 2019/20, we worked to increase the number of actively managed common grazings, with 77 new grazings committees appointed during the year. We also worked to preserve land in crofting tenure by critically scrutinising decrofting applications, in accordance with our Policy Plan. Equally our work to enforce residency and land use duties ensures that more crofts are actively used by resident crofters or subtenants.

National Performance Framework **Our Corporate Plan** 

How we contribute: By working to ensure that crofts are worked by resident crofters or subtenants, we strengthen crofting communities and the wider community fabric of the Highlands and Islands. In 2019/20, as a result of our work, 32 crofters returned to take up residence on or near their crofts, while a further 28 who were not able to do so, chose to assign the croft to someone else. In addition, the Commission took direct action to terminate 6 crofting tenancies so that the crofts can be re-let to those who will comply with the duties. The Commission's grazings work also contributes to the strengthening of communities. During the year, the grazings team had 33 substantive engagements with grazings committees and undertook research to clarify the shareholding rights on 14 common grazings. Similarly our regulatory work underpins community cohesion as the rights of crofting communities are built in to regulatory processes as specified in the Crofting Acts.

National Performance Framework **Our Corporate Plan** 

How we contribute: The economic contribution of crofters to the Highlands and Islands and the wider Scottish economy is reviewed every 4 years by the Scottish Government, whose most recent publication on this topic was in December 2018. This found that the median crofting revenue to a crofting household was £2,000 per annum, but there had been an increase in the number of crofters reporting incomes much higher than this average. The report also noted evidence that crofters are diversifying their activities – with, for example, an increase in the number of crofters providing holiday accommodation. Of course, very many crofters also have other employment in their communities and beyond, in addition to their crofting activities. Our work to consider legislative changes and the long-term future of crofting is seeking to underpin and strengthen crofting's economic contribution, alongside its social, cultural and environmental benefits.

National Performance Framework **Our Corporate Plan** 

How we contribute: The Commission strives to be impartial and non-discriminatory in all its work. The Crofting Acts enshrine the rights of crofters, landlords and local communities, and the Commission upholds all of these in its decision-making. We took over 1,100 regulatory decisions in 2019/20, some of which required a careful balance between the divergent interests of different parties and against the general interest of the crofting community. Some of our decisions are appealed to the Scottish Land Court and during the year the Court upheld 10 of our decisions, with only one being returned to us to reconsider.

Key Risks and Issues We Face

Last year the Commission adopted a twin risk register; the 'Strategic' register, to focus directly on risks to the achievement of the Board's top objectives; and the 'Operational' register to scan a wider range of risks that might impact the organisation as a whole.

The Strategic risk register is presented to the Board of Commissioners on a quarterly basis, with the Operational risk register being scrutinised regularly by the Audit and Finance Committee.

The Strategic risk register focuses on the five top objectives as set out in the Crofting Commission's Corporate Plan. It identifies and analyses the main risk to the achievement of each aim and summarises the Commission's strategy for avoiding or mitigating these risks. Details of these five top objectives and actions planned to minimise the risks are detailed opposite.



Corporate Plan Outcome	Risk Description	Action Taken
Crofts are occupied and managed	Not enough momentum can be gained to see an improvement, and/or an increase in legal challenges slows process	<ul style="list-style-type: none"> Systematic approach for dealing with those who confirm through the census that they are in breach of duties Proactive work with landlords to improve occupancy on their estate.
Common grazings are regulated and shared management practices are encouraged.	Changes in crofting practices and support see a continued decline and move away from common grazings being utilised and managed.	<ul style="list-style-type: none"> Template grazings regulations made available. Grazings guidance published February 2019. Direct support provided to grazings committees/townships that encounter problems. Support and encouragement to get grazings committees back into office. Training for grazings committees delivered in Lewis in October 2019.
Crofting is regulated in a fair, efficient, and effective way.	Volume and complexity of casework exceeds Commission's ability to deliver high standards of customer service.	<ul style="list-style-type: none"> Provision of Register of Crofts Online. Ongoing process reviews. Monitoring of turnaround times through KPI quarterly report to provide early warning of issues. Regular Financial Forecasting which includes scenario planning for future. More flexible handling of General Enquiries.
The future of active crofting is supported by well-informed engagement with stakeholders.	Conflicts arise due to clash between the crofting system, the modern environment and economy and different stakeholder agendas.	<ul style="list-style-type: none"> The Crofting Commission has been closely involved in Phase 1 Crofting Bill discussions and has held meetings with crofters and stakeholders about crofting and its future. Regular meetings between Convener/CEO and key stakeholders. Participation in Cross Party Group on Crofting and Crofting Stakeholder Forum. Web presence and videos.
Our workforce has the right skills and motivation to perform well and our governance processes are best practice	Inability to recruit and/or retain good/experienced staff, because of budget constraints or for other reasons	<ul style="list-style-type: none"> Workforce Plan produced in January 2020 to support training and succession planning. Prompt recruitment when necessary to fill posts. Appointments made to two new/recast B3 positions in 2019

On 23 March 2020, the Crofting Commission's office base in Great Glen House was no longer available, due to restrictions imposed as a result of the Covid-19 emergency. All staff were switched to homeworking. This created a number of significant challenges and the associated risks have been captured in both Risk Registers and reviewed by the Audit and Finance Committee and the Board of Commissioners. The main initial effects have been loss of staff availability because many staff have caring responsibilities, and issues with connectivity and IT performance when all staff are working at home.

Financial Summary 2019/20

The 2019/20 Annual Report and Accounts were audited by Deloitte LLP who were appointed by the Auditor General for Scotland as external auditors to the Crofting Commission from 1 April 2016.

For this period, the Crofting Commission has again received an unmodified external audit report. This supports other assurances received throughout the year from internal audits, which evidenced effective internal controls within the areas tested.

These accounts were prepared under the Accounts Direction issued by The Scottish Ministers detailed on page 85. They were prepared on a going concern basis, which means the Crofting Commission intends to continue its business for the foreseeable future and is able to do so. Additional costs in respect of the impact of Covid-19 have been minimal to date and it is expected that future costs can be managed within the 2020/21 budget allocation. The Crofting Commission operated within its budget for the reporting year. The financial position of the Crofting Commission for the reporting year reflected total expenditure of £2.807M (£2.786M 2018/19) which was solely funded by The Scottish Government. Further detail on financial performance is provided within our Performance Analysis on page 41.



Performance Indicators 2019/20

The Crofting Commission measured its performance for the year 2019/20 against the strategic objectives in the 2019 – 2022 Corporate Plan. The strategic objectives reflect the outcomes that matter most to the organisation and its stakeholders and cover the major areas of the Crofting Commission's remit.

Performance Indicators

Each of the outcomes detailed in our Corporate Plan are delivered through actions in the Business Plan which also detail specific performance improvement targets for that year. The table below provides a summary of the results pertaining to each.

High Level Indicator	Objective	Overall Success
Number of vacant crofts	Decrease	Not measured: delayed because of resourcing pressures
Number of breaches of duty resolved through Commission action	Increase	
Number of regulated grazings with committee in office	Increase	
Regulatory application turnaround times	Decrease	
Customer satisfaction rates	Increase	
Staff engagement rating	Increase	Assessment delayed by Covid-19
Corporate carbon emissions from travel	Decrease	

Key

- Achieved
- Partially Achieved
- Not Achieved

Performance Summary 2019/20

In our Business Plan 2019/20 we identify key milestones that we wanted to achieve so we can deliver our Corporate Plan Outcomes. Significant progress has been made against these milestones, as set out below.

OUTCOME 1: CROFTS ARE OCCUPIED AND MANAGED	
Define and implement reports identifying numbers of Residency & Land Use Team (RALUT) cases in progress and outcomes being achieved.	Database created to capture all cases relating to breach of duties, which is being populated with all live cases from 1 April 2019. Reports have now been prepared to interrogate the Crofting Information System (CIS) and produce the range of reports required in respect of RALUT work.
Write to all 2018 census respondents who have advised us for the first time they are in breach of the residency duty, setting out their options for resolving their breach of duty at their own hand.	We wrote to all those who advised they were in breach of duty. We also wrote to those who failed to take steps to resolve their breach from the 2017 census and had not resolved their breach by 31 March 2019, informing them of their options.
Develop and implement a process for escalating to the RALUT any breaches identified through the Commission's other regulatory work.	We introduced a process whereby long-term unresolved successions are escalated to RALUT from the regulatory teams and the grazings team.
Write to a selection of crofters who have never responded to the census and whose address indicates a breach of residency, setting out their options for resolving their breach of duty at their own hand.	Reports are being prepared to interrogate the CIS system; once obtained the reports will be analysed with a view to take action in 2020/21.
Develop options for Commissioners and Assessors to become pro-actively involved in ensuring crofts are occupied and managed, potentially focusing on the resident non-user of their croft.	This is still under discussion
Follow-up action on the 2017 census returners advising of first-time breaches, re-iterating options for resolving their breach of duty and escalating to the serving of notices as appropriate.	Ongoing day to day casework
Follow-up action on all 2017 returners who were in breach on more than one occasion, to progress cases through the section 26C to 26H enforcement provisions if they have failed to resolve the situation at their own hand.	Ongoing day to day casework

OUTCOME 2: COMMON GRAZINGS ARE REGULATED AND SHARED MANAGEMENT PRACTICES CONTINUE

Contact all Grazings Committees whose terms are about to end, encouraging them to arrange election of a new Grazings Committee.

All Grazings Committees are advised that their term of office is due to end 6 weeks in advance and are further reminded if a new committee is not appointed within 6 weeks of that date. Further, all committees that went out of office between April 2018 – March 2019 and did not return, have received further communication, advising on re-forming a committee. This will also be implemented for those in the preceding year. A three-year trend of decline in the number of grazings committees in office appears to have been arrested and may now be reversed.

Highlight to Grazings Committees and Shareholders the availability of the guidance, published February 2019, for effective management of common grazings. Respond to any questions for clarification.

Links to Common Grazings Guidance have been provided to all Grazings Committees and hard copies provided on request. Indications are that guidance is proving helpful and that actions such as improvements are effected in line with legislation, with shareholders notified and informed of their rights to make representation to the Commission.

Links to or copies of the revised Grazings Regulations template are provided for all new committees. The number of applications for new regulations would indicate that this is effective.



OUTCOME 3: CROFTING IS REGULATED IN A FAIR, EFFICIENT AND EFFECTIVE WAY	
Pilot a procedure for identifying potentially contentious cases at an earlier stage of the process, to manage customer expectations in relation to the time taken to process their case and the potential outcome.	Working group established and agreed the triage element would be introduced at the conclusion of the case validation stage, with guidance being provided from the Regulatory Support Team. Triage introduced at Tier 1 for decrofting and division applications. Triage regularly takes place at Tier 2 offering applicants the opportunity to either modify their application so it can be dealt with by officials or have the case escalated to Tier 3, where it will be decided by Commissioners.
Pilot a structured process to limit the time taken by contentious cases, without compromising fairness.	Initial consideration given to this, but it is still at early stages.
Undertake review of "Review of Apportionment" process (section 52(12)).	Preliminary legal advice sought, and short-term working group established and looking at the scope of the review and having a streamlined process for non-contested cases, and an escalated process, to give a higher level of scrutiny to more contentious cases. Changes have been made to the Apportionment Review application form.
Add information about decroftings to the online Register of Crofts, so that this information is freely accessible.	This has been completed and decroftings are now largely hosted online. Ongoing work to routinely verify correct information is held is carried out.
Confirm procurement and implementation strategy for online applications/notification processes, probably on a phased basis.	A full paper has been produced examining two possible methods of making the application process to the Commission more digital, with a proposal to adopt one or both of these. This has been shared with our Scottish Government Sponsor Division, with a request to obtain funding for the project, to ensure that the correct expertise can be engaged to help deliver the transformation.
Undertake review of "Division by Tenant" process (section 9).	Initial discussions have taken place with Registers of Scotland (RoS) which will feed into the review. Discussions have been held regarding the relationship between the original croft and the new crofts created by the division, particularly in relation to links to historical decroftings.
Agree, with Registers of Scotland, improvements to our combined processes, and how they can be implemented.	Work has continued to build a relationship with RoS, with several aspects of the improvement work underway within the Commission overlapping with ties to RoS. Separate to this the Head of Regulation is looking at other aspects of the Commissions relationship with RoS, and how we can deliver a better service together.
Implement system to measure regulatory customer satisfaction.	Customer Satisfaction Form now issued with all decision letters. Commencement date 09/12/2019. So far only a handful of forms have been returned, all of them have been complementary.
Add information about apportionments to the online Register of Crofts, so that this information is freely accessible.	This is currently in its planning phase following the successful hosting of the decrofting directions online.

OUTCOME 4 THE FUTURE OF ACTIVE CROFTING IS SUPPORTED BY WELL-INFORMED ENGAGEMENT WITH STAKEHOLDERS

Agree joint work programme with Highlands & Islands Enterprise (HIE) to support the development of crofting.	HIE representatives attended a Crofting Commission Board meeting in May and agreed what work could be taken forward jointly.
Establish a Crofting Commission working group to consider the Phase 2 reform of crofting legislation, involving a selection of Commissioners and Assessors.	At the August Board meeting, Commissioners agreed to invite the Assessors who had expressed interest in this area of work to attend the November Strategy Meeting. Forthcoming strategy meetings will be the basis for taking this work forward.
Analyse the findings of the Crofting Commission's survey of crofters' activities.	Results of the survey were examined at the Crofting Commission Board meeting in June 2019.
Publish a Crofting Commission statement on the interaction between crofting and the Scottish Land Commission's land reform agenda.	The two Boards held a joint meeting on 3 September 2019 and have agreed that the two organisations will work together, including feeding into the Crofting Commission's work on Crofting and its Future. However, neither body is ready nor committed to issuing a joint statement at this stage. That will follow much later if at all.
Develop a Crofting Commission position on the priorities for reform of crofting support.	There have been no resources available for this work. Timing and context are also important, and this may be more appropriately considered in the future. Elements of this will now be covered within the development of the key milestone below.
Develop outline Crofting Commission positions on key issues for the expected phase 2 Crofting Bill, including Common Grazings, Registration and Crofting Regulation. (These positions to be finalised and published by September 2020).	Now being considered in terms of "Crofting and its Future" Report as the timing of a phase 2 Crofting Bill is uncertain. An initial strategy discussion was held in December by the group. The March 2020 meeting did not take place due to Covid-19 but work has continued as resources permit.
Advise The Scottish Government on issues for Phase 1 reform of crofting legislation.	Commissioners and officials have made a significant contribution to The Scottish Government's work on the Phase 1 Bill, including raising important questions about the proposed approach to joint tenancies. However, this Scottish Government work has now been put on ice, because of the challenges of Brexit, over which the Commission has no control.

OUTCOME 5 WORKFORCE HAS THE RIGHT SKILLS AND MOTIVATION TO PERFORM WELL, OUR GOVERNANCE PROCESSES ARE BEST PRACTICE	
Implement paperless meetings across the office whenever possible.	Since June 2019, the Crofting Commission Board meetings and the Audit and Finance Committee have been using electronic papers routinely. The Board meeting in March 2020 was held via Skype.
Achieve full compliance in relation to data sharing agreements.	All agreements are now in place.
Training for all Information Asset Owners in the Commission.	Training has taken place and the Senior Information Records Officer (SIRO) has also received specific training.
Implement automated records retention/deletion procedures within the Croft Information System (CIS).	The planned release of the next version of CIS has not met its anticipated date due to a mix of reasons which have required the system architect to be refocussed on other priorities. Subsequently the Covid-19 global pandemic has required all Commission Information Technology resources to dedicate to facilitating home working across the Commission, further delaying the update which will implement the automatic retention schedule. Work is due to resume on the next CIS version in June 2020, with an aspiration to release the next version to testing in August 2020, which will include the automated retention schedules.
Finalise the Workforce Plan and the timescale for implementing it.	The Workforce Plan was approved by the Audit and Finance Committee in January 2020 and circulated to all staff.
Launch online census capability.	The 2019/20 census has been developed to allow a digital response by those who prefer that method. The law does not allow an entirely digital service as the census paper must be "served".
Renew the Business Impact Analysis, conducted in 2014, which underpins our Business Continuity Planning.	The Covid-19 Pandemic has impacted the Commission resources available to complete this work, however a revised timeline, taking into account lessons learned from the Covid-19 pandemic, for this work to be completed by the end of August 2020.



Common Grazings Committees – A collaborative approach to training

A series of training meetings for grazings clerks and common grazings committees was successfully delivered over a four-day period on the Isle of Lewis at the end of October 2019.

A collaborative approach between the Crofting Commission and the Scottish Government's Farm Advisory Service, ensured that meetings were well attended and well received by crofters.

Training Provider, Arthur Macdonald, has developed an innovative interactive approach, based on the Crofting Commission's own published guidance for the management of common grazings. Arthur himself has previous experience with the Agricultural Training Board and managed the European funded Crofting Township and Crofting Community Development Programmes.

The Crofting Commission consider that 50 common grazings were represented over the course of the six training sessions with more than 70 individuals attending. The training events were held in different parts of the island during the daytime and

the evenings to provide the opportunity for as many as possible to attend.

Western Isles Commissioner, Iain MacIver, attended 3 of the sessions and has recently reported back on their value to the Board of Commissioners.

Mr MacIver said: "It was really encouraging to see the level of interest shown by grazings committees throughout the island. It clearly shows that common grazings are valued and that many grazings clerks and committees want to ensure that they are managed properly for the benefit of the shareholders and their villages.

The feedback from those attending has been encouragingly positive, with many endorsing what they considered to be a worthwhile exercise delivered in an informal but very effective manner. The value of what effectively managed and productive common grazings can

contribute to Scotland's rural landscape should not be underestimated. It is important that crofters have an effective management structure that enables them to determine how such opportunities can be delivered effectively."

Common grazings are an integral part of the crofting system and responsibility for their management has been invested in locally appointed grazings committees by a specific Act of Parliament for common grazings since 1891.

The Crofting Commission recognises the pivotal role carried out by grazings committees and will continue engagement with and support for committees. The development of specific guidance and dedicated training meetings form part of this process. The Crofting Commission hopes to continue this successful approach in other parts of the Western Isles and in other crofting areas.

Performance Analysis

The outcomes in the Crofting Commission's Corporate Plan are delivered through actions in the Business Plan. In addition to the previous Milestones analysed, we also set some performance improvement measures and targets. These are analysed on the following page.



Operational Performance for 2019/20

Corporate and Business Plan: Outcome 1 – CROFTS ARE OCCUPIED AND MANAGED		
Measure	Target	Result
Reduce number of vacant crofts.	Reduce by 10%.	<p>Not measured, because work to refine the identification of vacant crofts and secure a reduction in their number has been delayed because of resourcing pressures. However, the Residency and Land Use Team has continued to address individual cases. Six letting proposals were approved following the Commission terminating the tenancy under the section 11(8) unresolved succession provisions. There are a further 2 vacant crofts which are in the process of being let by the Commission under the section 23(5B & 5C) provisions, which allow the Commission to step in and let a croft where the landlord has failed to do so.</p>
Initiate correspondence with more crofters where a breach of Residency and Land Use Team (RALUT) duties is suspected.	Initiate RALUT correspondence with 150 new cases.	<p>The RALU team-initiated correspondence with</p> <ul style="list-style-type: none"> • 77 crofters who advised they were in breach of duty for the first time (being 100% of the total who so advised). • 40 crofters who failed to take steps to resolve their breach having been provided with their options for so doing (being 100% of the total in that category). • 16 crofters who were reported as being in breach of duty (being 100% of the total of cases reported). 
Number of RALU breaches resolved by a crofter in breach of their residency duty taking up residence on their croft.	Maintain or increase the number (13) in 2018-19.	<p>From the 2017 & 2018 census returners, 32 crofters have resolved their breach of duty by taking up residence in 2019/20.</p> 
Number of RALU breaches resolved by assignation of the croft, or sale of an owner-occupied croft.	Maintain or increase the number (4) in 2018-19.	<p>From the 2017 & 2018 census returners, 28 crofters have resolved their breach of duty either by assigning or letting their crofts in 2019/20.</p> 
Number of RALU breaches resolved by sublet, or by short-term lease of an owner-occupied croft.	Maintain or increase the number (15) in 2018-19.	<p>From the 2017 & 2018 census returners, 87 crofters have resolved their breach of duty by subletting their crofts in 2019/20.</p> <p>10 crofters received consent to be absent from their croft and are therefore deemed to be compliant with their residence duty.</p> <p>1 owner-occupier crofter received consent for a short-term let of their croft.</p> <p>6 croft tenancies were terminated during the course of the year – 3 for a breach of duty and 3 for failure of succession.</p> 

Key



Achieved



Partially Achieved



Not Achieved

Corporate and Business Plan: Outcome 2 – COMMON GRAZINGS ARE REGULATED AND SHARED MANAGEMENT PRACTICES CONTINUE

Measure	Target	Result
Increase in number of common grazings with a Committee in office.	An increase in the number of Grazings Committees in office.	There are 495 grazings committees in office (418 in 2018/19). There has been a steady rise in the number of grazings committees in office over the year, resulting mainly from re-establishing contact with grazings whose committees had not been re-appointed in the previous 3 years. The figures show that an additional 77 grazings committees took office this year, indicative of the re-engagement and reforming of trust between the Commission and crofting communities. It is known that a number of shareholders meetings took place in March prior to the Covid-19 lockdown which have not returned details of newly appointed committees to date. Therefore, the figure for the year could be higher than currently reported. 
Increase in number of grazings committees who have adopted the new template regulations.	Commission approvals of new regulations submitted by committees based on the template.	Six Grazings Committees have had regulations based on the new template confirmed by the Commission. Two of these were for grazings that had never had a committee nor regulations previously and required significant investigation to establish the correct shareholdings. 
Meetings or other substantial engagement with Grazings Committees and shareholders (as required) to support them with the regulation and management of common grazings.	Maintain or increase the numbers of townships where grazings issues have been progressed, or resolved, following Commission engagement.	There have been 33 substantive engagements involving committees and/or shareholders in common grazings. Members of the Grazings Team made 11 field visits to assist committees in the undertaking of their duties. Additionally, the Grazings Team initiated a programme of 6 workshops for grazings committee training on the Isle of Lewis, which received Farm Advisory Service (FAS) assistance. More than 70 individuals attended these meetings. Members of the Grazings Team also attended and assisted at 3 other events for common grazings supported by FAS funding. The increased involvement in proactive and educational work may have assisted in less requirement for more reactive and ad hoc resolution involvement. 
Establish correct shareholdings on common grazings by researching and updating records of shareholder situations.	Number of townships researched.	14 significant shareholder investigations have been undertaken and completed. 

Key



Achieved



Partially Achieved



Not Achieved

**Corporate and Business Plan: Outcome 3 –
CROFTING IS REGULATED IN A FAIR, EFFICIENT AND EFFECTIVE WAY**

Measure	Target	Result																																
Decrease in median turnaround times (registered crofts, Tier 1 approvals).	Reduce median turnaround times for the main regulatory functions.	<p>The turnaround times for the main application types have improved. Plans have been developed for a number of initiatives to cope better with the demands, but pressure of work remains high.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th>Approx. Number of cases per year</th><th>Median weeks (2018-19)</th><th>Median weeks (2019-20 to date)</th></tr> </thead> <tbody> <tr> <td>Assignation</td><td>c128</td><td>9.4</td><td>8.0</td></tr> <tr> <td>Decrofting Croft House Site</td><td>c52</td><td>9.1</td><td>8.0</td></tr> <tr> <td>Decrofting Part Croft</td><td>c134</td><td>15.1</td><td>13.3</td></tr> <tr> <td>Division by Owner Occupier</td><td>5 or less</td><td>9.1</td><td><5</td></tr> <tr> <td>Division by Tenant</td><td>5 or less</td><td>24.4</td><td><5</td></tr> <tr> <td>Letting by Landlord</td><td>c10</td><td>14.0</td><td>9.4</td></tr> <tr> <td>Letting by Owner Occupier</td><td><10</td><td>13.6</td><td>11.4</td></tr> </tbody> </table>		Approx. Number of cases per year	Median weeks (2018-19)	Median weeks (2019-20 to date)	Assignation	c128	9.4	8.0	Decrofting Croft House Site	c52	9.1	8.0	Decrofting Part Croft	c134	15.1	13.3	Division by Owner Occupier	5 or less	9.1	<5	Division by Tenant	5 or less	24.4	<5	Letting by Landlord	c10	14.0	9.4	Letting by Owner Occupier	<10	13.6	11.4
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Letting by Owner Occupier	<10	13.6	11.4																															
Decrease in number of regulatory cases outstanding after 12 months.	Reduce number of cases still live after 12 months.	Work to define and code this measure has been delayed as a result of staff turnover and sick leave.																																
Customer satisfaction rates.	To be developed once customer satisfaction system is in place.	<p>Customer Satisfaction Form now issued with all decision letters. Commencement date 09/12/2019.</p> <p>Forms issued with all decisions. To date, only a handful of forms have been returned, all of them have been complementary.</p>																																
Increase in proportion of decisions which are delegated to casework officers (Tier 1).	Increase in the proportion.	Of the total 1,304 cases concluded, 1,036 cases were dealt with at Tier 1. This represents 80 % of the total number of cases being concluded at Tier 1. This is 7% above the baseline target of 73% for the year.																																
Increase proportion of decisions which are handled by officers	Increase in the proportion to 94%	A total of 1,239 cases were dealt with by officials at tier one and tier two combined – a percentage of 95% of all cases which is 1% above the baseline figure.																																
Decrease in number of general enquiries.	Reduce number.	While the number of general enquiries received have witnessed a modest fall in 2019/20 (<i>2,394 in 2019/20; 2,459 in 2018/19</i>), we would expect this number to significantly reduce further in 2020/21 as a result of the plan for historical information on apportionment orders to be made accessible to view and download from the online Register of Crofts during the course of the new reporting year.																																

Corporate and Business Plan: Outcome 4 – THE FUTURE OF ACTIVE CROFTING IS SUPPORTED BY WELL-INFORMED ENGAGEMENT WITH STAKEHOLDERS

Measure	Target	Result
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For progress against the Milestones for this Outcome, see page 19.

Corporate and Business Plan: Outcome 5 – WORKFORCE HAS THE RIGHT SKILLS AND MOTIVATION TO PERFORM WELL, OUR GOVERNANCE PROCESSES ARE BEST PRACTICE

Measure	Target	Result
Increase in staff engagement rating.	Increase from 51% to 55%.	This was to be measured in the staff survey in March 2020. Due to Covid-19, the staff survey has been postponed.
Corporate carbon emissions.	Maintain or reduce.	The Commission voluntarily signed up to The Public Sector Climate Change report which is completed on an annual basis (30 November). The Commission measures its CO2 emissions on an annual basis and the trend is as follows- <ul style="list-style-type: none"> • 2015/16 19.6 tCO2e (Estimate) • 2016/17 11.89 tCO2e (Estimate) • 2017/18 18.45 tCO2e (Based upon Actual travel data) • 2018/19 15.46 tCO2e (Based upon Actual travel data) The latest measure demonstrates a decrease in emissions from 2017/18. Overall, there was a slight increase due to flights which was offset against lower car mileage, rail, ferry & taxi travel emissions.
Increase use of email for correspondence with applicants.	Increase from 7.4% to 15%	This information is not robustly recorded and so this KPI will be discontinued. It is unlikely that performance did double during 2019/20, but much greater use of email has been made since the Covid-19 lockdown.
Reduce the level of absences through sickness.	Reduce sickness absences.	During 2019/20 there was an increase in the staff sick absence. Details are in the Accountability Report on page 63.

Key



Achieved



Partially Achieved



Not Achieved

To regulate the crofting system fairly, and to protect and strengthen it for future generations

The Crofting Commission's main function is to regulate crofting in a manner that is fully compliant with the Crofters (Scotland) Act 1993. Therefore, the majority of the work carried out by the Crofting Commission is processing regulatory applications and recording notifications.

The number of applications decided will differ from the number of applications received due to applications which were carried over from 2018/19 and which will be carried over to 2020/21.

Application/Notification Type	Received	Approved/ Notified	Refused	Invalid	Withdrawn
Apportionment	40	31	3	7	3
Assignation Share	3	1	1	1	0
Assignation Croft	358	325	3	27	7
Create a new croft	10	6	0	2	1
Decrofting – Croft House Site and Garden Ground	180	162	1	30	7
Decrofting – Part Croft	436	285	6	46	14
Decrofting – S17 & S18 Feu	5	3	0	3	1
Decrofting – Whole Croft	4	1	4	1	0
Decrofting – Whole Croft – House Site Only	3	1	0	1	0
Division – Owner-Occupier Crofter	25	11	2	9	1
Division – Tenant	25	11	2	3	6
Exchange of croft land	1	0	0	1	0
Intestate Succession (Notification)	109	97	0	18	1
Letting – Landlord of a vacant croft	31	26	0	5	2
Letting – Owner-Occupier Crofter	24	17	0	4	5
Short Term Letting	21	23	0	3	2
Subletting	136	180	1	15	8
Testate Succession – Bequest of Croft Tenancy (Notification)	83	80	0	13	3
Totals 2019/20	1,494	1,260	23	189	61
<i>Totals 2018/19</i>	<i>1,511</i>	<i>1,265</i>	<i>25</i>	<i>171</i>	<i>38</i>
<i>Totals 2017/18</i>	<i>1,366</i>	<i>925</i>	<i>21</i>	<i>132</i>	<i>36</i>

Delegated Decision Making (DDM)

The Board of Commissioners have been delegating decision making on straightforward regulatory cases to officers. These cases must be within the agreed parameters and meet all the legislative and policy requirements, if not, they are escalated to a higher level.

The table below shows the different levels of decision making used within the Crofting Commission and the number of cases considered at each level.

Level of Decision Making	No of Cases Decided 2019/20	No of Cases Decided 2018/19	No of Cases Decided 2017/18
Tier 1 (Case officers)	859	735	678 **
Tier 2 (Senior Officials)	203	211	186
Tier 3 (3 Commissioners)	64	53	57
Decision by full Board of Commissioners	1	4	5

Note**: This figure includes 161 notifications. Notifications have been omitted from later years figures because the Commission does not take a decision on them.

Hearings

There were no Hearings held in relation to decrofting applications in 2019/20 (1 Hearing in 2018/19; 3 Hearings in 2017/18). The Crofting Commission did however hold one meeting with the applicant, shareholders, and the owner of a common grazings, as well as carrying out a site visit in relation to an apportionment application.



Appeals to the Scottish Land Court (SLC)

Applicants can appeal to the SLC against any decision, determination or direction made by the Crofting Commission, on an application under the Crofters (Scotland) Act 1993. Any appeal must be made within 42 days.

There were 7 appeals carried over from 2018/19 – in 6 of these appeals the SLC upheld the Commission's decision (*1 case has subsequently been appealed to the Court of Session and is currently before the Inner House of the Court of Session*) and 1 Commission decision was overturned by the SLC.

A further 6 appeals were received during 2019/20 – in 4 appeals the Commission's decision was upheld and 2 appeals are still to be decided by the Court.

General Enquiries

In addition to the number of applications/notifications the Crofting Commission also dealt with 2,394 general enquiries on crofts/common grazings and crofting in general over the course of the year (2,459 in 2018/19; over 3,000 in 2017/18). As information continues to be made available through the ROC Online we would expect this number to reduce further in 2020/21.



Register of Crofts (ROC)

The Crofting Commission maintains its own ROC which holds information on the name, location, rent, the extent of each croft, details of the tenant, owner-occupier crofter, landlord and any rights held in a common grazings.

We made minor amendments to the Register of Crofts as a result of approximately 1,700 Crofting Census forms providing us with additional information which was missing or inaccurate. A further 74 forms required to be passed to Regulatory Teams for further investigation.



Crofts by region

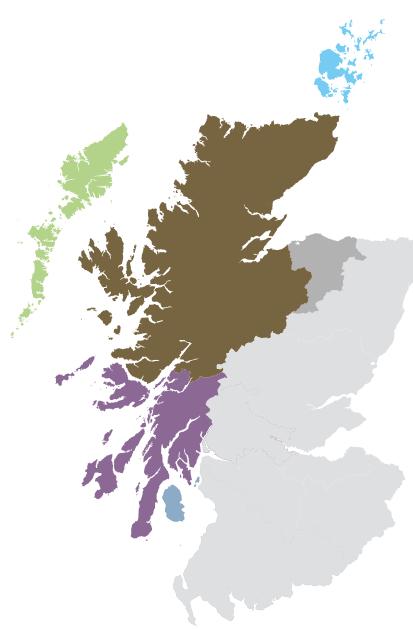
Number of Crofts recorded in the ROC = 21,186



Na h-Eileanan Siar	
Tenanted	6,103
Owned	258

Argyll & Bute	
Tenanted	607
Owned	498

North Ayrshire	
Tenanted	0
Owned	1



Shetland	
Tenanted	2,129
Owned	1,193

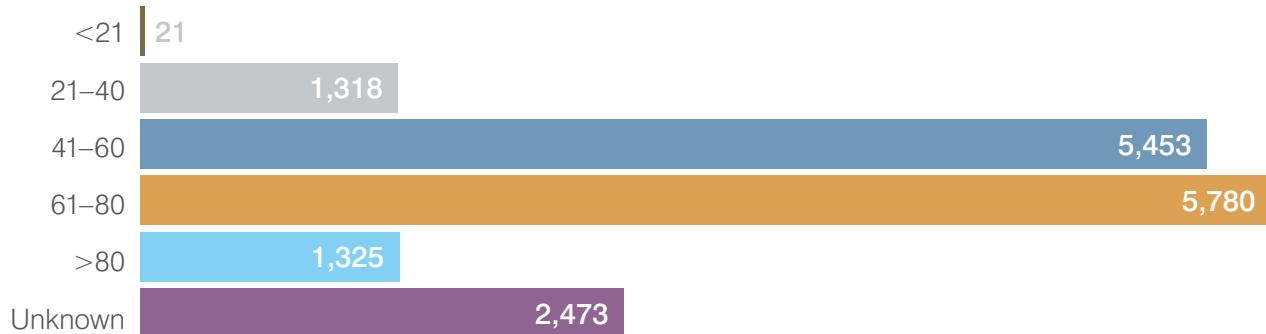
Orkney	
Tenanted	65
Owned	394

Highland	
Tenanted	6,233
Owned	3,705

Moray	
Tenanted	0
Owned	0

Crofters by age

Number of Crofters recorded in the ROC = 16,370



Last year we reported there were over 26,000 crofters recorded in the ROC. This figure was incorrect, as in error we included landlords and neighbours in croft registration cases.

ROC Online

The ROC Online was made publicly available in August 2017. It has improved our customer service by allowing the public to have direct access to croft records. In November 2019 we introduced the facility to allow for Decrofting Directions to be available through the ROC Online and we are working to also get Apportionment Orders available shortly.



The ROC Online is available at www.crofting.scotland.gov.uk/register-of-crofts-roc

Crofting Register

In addition to processing regulatory applications we also assess the validity of Croft Registration applications for the Keeper of the Registers of Scotland (RoS).

Croft Registration applications

First Registrations

2019/20	 1,083
2018/19	 838
2017/18	 1,219

Subsequent Event affecting a registered croft

2019/20	 589
2018/19	 473
2017/18	 489

There were also **26** non-trigger updates and **160** rectifications processed.
An overall total of **6,839** crofts are now entered in the RoS Crofting Register.



Crofters Duties

Tenants and Owner-Occupier crofters have a duty to:



Be ordinarily resident on,
or within 32km of their croft



Not to misuse
or neglect the croft



Cultivate and maintain the croft,
or put to another purposeful use.

Notifications of Suspected Breach of Duties

If a failure to comply with any of the duties is reported by a member of the crofting community, a grazings committee/constable or an Assessor, the Commission has an obligation to investigate.

! **18 cases of suspected breaches of duty were reported to the Commission over the year (10 cases in 2017/18; 19 cases in 2018/19).**

2 invalid (one where the crofter was deceased – and one where no note of the Committee meeting accompanied the notification)



1 assignation application received – pending decision



15 cases ongoing (**2** crofters are in the process of assigning their crofts; **2** crofters are in the process of subletting; **3** owner-occupier crofters are in the process of short term letting – the other **8** are still being investigated)



Consent to be Absent Applications

! **19 applications received (30 applications in 2017/18; 74 applications in 2018/19).**

11 approved



4 refused



4 invalid (**2** where the forms had not been fully completed and had to be returned to the crofter; **1** where the wrong form was completed and **1** where the applicant had not yet been entered in our records as the tenant of the croft).



Consent to be Absent – Extension

! **2 applications received (0 applications in 2017/18; 8 applications in 2018/19).**

1 invalid



1 withdrawn



Crofting Census 2018 – Duties

In 2019 the Commission wrote out to all **77** crofters who indicated for the first time in the 2018 Crofting Census that they were in breach of one or more of their crofting duties, setting out their options and allowing them until the 2019 Crofting Census to resolve the breach at their own hands.

Of those **77** written to – **7** crofters have, to date, resolved their breaches as follows:

- 1 croft was assigned
- 3 crofters took up residence
- 2 crofts were sublet
- 1 crofter applied for and received Consent to be Absent



In addition to the above, **5** crofters are in the process of subletting their croft, **4** are in the process of assigning their croft and one crofter intends to take up residence soon.

We also wrote to **40** crofters who did not resolve their breach from the 2017 Crofting Census, setting out a timescale for resolving their breach.

Of those **40** written to – **2** crofters have, to date, resolved their breaches as follows:

- 1 crofter took up residence
- 1 croft was sublet

In addition to the above:

- 6 crofters are in the process of assigning their croft, 5 of which are pending decisions.
- 12 crofters are in the process of subletting their croft, 3 of which are pending decisions.
- 2 crofts have been put up for sale
- 2 crofts have been purchased which require follow-up action

The remaining cases are progressing through the Duties enforcement process.

Crofting Census 2019

Crofters have a legal obligation to complete and return their Crofting Census forms, which are issued on an annual basis by the Crofting Commission.

2019 saw the issue of 19,485 Crofting Census forms (*19,269 in 2018/19*), 17,519 general croft forms and 1,966 in relation to grazings shares (deemed crofts). This was the first-year crofters had the option to complete their Census form online and 1,674 forms, or 11.4% of all returns, were made in that way. Overall, 14,726 forms were returned to the Commission (*13,347 in 2018/19*). This makes a 75.5% return rate, which is an increase of 6.5% on 2018.



It should be noted that the final date for returning Crofting Census forms was 31 March 2020 but due to the unusual circumstances created by Covid-19 we extended the deadline to 17 April. We had 1,217 returns in the 3-week extension period, which have been included in the total number of forms returned (14,726). However, as we did not have access to the Crofting Commission office and the IT equipment to analysis the 1,217 forms the information from those forms has not be included in the breakdown below. These percentages are therefore based on the return figure of 13,509.



Ordinarily Resident on, or
within 32km of their Croft:
86%

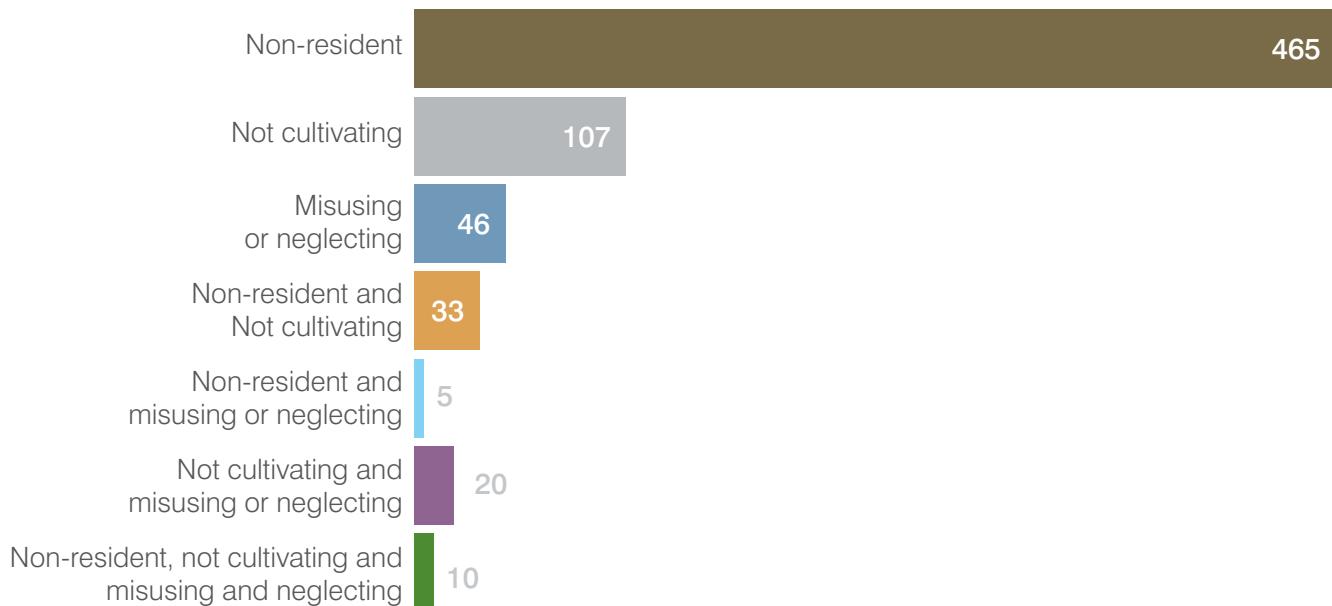


Not Neglected/
Misused:
89%



Croft is Cultivated/Maintained/
Put to Purposeful Use:
89%

Number of crofters not complying with their Duties as notified to the Commission
(TOTAL: 686)



Common Grazings

Common grazings are areas of land used by crofters and others who share the right to graze stock on that land. A shareholder can make an application to the Crofting Commission to apportion, some or all of their grazings share for their exclusive use.

This year also saw the enlargement to **one** common grazings.



Grazings Committees are set up by the shareholders to carry out certain management responsibilities regarding the common grazings. To aid grazings committees, the Crofting Commission created a set of guidance for Common Grazings Committees. The Guidance assists Grazings Committees with their responsibilities to maintain and improve common grazings. The Guidance is distinct from Grazings Regulations; it provides an aide to Committees by advising on what must be in Regulations and what may also be considered best practice. www.crofting.scotland.gov.uk/common-grazings-regulations-template

Following a steady decline in the number of grazings committees over previous years, this was reversed this year with an increase of 77 grazings committees in office. Considerable effort was put in to maintaining contact with committees demitting office and also communicating with shareholders in grazings that no longer had grazings committees. In addition, training meetings were held for members of grazings committees over four days on the Isle of Lewis in October 2019. The training was a collaborative approach between the Crofting Commission and the Scottish Government's Farm Advisory Service. See our case study on page 21.

Number of Grazings Committees in Office

There are no common grazings in North Ayrshire or Moray

	No of Grazings Committees
Argyll & Bute	21
Highland	240
Orkney	1
Shetland	44
Na h-Eileanan Siar	189
Total 2019/20	495
2018/19	418
2017/18	463

Number of Common Grazings

	No of Common Grazings	Size of Common Grazings (hectares (ha))
Argyll & Bute	85	10,668ha
Highland	516	276,187ha
Orkney	9	343ha
Shetland	169	62,148ha
Na h-Eileanan Siar	295	200,545ha
Totals	1074	549,891ha

Common Grazings Census

The Crofting Reform (Scotland) Act 2010 imposed requirements on Grazings Committees to report every 5 years on the condition of the common grazings and the condition of every croft of tenant and owner-occupier crofters who share in that common grazings, and on any other matter affecting the common grazings or crofting in any township associated with the grazings.

The form was issued to Grazings Committees in March 2017 so the deadline for completing it is March 2022. The low numbers received in the 2nd and 3rd years of the 5-year period are therefore not necessarily a concern.

During 2019/20 **3 census forms** were returned to the Commission by Grazings Committees (*4 forms returned in 2018/19, and 101 forms in 2017/18*).



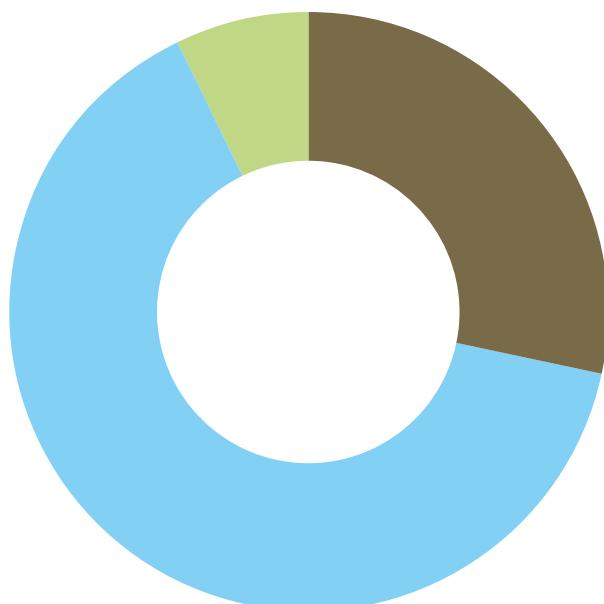
Freedom of Information

The Crofting Commission is committed to complying with legislation that gives members of the public the right to request information and for that information to be provided unless an exemption applies. This legislative requirement falls under the Freedom of Information (Scotland) Act 2002, Data Protection Act 2018, General Data Protection Regulation and the Environmental Information (Scotland) Regulations 2004.

The Commission makes as much information as possible publicly available through its website and social media channels.



The number of enquiries continued to fall over the course of 2019/20, with 28 enquiries for information received. This is a reduction of 15 since 2018/19. There was only 1 request for a review of the information issued.



Freedom of information (FOI)	8
Environmental Information Regulations (EIR)	18
Data Protection Act	2
TOTAL	28
2018/19	43
2017/18	65

Complaints

The Crofting Commission is committed to providing first-class customer service and we use feedback from customers who are dissatisfied to improve our services.

There were 24 complaints handled at frontline resolution stage over the year; the table below shows the outcome of these cases.

During 2019/20 we received **36 complaints**.
This was a reduction of 38 from last year



Frontline Resolution	2019/20	2018/19	2017/18
Upheld	4	16	10
Partially Upheld	3	0	1
Not Upheld	17	16	2
Escalated	0	23	7
Totals	24	55	20

In addition to the Frontline Complaints we also considered **12 complaints** at Investigation Stage.

Investigation Stage	2019/20	2018/19	2017/18
Upheld	2	5	2
Partially Upheld	6	8	4
Not Upheld	3	4	5
Invalid	1	1	3
Investigation in Progress	0	1	0
Totals	12	19	14



Communications

Social Media continues to be an important vehicle for the Crofting Commission to distribute information in a quick and effective manner to a large audience.

In January, this year we launched 4 corporate videos via YouTube, and 5 short informal videos taken by Commissioners on their crofts, with a view to maintaining a connection with crofters during Covid-19 Lockdown. Additional videos will continue to be launched during the course of Lockdown.
www.youtube.com/feed/my_videos

Facebook and Twitter followers continue to increase and posts on those social media channels regularly reach over 1,000 people.

We also continue to enhance our website. This year saw the provision of Decrofting Directions being made available for download via the ROC Online and we are in the process of making Apportionment Orders accessible.

Corporate

The Crofting Commission Policy Plan considers key themes for crofting, such as the availability of croft land and its use, retaining land in crofting tenure and the use of common grazings. A copy of the plan can be found at www.crofting.scotland.gov.uk/the-act-and-policy

Throughout the course of the year the Commission also agreed to the following policies and plans:

- Gaelic Language Plan
- Guidance for Common Grazings Committees
- Training for Grazings Committees

Human Rights

Equality, diversity and inclusiveness

The Crofting Commission is committed to equality of opportunity and has policies and procedures in place to ensure this is achieved. It also fully recognises its legal responsibilities, particularly in respect of race relations, age, sex, and disability discrimination and complies with all Scottish Government policies in relation to Human Rights and Equality.

Equality Duty

The Crofting Commission is subject to the Equality Act 2010 (General Duties) (Scotland) Regulations. The Commission must also publish statements on equal pay and information about Board Members.

The Crofting Commission is committed to providing an update as part of the organisation's Annual Report and a summary has been provided below for that purpose.

Those subject to the equality duty, through the delivery of their functions, have a responsibility to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

The full report of the programme of mainstreaming initiatives that the organisation has been working to deliver, together with progress towards delivery of the equality outcomes, can be found in the Crofting Commission's Equality and Diversity Plan on the website. **Equality and Diversity**





Environmental Matters

As tenants within a shared office space, (Great Glen House), Scottish Natural Heritage carry responsibility for the building, so the Commission is only able to address internal factors such as resource usage, travel, and awareness. One of the outcomes recorded in our Corporate Plan is to reduce our impact on the environment. Whilst the Crofting Commission currently has no environmental targets set by Scottish Government, it takes environmental matters seriously and adopts environmentally focussed practices where possible.

The Commission voluntarily signed up to The Public Sector Climate Change report, which is completed on an annual basis (30 November). The main area of emissions for the Commission is travel. The corporate carbon emissions generated by the Commission over the year reduced from 18 tCO₂e to 15 tCO₂e (based on actual travel data). Finding opportunities to reduce our carbon footprint are limited as our travel arrangements are often reactive in nature due to our statutory regulatory obligations. Being based within the Highlands & Islands of Scotland also reduces our access to public transport when visiting remote crofting areas. However, during the latter part of the year we began utilising Skype for meetings, including Board meetings, which will not only reduce our carbon footprint but also reduce costs.

The launch of our Register of Crofts (ROC) Online has reduced our internal paper usage, with 8,391 Copy Entries being taken during 2019/20. The addition of our online facilities to allow for Decrofting Directions has also led to greater savings due to the reduction of requests to provide copies of these documents. Since the facility was made available in November 2019, 8,117 Directions have been downloaded. We continue to encourage customers and stakeholders to correspond more via email, thus helping to further reduce paper usage.

With partner agencies, the Commission engages to develop shared service agreements to improve environmental outputs, reducing negative impacts. We work to reduce carbon emissions, and this is monitored and reported each quarter as part of the Key Performance Indicator report to the Audit and Finance Committee and the Board of Commissioners.

Financial Performance

The Scottish Government allocated the Crofting Commission a budget of £2.758M (£2.797M 2018/19). An allocation of £0.065M (£0.065M 2018/19) was also provided for non-cash costs such as depreciation and amortisation.

Strategic Outcomes

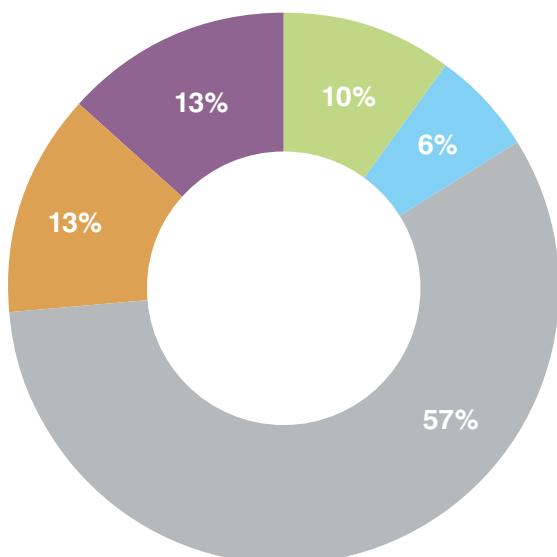
The Crofting Commission continued to manage its resources well, paying 95.6% (99% 2018/19) of its suppliers within 10 working days of the submission of a valid invoice. Reducing our costs to maximise funding for our regulatory work continues to be a priority. During the year, the Crofting Commission restructured its Senior Management Team (page 45) and continued to review its staff structure to ensure resources were focussed upon frontline tasks. Participating within The Scottish Government collaborative contracts, the transition to a cloud based financial system, combined with further economies being achieved within the Commission's residential agreement for Great Glen House has also contributed towards additional efficiency savings. These examples contributed towards the Commission meeting The Scottish Government's target for efficiency savings of 3% on our 2019/20 baseline budget of £2.823M. Overall, we recorded 3.8%, or approximately £108,000 of notional savings during 2019/20 (3.4%, £98,000 2018/19). Additional financial analysis is provided within the Accountability Report on page 46.

Planning Ahead

In March 2020, the Scottish Parliament approved a Scottish Government resource budget allocation to the Crofting Commission, of £2.697M for 2020/21. This would have represented a significant real-terms reduction on the previous year. However, in July 2020, The Scottish Government announced an addition of £325,000 to the 2020/21 budget, to allow the Crofting Commission to expand its crofting development activities. The allocation of resources and the deployment of some staff is now being reviewed in the light of these changes.

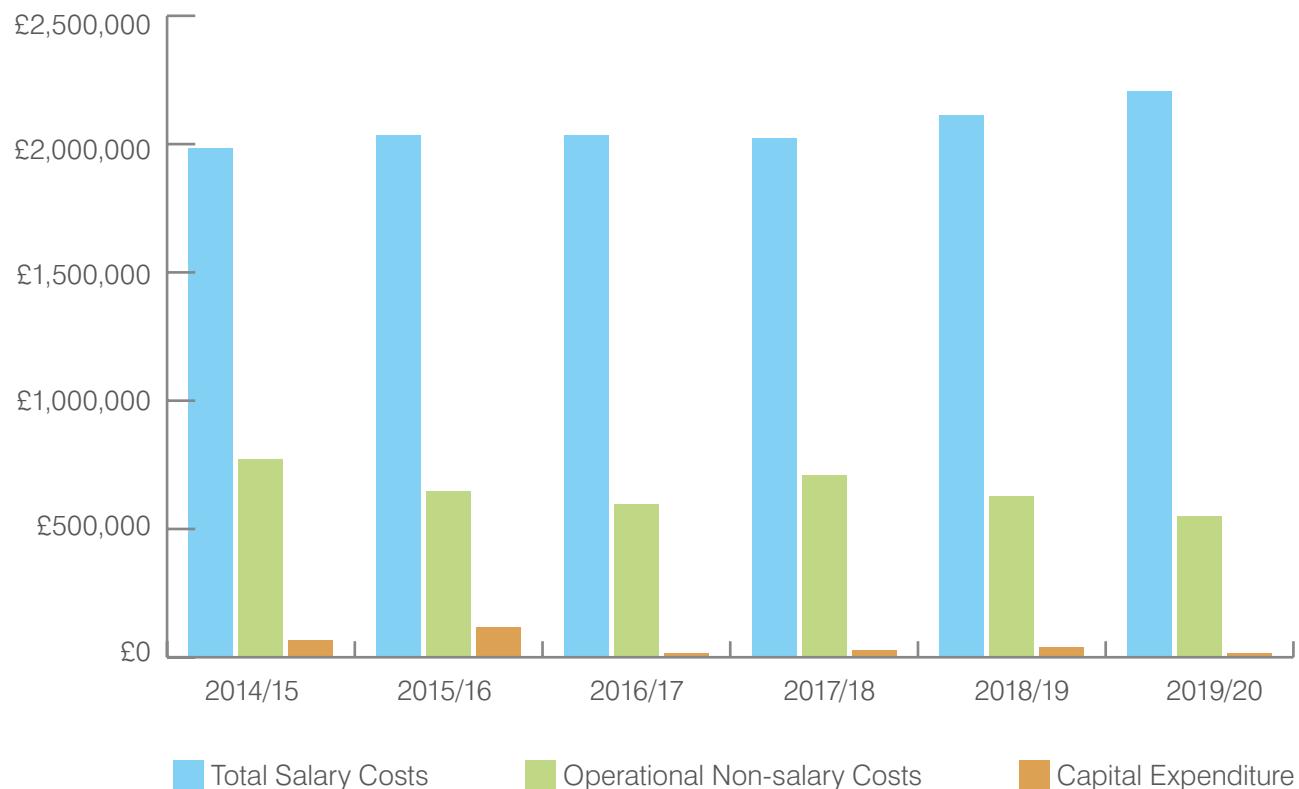
How we allocated resources in 2019/20

We are funded by the Scottish Government and as a regulatory body approximately 76% of our overall expenditure was staff related.



- █ Outcome 1: Crofts are occupied and managed
- █ Outcome 2: Common grazings are regulated and shared management practices continue
- █ Outcome 3: Crofting is regulated in a fair, efficient and effective way
- █ Outcome 4: The future of active crofting is supported by well-informed engagement with stakeholders
- █ Outcome 5: Our staff have the right skills and motivation to perform well, our governance processes are best practice

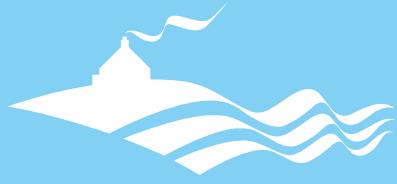
Resource Allocation Trend Analysis



Anti-Corruption and Anti-Bribery Matters

The Crofting Commission is committed to the highest standards of ethical conduct and integrity and is committed to the prevention of bribery and corruption, as we recognise the importance of maintaining our reputation and the confidence of our stakeholders. No instances of corruption or bribery were recorded in 2019/20.

Bill Barron
Chief Executive and Accountable Officer
24 August 2020



CROFTING COMMISSION
COIMISEAN NA CROITEARACHD

Accountability Report 2019/20

Key statements and reports that enable us to meet accountability requirements and demonstrate compliance with good corporate governance.



Corporate Governance Report

Directors' Report

Board of Commissioners

Commissioner	Method of Appointment	Attendance at Board Meetings during 2019/20	Attendance at Audit and Finance Committee Meetings during 2019/20
 Rod Mackenzie ^{*1 & 5}	Elected	7/7*	-
 Mairi Mackenzie ^{*1}	Elected	7/7*	-
 Andy Holt ^{*1}	Elected	6/7*	-
 Cyril Annal ^{*1}	Elected	7/7*	-
 Iain Maciver ^{*1}	Elected	7/7*	5/5*
 Billy Neilson ^{*1}	Elected	6/7*	-
 David Campbell ^{*2}	Appointed by Cabinet Secretary	7/7*	5/5*
 Malcolm Mathieson ^{*3}	Appointed by Cabinet Secretary	6/7*	5/5*
 James Scott ^{*4}	Appointed by Cabinet Secretary	6/7*	-

* = Number of attendances/Number of meetings possible to attend

1 = Elected to The Crofting Commission on a 5-year term with effect from 17 March 2017.

2 = 2-year, 2-month re-appointment by The Scottish Government from 1 April 2020.

3 = 3-year re-appointment by The Scottish Government from 1 January 2020.

4 = 3-year re-appointment by The Scottish Government from 1 February 2020.

5 = Appointed Convener of The Crofting Commission with effect from 20 June 2017

The Crofting Commission also convened three Strategy Meetings, which were held in private and not minuted on 9 May, 28 June, and 29 November 2019.

Full details of the Commissioners' Register of Interests can be found on our website
www.crofting.scotland.gov.uk/meet-the-commissioners

Senior Management Team (SMT) 2019/20



Bill Barron – Chief Executive Officer and Accountable Officer

Overall responsibility for strategy, operations, finance, and management of the Crofting Commission. Ensures the Board of Commissioners receive accurate information and objective advice.



Aaron Ramsay^{*1} – Head of Digital and Improvement

Responsible for IS strategy and the evolution of digital services. Lead responsibility regards reviewing and driving improvement in the Crofting Commission's operational systems and processes, to secure greater efficiency and effectiveness in the way casework is handled. Senior Information Risk Owner (SIRO) for the Crofting Commission.



Heather Mack^{*2}/Mary Ross^{*3} – Head of Operations and Workforce

Responsible for the organisation and effectiveness of the regulatory casework team, using measures and indicators to ensure standards of delivery are maintained.



John Toal – Head of Policy and Grazings team

Supports Commissioners in formulating strategic policy on a range of external and internal issues in pursuit of its operating objectives and heads the Grazings Team, dealing with grazings committees.



Joseph Kerr – Head of Regulatory Support

Responsible for providing support and guidance to staff and Commissioners on regulatory and registration matters, leading on delegated decision making and process and documentation reviews as well as overseeing the activities of the Residence and Land Use Team.



Jane Thomas – Head of Compliance and Board Support

Responsibility for Complaints, Freedom of Information/EIR requests, Data Protection/GDPR, leading on Equality and Diversity, Gaelic Language Plan and Standards Officer for the Crofting Commission; also responsible for Board meetings and Commissioner training.



David Findlay – Solicitor

Provides the Crofting Commission with legal advice and deals with litigation involving the Crofting Commission.

1 = Appointed from 3 June 2019.

2 = Appointed from 23 April 2019.

3 = Appointed from 1 October 2019 as maternity leave cover and will remain in post for approximately 12 months.

Financial Performance

Summary of Deficit/(Surplus) for the year	2019/20 £000	2018/19 £000
Total Operating Expenditure	2,807	2,786
Grant-in-Aid Drawn Down	(2,758)	(2,796)
Deficit/(Surplus)	49	(10)
Reconciliation of operational expenditure on an accrual basis to Grant-in-Aid drawn down	2019/20 £000	2018/19 £000
Deficit/(Surplus)	49	(10)
Exclude non-cash:		
Depreciation and Amortisation	(50)	(44)
Working capital adjustments involving:		
Debtors	(17)	(8)
Creditors	(16)	(64)
Movement in provisions	-	-
Investing activities	19	44
Grant-in-Aid drawn down in (excess)/deficit of Cash expenditure	(15)	(82)

On an income and expenditure accrual basis, the financial outcome for the year on normal business activities reports a deficit of £0.049M (Surplus £0.010M 2018/19). This deficit arises as a result of accounting adjustments, such as depreciation and working capital movements to the financial statements, that do not involve the flow of cash. On a cash accounting basis, the Crofting Commission's actual Grant-in-Aid draw down exceeded its cash operating expenditure requirements by £0.015M (2018/19 £0.082M). This does not represent a cash surplus, as the funding will meet liabilities incurred during 2019/20 that will be presented for payment in the early part of 2020/21.

Total operating expenditure for 2019/20 was £2.807M (2018/19 £2.786M). This expenditure is met solely from Grant-in-Aid. The Crofting Commission operated within its Grant-in-Aid allocation for year 2019/20.

Further details of the Crofting Commission's employee, Commissioner and operational expenditure to 31 March 2020 are disclosed in note 2 (Page 79) to the accounts.

Pensions

Crofting Commission staff members are eligible to be members of the Principal Civil Service Pension Scheme. Details of the scheme and details of the pension entitlements of the Crofting Commission's SMT are given in the Remuneration Report (Page 58) and note 1.6 (Page 76) to these accounts.

Payment Practice Code

In line with Scottish Government policy, the Crofting Commission requires that all suppliers' invoices not in dispute are paid within 10 working days of receipt. The Crofting Commission aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in these terms. During the year ended 31 March 2020, the Crofting Commission paid 95.6% (100% in 30 days) of its invoices within these terms (99.0% 10 days, 100% 30 days in 2018/19).

Non-Audit Fees

The Auditor General for Scotland has appointed Deloitte LLP as auditor. Details of the audit fee for the year to 31 March 2020 are disclosed in note 2 (Page 79) to the accounts. Deloitte LLP were not engaged or paid for any non-audit work during the year.

Statement of Accountable Officer's Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 and Schedule 1 paragraph 19 of the Crofters (Scotland) Act 1993 as amended, Scottish Ministers have directed the Crofting Commission to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction issued by the Scottish Ministers.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Crofting Commission and of its income and expenditure, application of resources, changes in taxpayer's equity and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting manual (FReM) and in particular to:

- observe the Accounts Direction issued by Scottish Ministers 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 FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Permanent Secretary and Principal Accountable Officer of The Scottish Government has appointed the Chief Executive of the Crofting Commission as Accountable Officer.

Statement by Accountable Officer

As Accountable Officer, I am responsible for the regularity and propriety of the public finances for which I am answerable, for keeping proper records and for safeguarding the Crofting Commission's assets, as set out in the Memorandum to Accountable Officers for Parts of the Scottish Administration issued by Scottish Ministers.

Disclosure of Information to the Auditors

As Accountable Officer, as far as I am aware, there is no relevant audit information of which the Crofting Commission's auditor is unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the Crofting Commission's auditor is aware of the information.

Accountable Officer Confirmation on the Annual Report and Accounts

As Accountable Officer I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

Background

The Corporate Governance Statement records the stewardship of the Crofting Commission and supplements the Annual Report and Accounts. This statement also draws together position statements and evidence on governance, risk management and control, to provide a coherent and consistent reporting mechanism.

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities set out in the "Accountable Officer's Memorandum".

In the discharge of my personal responsibilities I ensure organisational compliance with the Scottish Public Finance Manual (SPFM). The SPFM is issued by the Scottish Ministers to provide guidance to The Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary, and administrative requirements, emphasises the need for economy, efficiency, and effectiveness, and promotes good practice and high standards of propriety.

Our Framework Document, which is our agreement with The Scottish Government and sets out our relationship is published on our website. (www.crofting.scotland.gov.uk)

Governance Framework

The Board

The Convener leads the Board and the Chief Executive leads the SMT of the Crofting Commission.

The Board is comprised of 9 Commissioners, 6 of whom are elected by registered crofters, and three appointed by The Scottish Government. The

Convener is selected from within the Board by the Cabinet Secretary for Rural Economy and Tourism.

More information on the Commissioners can be found on pages 44 to 45.

The role of the Board is to provide strategic leadership for the organisation, setting the policy direction and taking direct responsibility for the more significant or contested casework decisions. Commissioners set out their policy position by submitting a Policy Plan to the Scottish Ministers. They also oversee the work of the organisation, and the Chief Executive is accountable to them for its performance.

During the year, the Board undertook a number of key activities:

- Held public meetings to inform its ongoing considerations of recommendations to Government to secure the long-term future of crofting
- Considered how crofters and crofting communities can and do contribute to the mitigation of climate change and the maintenance of biodiversity
- Gave proactive support to extant and prospective grazings committees, resulting in an overall increase in the number of grazings committees in office
- Continued to advise The Scottish Government on issues relating to the proposed reform of crofting law, particularly on joint tenancies and stand-alone grazings shares ("deemed crofts")
- Continued to prioritise communication with crofters, through attendance at shows and public meetings, and through articles, blogs, and videos on our YouTube channel
- Received reports on improvement of the Crofting Commission's customer services, through an improvement project, the addition of decrofting directions to the online Register of Crofts, the introduction of triaging of applications, and the delegation of some

- further decision-making, including for the first time in relation to grazings matters
- Met with the leadership of Highlands and Islands Enterprise to agree areas of mutual interest
 - Consulted on a renewed Gaelic Language Plan
 - Through its Audit and Finance Committee, scrutinised SMT endeavours to manage the delivery of services with a reduced budget.

The performance of Commissioners in 2019/20 has been reviewed by the Convener and the performance of the Convener has been reviewed by The Scottish Government. During March 2019, the Board undertook a review of its own effectiveness. This review was based upon '*On Board – A Guide for Board Members of Public Bodies in Scotland*' best practice and was issued in the form of a self-assessment questionnaire that was completed independently by each Commissioner.

The results of this effectiveness review will be assessed by the Commission's Audit and Finance Committee within its 2020/21 workplan to ascertain if there are areas of governance that require review or clarification.

The purpose of the Commissioners self-assessment appraisal process is to contribute to the continuous improvement of the Crofting Commission's decision-making, effectiveness, and performance.

The Board is committed to high standards of corporate governance and believes that a sound governance structure engenders a successful organisation.

The Board's terms of reference can be obtained from the Crofting Commissions website
www.crofting.scotland.gov.uk

The Board is supported by an Audit and Finance Committee.

Audit and Finance Committee

Three Commissioners are appointed by the Board to serve on the Audit and Finance Committee. This Committee meets 4 times a year with additional meetings if required.

More information on the Committee Members can be found on pages 44 to 45.

The 2010 Act requirement for the Convener to chair the Committee "if present" at its meetings conflicts with good practice guidance issued by The Scottish Government in the Scottish Public Finance Manual, the Audit Committee Handbook and *On Board*. In order to comply with both the 2010 Act and best practice guidance, the Crofting Commission has appointed a Vice Chair of the Committee and the Convener does not normally attend meetings of the Committee. The Crofting Commission's Scottish Government Sponsor Branch has confirmed its approval of this arrangement.

The external and internal auditors are invited to attend all Audit and Finance Committee meetings. They are given the opportunity to speak confidentially to the Committee members. The purpose of the Audit and Finance Committee is to monitor and review risk, control, and corporate governance. It operates independently and reports to the Board.

During 2019/20 The Audit and Finance Committee carried out a self-assessment based on The Scottish Government's Audit Committee Handbook checklist. The findings of this self-assessment demonstrated that good practice principles were adhered to in all areas of the Committee's activities.

The Audit and Finance Committee terms of reference can be obtained from the Crofting Commission's website **www.crofting.scotland.gov.uk**

The Convener of the Crofting Commission

The Convener is responsible to the Scottish Ministers on behalf of the Crofting Commission for ensuring that the Crofting Commission's policies and actions support delivery of the statutory functions and the wider strategic policies of the Scottish Ministers; and that the Crofting Commission's affairs are conducted with probity. The Convener shares with other Commissioners the corporate responsibilities set out above for the Board and in particular for ensuring that the Crofting Commission fulfils the aims and objectives set by Scottish Ministers.

More information on the Convener can be found on pages 44 to 45.

Senior Management Team (SMT)

The SMT meets regularly and supports the Accountable Officer in his responsibility for delivering the statutory functions and strategic aims of the Crofting Commission. The SMT consists of the Chief Executive and the head of each operational area. The SMT is committed to high standards of corporate governance and strives to provide the leadership, strategic oversight and the control environment required to deliver the Crofting Commission's key aims.

More information on the SMT can be found on page 45.

Risk and Control Framework

All bodies subject to the requirements of the SPF M must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers.

The risk and control mechanism is based on an ongoing process designed to identify the principal risks to the achievement of the Crofting Commission's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The Crofting Commission maintains both strategic and operational risk registers which record internal and external risks and identify the mitigating

actions required to reduce the threat of these risks occurring and their impact. The Risk Management Strategy and Operational Risk Register are regularly updated and reviewed as a standing item by senior staff and the Audit and Finance Committee. Each individual risk is allocated an owner who ensures that mitigating action is carried out. Likewise, the Strategic Risk Register is regularly reviewed by the SMT and is considered by the Board at least four times per year.

Our systematic and structured risk management approach is designed to provide assurance that the opportunities and threats facing the Crofting Commission are being appropriately identified, assessed and effectively managed; and all the key information is reported to managers, the Audit and Finance Committee and the Board. During 2019/20 the Board approved a refreshed risk management policy and procedures framework, which also captured the 'risk appetite' of the organisation.

The Crofting Commission is subject to a variety of risks and uncertainties. Key risks regarded as most relevant to the organisational performance during the year to 31 March 2020 can be found within pages 12 to 13.

The Crofting Commission follows The Scottish Government policy on Information Security and has a SIRO in place to manage risk information.

The risk and control processes applied within the Crofting Commission accord with guidance given in the SPF M and have been in place for the year ended 31 March 2020 and up to the date of the approval of the annual report and accounts.

Review of Effectiveness of Internal Control and Risk Management

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control and risk management arrangements. My review is informed by:

- 1) Letters of assurance supported by a completed internal control checklist, agreed by each head of the operating areas that the controls are working well and if applicable stating areas of concern;
- 2) The work of internal auditors, who submit regular reports to the Crofting Commission's Audit and Finance Committee (this includes their independent and objective opinion on the adequacy and effectiveness of the Crofting Commission's systems of internal control together with recommendations for improvement);
- 3) Comments made by external audit in their audit reports;
- 4) The annual report provided by the Vice Chair of the Audit and Finance Committee to the Board, detailing the work of that committee during the year;
- 5) Quarterly reviews by the Audit and Finance Committee of the organisation's Operational Risk Register and by the Board for the Strategic Risk Register and the work of internal audit in assessing effectiveness of risk management arrangements; and
- 6) Letters of assurance from Scottish Natural Heritage and The Scottish Government who provide shared finance and payroll/HR services respectively to the Crofting Commission.

During the year and up to the date of signing the accounts the following governance arrangements were put in place:

- Following the resignation of the Deputy Chief Executive in March 2019, we have revised the structure of our SMT, creating two new positions: Head of Operations and Workforce, and Head of Digital and Improvement. We have also reviewed and clarified the responsibilities of SMT members in relation to the Chief Executive

- We completed the revision of our Corporate Plan and published it on our website
- We have finalised our Workforce Plan
- We have developed a Medium-Term Financial Strategy
- We have implemented a new assurance framework in line with The Scottish Government Audit & Assurance Committee Handbook (2018)
- We have routinely used electronic papers for Board, Committee and 'Tier 3' Panel meetings, while continuing to provide hard copies for those who need them. More recently we have of necessity been conducting Board meetings and other meetings using remote communications technology.

The Crofting Commission will continue to review the system of internal control and risk management to ensure that this continues to provide reasonable assurances regarding its responsibilities under the Crofters (Scotland) Act 1993.

From March 2020, the national lockdown to contain the spread of coronavirus (Covid-19) has posed several new challenges to the Crofting Commission, including a reduction in the availability of those staff who have caring responsibilities, and the restriction of access to our office, requiring almost all work to be done remotely. These enforced changes created significant and unforeseen challenges for our business continuity, risk control, budget control and governance, but in my opinion the established governance and control arrangements for the Crofting Commission have held up well.

We activated our Business Continuity Plan immediately at the start of lockdown, with SMT and the Regulatory Business Manager meeting daily for the first few weeks, and the Commissioners meeting with SMT members weekly. Our risk register was substantially updated for the Audit and Finance Committee meeting in April, and new methods were established for monitoring delivery of Crofting Commission business.

Based on the above assurances, and established internal controls, I am satisfied that the overall operation of governance requirements at the Crofting Commission was satisfactory for the financial year 2019/20. However, it should be noted that the final two weeks of the financial year saw the beginning of the Covid-19 lockdown period, and at the time of writing, we are still working through the challenges this poses to the Crofting Commission. I will report fully on the impacts of Covid-19 and the lockdown in my report on 2020/21, next year.

Conflicts of Interest Procedures

The Crofting Commission operates strict and comprehensive procedures to deal with potential conflicts of interest. The Crofting Commission displays the Register of Interests of Commissioners on its website. This is formally reviewed on an annual basis, but Commissioners provide updates to the Commission Standards Officer as they occur or within 4 weeks of any change occurring, at the latest. The Register of Interests can be viewed at (<http://www.crofting.scotland.gov.uk/meet-the-commissioners>).

Commissioners record any potential conflicts of interest at the start of every Crofting Commission meeting and absent themselves from decisions on any matters in which they have an interest. These declarations are recorded in the minutes of the meeting. Staff also complete an annual Declaration of Interests.

External Audit

The Auditor General for Scotland appointed Deloitte LLP as the Crofting Commission's external auditor for the five-year period from 1 April 2016.

Internal Audit

The internal audit function is an integral part of the internal control system. Following a tender exercise conducted via Public Contracts Scotland, Scott-Moncrieff have been reappointed as the internal auditors of the Crofting Commission for the three-year period 2019-2022. An internal audit

strategy and plan for 2019/20 was prepared for consideration and approved by the Audit and Finance Committee at its meeting on 24 April 2019.

Levels of assurance provided in internal audit report opinions

The table on page 53 lists the three internal audit reviews carried out in 2019/20 and provides the report classification in terms of levels of assurance for each review, alongside a summary of key observations.

The internal audit findings are presented in the individual reports issued during the year to the SMT and the Audit and Finance Committee. Internal audit recommendations have been captured within a progress report which is monitored by the Audit and Finance Committee as a standing item at its quarterly meetings.

Each year the Internal Audit provider issues an annual report which includes an opinion on the system of internal control. The opinion for year 2019/20 is that "In our opinion the Crofting Commission has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, subject to the continued implementation of the improvements identified in the 2018/19 Business Continuity Planning review".

Significant Governance Issues

From March 2020, along with other public and private bodies, we face the uncertainty of the consequences of Covid-19. This will be a major governance challenge for 2020/21 and perhaps beyond. The challenges being encountered and the solutions being found are recorded in a log of lessons learned, which will inform the next update to our Business Continuity Plan and more generally our consideration of how to adapt our systems and working practices in the future.

Internal audit review	Report classification	Internal audit observations
Core Financial Systems	Low risk	<p>The Crofting Commission has a strong control environment in place for the production, review and scrutiny of budgetary information and financial forecasts, preparation and authorisation of journals, and the addition and disposal of assets.</p>
GDPR Compliance	Moderate risk	<p>We noted that the Crofting Commission has updated policies to achieve alignment with GDPR requirements. In addition, governance arrangements have been included within existing governance structures.</p> <p>We also noted that there has been significant training provided to staff in relation to GDPR requirements. This has included mandatory training as well as team specific training.</p> <p>Our audit work has identified some areas for improvement, none of which are of a significant nature.</p>
Best Value	Moderate risk	<p>The Crofting Commission has a number of key documents and processes in place to ensure the organisation is continually working towards delivering best value in relation to the development and reporting of the strategy and alignment of resources.</p> <p>We have identified a number of areas where the organisation is demonstrating good practice, including having a defined strategic vision outlined within the Corporate Plan which is supported by an Annual Business Plan and Workforce Plan. Further, the Workforce Plan has been updated to reflect potential budget reductions in future years and the implications of this on the delivery of the organisation's core services. A Medium-Term Financial Plan has also been developed during 2019/20 which is being updated to further reflect different scenario plans.</p> <p>We did however identify some areas for potential improvement. These include ensuring the strategic vision and progress towards the delivery of this is actively and demonstrably communicated to employees on a regular basis, with a view to aligning performance objectives to the strategic vision. Furthermore, ensuring regular reporting into the governance structure takes place on the progress towards delivering the overall corporate outcomes in addition to the current performance reporting.</p>

Governance Issues Going Forward

The key governance challenges going forward centre on delivery of outcomes in the context of a tight financial climate and the uncertainties of the current worldwide Covid-19 pandemic. They will involve:

Governance Issue	Action Planned
Implementing our Workforce Plan in the context of the Covid-19 lockdown	Our Workforce Plan commits us to reviewing and improving many aspects of staff management, including support, deployment, training, and career progression. This will need to be carried out, at least initially, in a context where most staff are working at home and face-to-face contacts with staff are almost non-existent; and many staff are unable to commit their normal hours of work because of various pressures resulting from Covid-19.
Adapting our IT systems to allow much more home working	We are investing in new hardware to allow better remote access to the Crofting Commission's IT systems, but many constraints remain, not least the limits of home broadband for many staff. We will continue to improve our facilities to allow better home working both during the crisis and in the longer term.
Finding workarounds or solutions for difficulties in the legislation	Because of the pressure on the Scottish Parliament's time caused by Brexit, a crofting bill will not now go ahead this Parliament. This leaves the Crofting Commission having to manage its operations despite a number of well-known difficulties in the governing legislation. In addition, the Covid-19 pandemic has highlighted other inflexibilities in the legislation, such as the requirement for the Crofting Commission and crofters to advertise in printed newspapers, when some titles are not being published for the time being.
Adapt deployment of staffing to the changing demands on the organisation	The Board has called for a rebalancing of staff deployment so that our statutory function of promoting the interests of crofting is further enhanced. In addition, there may be adjustments that are required of us as a consequence of the impact of Covid-19 on the crofting counties.
Renewing our Business Continuity Plan	Action to renew our BCP was already under way but will now be expanded to take account of the experience of the Covid-19 pandemic.

Information and Data Security

The Crofting Commission has in place a range of systems and measures which ensure that information held by the organisation and held by third parties on behalf of the organisation, is secure. The Crofting Commission's Compliance Hub monitors compliance concerning the release of data from the organisation. In addition, the Crofting Commission has implemented Scottish Government guidance on data security and information risk through the creation of an information asset register, which includes assessment of risk and awareness training for staff.

During 2019/20, we have been closely monitoring the requirements of GDPR and engaged with all staff through a set of briefings. Direct GDPR training has been rolled out to all staff. All staff complete mandatory annual refresher training and are provided with data protection updates. Physical data security is monitored by office checks.

The Crofting Commission continues to focus upon cyber security and resilience.

There are no significant lapses in data security to report in 2019/20 (2018/19: Nil).

Remuneration Report and Staff Report

Unaudited

Remuneration policy

Board Members

The Crofting Commission Board comprises up to 9 Commissioners. Commissioners' remuneration is approved by Scottish Ministers and is determined according to the "Public Sector Pay Policy for Senior Appointment" (see www.scotland.gov.scot/publications for further detail). Current Board Member appointments are non-pensionable. Current Elected Board Members appointments are for 5 years commencing 17 March 2017. Board Members who have been appointed by the Cabinet Secretary for Rural Economy and Tourism are on 3-year terms, and the appointment dates can be viewed within the Directors' Report on page 44.

Staff

All permanent and fixed-term staff are Scottish Government employees and are part of The Scottish Government main collective bargaining unit for the determination of salary. Remuneration is determined by The Scottish Government and, in determining policy, account is taken of the need for pay to be set at a level which will ensure the recruitment, retention and motivation of staff. Also taken into account are the Government's policies on the Civil Service and public sector pay and the need to observe public spending controls.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

The majority of officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission may be found at
www.civilservicecommission.independent.gov.uk

Audited

Board remuneration

Commissioners were due remuneration as follows:

	2019/20 £000	2018/19 £000
Commissioners who held office during 2019/20		
Rod Mackenzie	20-25	20-25
(Full year equivalent)	(20-25)	(20-25)
Cyril Annal	5-10	5-10
David Campbell	5-10	5-10
Andy Holt	5-10	5-10
Iain Maciver	5-10	5-10
Mairi Mackenzie	5-10	5-10
Malcolm Mathieson	5-10	5-10
Billy Neilson	5-10	5-10
James Scott	5-10	5-10
(Full year equivalent)	(5-10)	(5-10)

Commissioner appointments are non-pensionable. Taxable benefits in kind amounting to £144 were paid to one Commissioner during 2019/20 (£144 2018/19).

Remuneration of senior officials

The following section provides details of the remuneration and pension interests of the most senior officials of the Crofting Commission:

	Salary		Pension benefits (see note 1 below)		Total	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Chief Executive						
Bill Barron	70-75	70-75	35	33	105-110	100-105
Senior Management Team						
David Findlay	70-75	65-70	28	26	95-100	90-95
Aaron Ramsay*	30-35	N/A	8	N/A	35-40	N/A
Jane Thomas	45-50	40-45	18	15	60-65	55-60
Joseph Kerr	45-50	40-45	15	13	60-65	55-60
John Toal	45-50	40-45	14	13	55-60	55-60
Heather Mack ^{*1}	25-30	N/A	11	N/A	35-40	N/A
Mary Ross ^{*2}	15-20	N/A	9	N/A	25-30	N/A

* Aaron Ramsay was employed and appointed to the SMT from 3 June 2019. His FYE salary banding was £35-40k.

*1 Heather Mack was promoted to the SMT from 23 April 2019 and her salary banding is calculated from this date. Her FYE salary banding was £35-40k.

*2 Mary Ross was promoted to the SMT from 1 October 2019 as maternity leave cover and will remain in post for approximately 12 months. Her salary banding is calculated from this date. Her FYE salary banding was £35-40k.

Salary

Salary includes gross salary, overtime, and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made within the year by the Crofting Commission.

during the year in the actuarial factors used to calculate CETVs.

Benefits in kind

A total of £216 was claimed as taxable benefits in kind within 2019/20 which related to travel expenses. (2018/19: £nil).

Compensation for loss of office

This value was £nil for 2019/20 (2018/19 £nil).

Bonuses

There were no bonuses within 2019/20 (2018/19: £nil).

The Trade Union (Facility Time Publication Requirements) Regulations 2017

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require public sector employers to publish information relating to facility time. As our permanent and fixed-term staff are Scottish Government employees this information is collated by The Scottish Government. Further information can be obtained from the Crofting Commission's website www.crofting.scotland.gov.uk

Note 1: the value of pension benefits accrued during the year is defined as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights. Nor does it include any increases (or decreases) because of any changes

Fair Pay Disclosure

The Crofting Commission aims to be one of the best places to work in Scotland and holds Living Wage Employer accreditation.



The Crofting Commission's permanent and fixed term contracted staff are civil servants and are therefore part of The Scottish Government's main collective bargaining unit for the determination of salary. The Scottish Living Wage as a gross salary equivalent is £17,894 and the lowest salary across The Scottish Government as at 31 March 2020 was £19,314. Staff on temporary employment contracts are paid at the equivalent gross salary rate as civil servants who are undertaking similar duties.

When a contract with the Crofting Commission is up for renewal or tender, participants are actively encouraged to consider implementing the Living Wage if they have not already done so. You can find more on the Living Wage here <https://www.livingwage.org.uk>

Pension Benefits

	Accrued pension at pension age as at 31/03/20 and related lump sum		Real increase in pension and related lump sum at pension age		CETV at 31/03/20	CETV at 31/03/19	Real increase in CETV as funded by employer
	£000		£000		£000	£000	£000
	Pension	Lump sum	Pension	Lump sum			
Chief Executive							
Bill Barron	35-40	105-110	0-2.5	5-7.5	849	775	36
Other senior staff							
David Findlay	5-10	N/A	0-2.5	N/A	82	61	12
Aaron Ramsay*	0-5	N/A	0-2.5	N/A	11	7	3
Jane Thomas	10-15	N/A	0-2.5	N/A	258	240	18
Joseph Kerr	15-20	50-55	0-2.5	0-2.5	408	374	16
John Toal	10-15	35-40	0-2.5	0-2.5	290	275	14
Heather Mack*	0-5	N/A	0-2.5	N/A	27	21	4
Mary Ross*	15-20	35-40	0-2.5	0-2.5	285	276	5

* Financial year valuation. A specific calculation from the date of being appointed to SMT is unavailable.

The Civil Service Pension Scheme are still assessing the impact of the McCloud judgement in relation to changes to benefits in 2015. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement. During the year, the Government announced that public sector pension schemes will be required to provide indexation on the Guaranteed Minimum Pension element of the pension. The Civil Service Pension Scheme has updated the methodology used to calculate CETV values as at 31 March 2020. The impact of the change in methodology is included within the reported real increase in CETV for the year.

Pay multiples

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

	2019/20	2018/19
Banded remuneration of highest-paid staff member	£70-£75k	£70-£75k
Median remuneration of workforce	£28,341	£27,398
Median ratio	2.6	2.6

In 2019/20 Nil (2018/19 Nil) employees received remuneration in excess of the Chief Executive. Remuneration (including the Chief Executive) ranged from salary bands £19,314 to £74,343 (2018/19 £18,392 to £71,381).

Unaudited

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase'

stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. 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 initial 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 for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out 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 Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider - Legal & General. 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 0.5% 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website
www.civilservicepensionscheme.org.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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 that is 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.

Audited

Staff Report

Staff Costs and Numbers

	Permanently employed staff £000	Board Members £000	Others £000	Total 2019/20 £000	Total 2018/19 £000
Salaries	1,488	95	-	1,583	1,465
Social security costs	145	2	-	147	135
Other pension costs	390	-	12*	402	285
Temporary staff	-	-	73	73	227
Total	2,023	97	85	2,205	2,112
				2019/20 £000	2018/19 £000
* Pensions paid to former Commissioners under "other pension costs"				12	12

There were no off-payroll arrangements for staff during 2019/20 (£nil 2018/19).

Average number of whole-time equivalent persons employed during the year

	2019/20		2018/19 (Restated)*	
	Directly employed staff	Others	Directly employed staff	Others
Directly employed: Permanent contract	42.88		42.28	
Directly employed: Fixed Term contract	5.46		2.67	
Temporary staff contract		2.1		6.3
Total	48.34	2.1	44.95	6.3

* See Note 1.1 on page 75.

Unaudited

Gender Note

	Males 31 March 2020	Females 31 March 2020	Males 31 March 2019	Females 31 March 2019
Commissioners	8	1	8	1
Chief Executive	1	-	1	-
Employees	18	36	18	41

Employee numbers include part time staff

The figures above are the total numbers of staff as at 31 March 2020 (including agency) not full-time equivalents

Sickness Absence

The Crofting Commission maintains oversight of its management of sickness absence through regular review of performance at Board and SMT level. Sickness absence is included as a key performance indicator in the Crofting Commission's quarterly performance reviews.

The purpose of this measure is to see whether improved working practises, more empowerment and better training is reflected in improved staff sickness levels due to a reduction in stress and anxiety in the workplace.

	2019/20 Crofting Commission	2018/19 Crofting Commission	2019/20 Scottish Government Comparative	2018/19 Scottish Government Comparative
Average working days lost per member of staff	18.4	7.2	8.1	7.6
Due to short-term absence	7.7	5.9	4.1	4.0
Due to long-term absence (periods of ≥ 21 days)	10.7	1.3	4.0	3.6

Our overall staff sickness levels have increased by an average of 11.2 days per person.

The Crofting Commission's SMT is monitoring the situation and working with Scottish Government HR where particular members of staff have breached certain parameters. The Crofting Commission is aware that several members of staff have been on long-term sick leave for much of the last 12 months, which has a disproportionate effect within a small organisation. Individual line managers are working with those affected and will identify whether there are any office-related issues arising from any particular individual's sick leave. This is reported back to the SMT who will identify whether it is necessary to make any changes to office practices.

Policies in Relation to Disabled Persons

As a Non-Departmental Public Body of The Scottish Government, the Crofting Commission follows relevant disability policy and adheres to the requirements of the Equality Act 2010.

Focus Upon Staff Wellbeing

The Crofting Commission's staff are essential to the successful delivery of its strategic objectives. We are committed to developing and retaining a motivated and skilled workforce. Open communication between the Board, SMT and staff is encouraged and as such, continuous engagement is vital to the long-term success of the organisation.

Staff Training

During the year we overhauled our approach to in-house training of staff in the regulatory team, requiring more experienced regulatory officers to set aside time for training their peers, and appointing an experienced regulatory assistant to specialise in training new entrants to the team. Training in the use of the Crofting Commission's bespoke IT systems is provided by a member of the IS team. External and other general training is coordinated by our local learning development and support officer. In addition, during the year we were grateful to receive the support of Bord Na Gaidhlig towards continuing classes in conversational Gaelic at a beginner or intermediate level, which have been regularly attended by a number of staff.

Staff Engagement Group (SEG)

The purpose of this working group is to discuss and resolve organisational issues that affect staff engagement, identifying issues and potential solutions which aid cultural changes leading to a positive working environment for all. Members of the Group are volunteers from all areas of the Crofting Commission and reflect a cross section of employment grades and length of service.

Employee Involvement

The Crofting Commission actively encourages feedback and communication from staff through a number of channels, including a SEG that meets monthly. A Crofting Commission Employee Survey was completed in April 2019 where staff were able

to provide their views and concerns in response to a range of questions. The following key points were identified as areas to address:

- Bullying and discrimination
- Internal communications
- Croft Information System software
- Change management
- Workload
- Culture of leadership
- Retention of staff
- Consistency of line management
- Training/Learning and Development

SEG discussions supported by further consultations with staff, helped develop a comprehensive action plan to improve these areas, much of which had been implemented by March 2020. In addition, these deliberations informed the drafting of the Crofting Commission's Workforce Plan. Both the staff survey action plan and Workforce Plan were shared with all staff in December 2019 and January 2020 retrospectively.

The SMT will continue to conduct staff surveys on a regular basis, but the one due for April 2020 was postponed as the start of lockdown was felt an inappropriate time to seek this kind of feedback for comparison with previous years.

The Crofting Commission continues to work constructively with the recognised trades unions and staff are well represented by Public Commercial Services Union (PCS) representatives who are based within Great Glen House. The SMT ensure that PCS representatives who work within the Crofting Commission are allocated sufficient time to fulfil their union responsibilities.

Equal Opportunities and Diversity Policies

The Crofting Commission undertakes to develop all staff and positively values the different perspectives and skills each brings to our work. Our Equality and Diversity Plan outlines our continued commitment to delivering our functions in a manner that encourages equal opportunities, and aims to eliminate unlawful discrimination and other conduct prohibited by equality legislation.

Parliamentary Accountability Disclosures

Unaudited

Losses and special payments

In accordance with the FReM, we are required to disclose losses and special payments above £250,000. During 2019/20 there were no losses or special payments within these criteria (2018/19: £nil).

Gifts and Charitable Donations

There were no gifts or charitable donations made during the year 2019/20 (2018/19: £nil).

Audited

Remote Contingent Liabilities

The Crofting Commission is required to report any liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability under IAS37. There are currently no remote contingent liabilities (2018/19: £nil).



Bill Barron

Chief Executive and Accountable Officer
Date 24 August 2020

Independent Auditor's Report

Independent auditor's report to the members of Crofting Commission, the Auditor General for Scotland, and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Crofting Commission for the year ended 31 March 2020 under the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007, the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007, the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2020 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and

- have been prepared in accordance with the requirements of the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007, the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is four years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be

expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears

to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007, the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit:

the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007, the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers; and

the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007, the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice,

we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

A handwritten signature in black ink, appearing to read "Pat Kenny".

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
Date 24 August 2020



**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**

Financial Statements 2019/20

The Financial Statements for the Crofting Commission, alongside supporting and explanatory notes.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2020

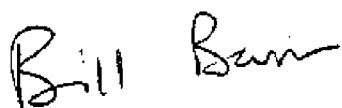
	Note	2020 £000	2019 £000
Staff costs	2	2,205	2,112
Depreciation and Amortisation	2,3,4	50	44
Other operating expenditure	2	552	630
Total operating expenditure		2,807	2,786
Net operating expenditure		2,807	2,786

The notes on pages 75 to 84 form an integral part of these accounts

Statement of Financial Position

as at 31 March 2020

	Note	2020 £000	2019 £000
Non-current assets:			
Information Technology Equipment	3	46	54
Intangible assets (Software)	4	59	82
Total non-current assets		105	136
Current assets			
Trade and other receivables	5	18	35
Cash and cash equivalents	6	118	103
Total current assets		136	138
Total assets		241	274
Current liabilities			
Trade and other payables	7	101	98
Other liabilities	7	73	60
Total current liabilities		174	158
Total assets less current liabilities		67	116
Taxpayers' equity			
General fund		67	116
Total equity		67	116



Bill Barron
Chief Executive and Accountable Officer
Date 24 August 2020

The Crofting Commission Board authorised these financial statements for issue on 24 August 2020

The notes on pages 75 to 84 form an integral part of these accounts

Statement of Cash Flows

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(2,807)	(2,786)
<hr/>			
Adjustment for non-cash transactions			
Depreciation and Amortisation	2,3,4	50	44
<hr/>			
Movements in working capital			
(increase)/decrease in trade and other receivables	5	17	8
Increase (decrease) in trade and other payables	7	16	64
Net cash outflow from operating activities		(2,724)	(2,670)
<hr/>			
Cash flows from investing activities			
Purchase of information technology equipment	3	(19)	(44)
Purchase of intangible assets	4	—	—
Net cash flow from investing activities		(19)	(44)
<hr/>			
Total cash outflows		(2,743)	(2,714)
<hr/>			
Cash flows from financing activities			
Grant-in-Aid		2,758	2,796
<hr/>			
Net (decrease)/increase in cash and cash equivalents		15	82
Cash & cash equivalents at the beginning of the period		103	21
Cash & cash equivalents at the end of the period		118	103

The notes on pages 75 to 84 form an integral part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2020

	General Fund £000
Balance at 1 April 2018	106
Grant-in-Aid	2,796
	2,902
Comprehensive net expenditure for the year	(2,786)
Balance at 31 March 2019	116
Balance at 1 April 2019	116
Grant-in-Aid	2,758
	2,874
Comprehensive net expenditure for the year	(2,807)
Balance at 31 March 2020	67

The notes on pages 75 to 84 form an integral part of these accounts.

Notes to the Financial Statements

1. Statement of accounting policies

The Crofters (Scotland) Act 1993, paragraph 19 of schedule 1 requires an annual statement of accounts to be prepared.

These financial statements have been prepared in compliance with the Accounts Direction (page 85) issued by Scottish Ministers and the 2019/20 Government's Financial Reporting Manual (FReM) issued by HM Treasury.

The FReM sets out the format of the annual accounts. Grant-in-Aid is included in the General Reserve in the Statement of Changes in Taxpayers' Equity rather than included in the Statement of Comprehensive Net Expenditure. All other income and expenditure is included in the Statement of Comprehensive Net Expenditure. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Crofting Commission for the purposes of giving a true and fair view has been selected. The particular policies adopted by Crofting Commission are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

The financial statements included in this report have been prepared on a going concern basis as the Accountable Officer considers the Crofting Commission to have adequate resources to continue in operational existence for the foreseeable future.

1.1 Change in accounting policy

The Crofting Commission has voluntarily revised its method for calculating the average number of whole-time persons employed during the year and now calculates the annual average based upon a monthly review of contracted hours. In prior years, this disclosure was calculated by identifying staff numbers in post as at the start and end of the year and averaging accordingly. The Crofting Commission has therefore restated the 2018/19 disclosure which previously reflected Permanent Contacts 39.16, Fixed Term Contract 7, and Temporary staff contracts 8. While the revision of this calculation has no effect on the financial statements it is anticipated that it will provide more meaningful data to the reader.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention.

1.3 Information Technology Equipment

Equipment represents Information technology hardware items with a cost of over £5,000. Where individual items cost less than £5,000, but where the class of asset in aggregate costs over £5,000, they are capitalised. In particular this applies to purchase of desktop and laptop PCs, servers, and associated hardware, which are depreciated over their useful economic lives, considered to be 3 years. Depreciation has been provided at a rate calculated to write off cost in equal annual instalments over the estimated useful lives of assets.

IT assets are carried at historical cost, which is used as a proxy for fair value.

1.4 Intangible assets

Intangible assets include purchased software licences and internally developed software both of which have a capitalisation threshold of £5,000. When capitalising internally generated intangible assets such as software, only directly attributable costs including staff costs and staff-related costs, are included, where it is deemed that the assets will generate future economic benefit in the way of savings or improvements to the internal processes. Intangible assets are valued at cost which is used as proxy for fair value. Amortisation has been provided at a rate calculated to write off cost in equal instalments over the estimated useful lives on assets.

Amortisation Policy:

Internally developed software 7 years
General operating system or application programme licences 3 years.

1.5 Value Added Tax

Irrecoverable VAT is included with the relevant costs and charged to the Statement of Comprehensive Net Expenditure in the period to which it is incurred.

1.6 Employee Benefits

Short-Term Employee Benefits

Salaries and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following year.

Pension Costs

Crofting Commission employees are civil servants who are entitled to be members of the Principal Civil Service Pension Scheme (PCSPS). PCSPS is an unfunded multi-employer defined benefit scheme in which the Crofting Commission is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme under the multi-employer exemption permitted in IAS 19 *Employee*

Benefits. A full actuarial valuation was carried out by HM Treasury during 2018 which incurred an increase to employer pension contributions which came into force from 1 April 2019. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk)

Further pension details can be found in the remuneration report on pages 60 to 61.

1.7 Trade Receivables

Where income has been recognised but settlement in cash has not taken place, a debtor is recorded on the Statement of Financial Position.

1.8 Trade Payables

Where expenditure has been recognised but settlement in cash has not taken place, a creditor is recorded on the Statement of Financial Position.

1.9 Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash with the bank.

1.10 Grant-in-Aid

The Crofting Commission receives Grant-in-Aid from The Scottish Government to finance its net expenditure. Grant-in-Aid is credited to the general reserve in the period in which it is received. The net cost of the Crofting Commission is charged to this fund.

1.11 Provisions

The Crofting Commission provides for legal or constructive obligations that are of uncertain timing or amount at the statement of financial position date on the best estimate of the expenditure likely to be required to settle the obligation.

1.12 Contingent Liabilities

Contingent liabilities are recognised in respect of: possible obligations arising from past events whose existence will be confirmed by the occurrence of uncertain future events outwith the Crofting Commission's control or present obligations arising from past events where it is

possible, but not probable, that resources will be required to settle the obligation or it is not possible to measure it reliably.

1.13 Third Party Assets

Assets belonging to third parties (such as funds collected on behalf and for forwarding to another agency) are not recognised in the accounts since the Crofting Commission has no beneficial interest in them. However, they are disclosed in a separate note (note 10) to the accounts in accordance with the requirements of the Government's Financial Reporting Manual.

1.14 Adoption of New and Revised Accounting Standards

a) Standards, amendments and interpretations effective in the current year

In the current year, the Crofting Commission has applied a number of amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- IFRIC 23: Uncertainty over Income Tax Treatment
- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015-2017 Cycle

b) Standards, amendments and interpretations early adopted this year

There are no new standards, amendments or interpretations early adopted this year.

c) Standards, amendments and interpretations issued but not adopted this year

At the date of authorisation of these financial statements, the Crofting Commission has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 16: Leases – HM Treasury have agreed to defer implementation until 1 April 2021

- IFRS 17: Insurance Contracts – applicable for periods beginning on or after 1 January 2021. Not yet endorsed for use in the EU.
- Amendments to References to the Conceptual Framework in IFRS Standards – applicable for period beginning on or after 1 January 2020
- Amendments to IAS 1 and IAS 8 (Definition of Material) – applicable for periods beginning on or after 1 January 2020
- Amendments to IFRS 9, IAS 29 and IFRS 7 (Interest Rate Benchmark Reform) – applicable for periods beginning on or after 1 January 2020
- Amendment to IAS 1 (Classification of Liabilities as Current or Non-Current) – applicable for periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.

The Crofting Commission does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods, except as noted below.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual from 1 April 2021.

IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, the Crofting Commission has elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. At the point of transition, any existing finance leases will continue to be classified as leases, while any existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future years, new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets

recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right of-use assets which represent the Crofting Commission's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the Crofting Commission does expect the implementation of this standard to have a material impact on the financial statements.

1.15 Critical Accounting Judgements and Key Sources of Estimation

In the application of the Crofting Commission's accounting policies as described in Note 1, the Accountable Officer is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Rewritten: Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The Crofting Commission is aware of a small number of live or potential appeals to the Land Court and Court of Session which might, depending on the Court's decisions, lead to costs being awarded against the Crofting Commission. The likelihood of appeals and the amounts of any resulting liabilities cannot be estimated with certainty, but the overall potential liability estimated by the Crofting Commission is sufficient to require a contingent liability to be recorded.

Other than the above, the Accountable Officer does not consider there to be any sources of estimation uncertainty requiring disclosure.

Judgements

There are no critical accounting judgements requiring disclosure beyond application of the policies above. While judgement is exercised in the determination of the level of depreciation and amortisation to recognise on IT equipment and software, the recognition of trade and other receivables, the recognition of trade and other payables and the recognition of other liabilities, these judgements are in line with standard practice and are not considered critical given the immaterial size of the amounts involved. There would be no material impact from the application of alternative judgement in any of these areas.

2. Expenditure

	2020 £000	2019 £000
Board Member and Staff Costs		
Salaries	1,583	1,465
Social security costs	147	135
Other pension costs	402	285
Temporary Staff	73	227
Total of staff costs	2,205	2,112
Other operating expenditure		
Accommodation expenses	185	167
Information systems & telecommunications	101	103
Training	7	26
Communication	58	60
Regulatory advertising expenses	39	40
Assessors' conference & travel expenses	1	7
Travel & subsistence - staff	19	28
Travel & subsistence - Commissioners	32	23
Legal fees	14	8
External Auditor's remuneration	18	19
Internal Auditor's remuneration	14	19
Other running costs	64	130
Total of other operating expenditure	552	630
Non-cash items		
Depreciation	27	18
Amortisation	23	26
Total of Non-cash items	50	44
Overall total	2,807	2,786

3. Information Technology Equipment

	£000
Cost	
1 April 2018	180
Additions	44
Disposals	-
31 March 2019	224
Depreciation	
1 April 2018	(152)
Charged in year	(18)
Disposals	-
31 March 2019	(170)
Net book value at	
31 March 2018	28
31 March 2019	54
Cost	
1 April 2019	224
Additions	19
Disposals	-
31 March 2020	243
Depreciation	
1 April 2019	(170)
Charged in year	(27)
Disposals	-
31 March 2020	(197)
Carrying value at	
31 March 2019	54
31 March 2020	46
Asset Financing:	
Owned	46
Carrying value at 31 March 2020	46

4. Intangible assets - Software

	£000
Cost	
1 April 2018	160
Additions	—
Disposals	—
31 March 2019	160
Amortisation	
1 April 2018	(52)
Charged in year	(26)
Disposals	—
31 March 2019	(78)
Net book value at	
31 March 2018	108
31 March 2019	82
Cost	
1 April 2019	160
Additions	—
Disposals	(14)
31 March 2020	146
Amortisation	
1 April 2019	(78)
Charged in year	(23)
Disposals	14
31 March 2020	(87)
Carrying value at	
31 March 2019	82
31 March 2020	59
Asset Financing:	
Owned	59
Carrying value at 31 March 2020	59

5. Trade receivables, Financial and other assets

Amounts falling due within one year:

	2020 £000	2019 £000
Prepayments	18	35
Total	18	35

6. Cash and cash equivalents

	2020 £000	2019 £000
Balance at 1 April	103	21
Net change in cash & cash equivalents	15	82
Balance at 31 March	118	103
The following balances at 31 March were held with the Government Banking Service	118	103
Balance at 31 March	118	103

7. Trade payables and other current liabilities

Amounts falling due within one year:

	2020 £000	2019 £000
Other Tax and Social Security	73	60
Trade Payables	14	27
Accruals	87	71
Total	174	158

8. Related party transactions

The Crofting Commission is an NDPB sponsored by The Scottish Government. The Scottish Government is responsible for providing the statutory framework within which the Crofting Commission operates.

The Scottish Government's Agriculture and Rural Economy Directorate (the Sponsor Directorate) and the Crofting Commission had significant financial transactions during the year. Financial transactions with the Directorate comprised Grant-in-Aid of £2,758,000 (2018/19 £2,796,125) as disclosed in the Statement of Changes in Taxpayers Equity statement on page 74.

There have been no other transactions with related parties.

9. Financial instruments

Financial assets and financial liabilities are recognised when the Crofting Commission becomes party to the contractual provision of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). The Crofting Commission only have financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

For normal operating purposes, the Crofting Commission holds no cash or cash-equivalent balances other than those required to pay current creditors – salaries and trade creditors. The Crofting Commission's financial assets consist primarily of cash at bank.

Cash authorisation is provided by The Scottish Government to the extent that expenditure is covered by budget authority. The Crofting Commission is not therefore exposed to liquidity risks.

The Crofting Commission does not have any material debtors and is therefore not exposed to credit risk. Similarly, the Crofting Commission transacts in fixed terms in Sterling only and is not exposed to market risk.

10. Third party assets

Assets held at 31 March to which a monetary value can be assigned:

	2020 £000	2019 £000
Bank balance –	71	57
Registers of Scotland		
Third party funds in transit*	26	40
Total monetary assets	97	97

Third party funds in transit are funds which, at the year-end, have been received but not lodged into a bank account due to the fact that the competency of the application for registration in the Registers of Scotland Crofting Register is still pending determination.

11. Contingent liabilities

The Crofting Commission was successful in having an appeal in respect of four section 50B cases dismissed by the Land Court. The Land Court's decisions were appealed to the Inner House of the Court of Session. The Inner House will decide on the expenses of the matter in due course depending on the outcome of the appeals. The current best estimate of the contingent liability, considering all relevant information including professional experience and legal advice, is £45,000. However, there is a high degree of uncertainty attached to this estimate given that the Crofting Commission has no information about the costs incurred by the appellants nor can it predict the view that the Court of Session will take about the decision itself or the apportionment of any costs.

The Scottish Government has confirmed that were there to be any awards against the Crofting Commission, that The Scottish Government would consider reimbursing the Crofting Commission for these costs and so there could be a net £nil financial impact for the Crofting Commission.

Although there are uncertainties around the timing of the completion of any pending cases, it is anticipated that this matter will be settled in 2020/21.

As this potential obligation would arise only as a result of a future decision of the Court of Session, which is outwith the Crofting Commission's control, this has been disclosed as a contingent liability.

12 Events After the Reporting Period

An appeal under section 50B of the Crofters (Scotland) Act 1993 and section 1(7) of the Scottish Land Court Act 1993 in respect of a decision of the Scottish Land Court (SLC) regarding a section 50B decision by the Crofting Commission was heard by the Inner House of the Court of Session on 2 July 2020. On 19 August 2020 the Crofting Commission was advised that the decision of the SLC was sustained. As the Inner House will decide on the judicial expenses of the matter in due course no adjustments have been within these financial statements.



THE CROFTING COMMISSION

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with paragraph 19 of Schedule 1 to the Crofters (Scotland) Act 1993, as amended, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2013, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

A handwritten signature in black ink, appearing to read "JCB".

Dated 26/10/12

Glossary of Financial Terms

Full definitions are available in the Financial Reporting Manual (FReM)

Accruals basis

The Crofting Commission's accounts are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts when incurred or earned – not when the money is received or paid.

Amortisation

Similar to depreciation but applied to intangible assets i.e. the measure of the value of an asset used during the year.

Assets

Something that the Crofting Commission owns or uses eg, IT Equipment or software rights.

Capital expenditure

Spending on non-current assets.

Cash Flow

The movement of cash through the Crofting Commission, contrasting with accrued income and expenditure.

Contingent liability

A potential liability that may occur, depending on the outcome of an uncertain future event. A contingent liability is recorded in the accounting records if the contingency is probable and the amount of the liability can be reasonably estimated.

Current assets

An asset that is expected to be converted to cash within the next 12 months.

Current liability

A liability that is expected to be settled within the next 12 months.

Deficit

Where expenditure exceeds income in an accounting period.

Depreciation

The measure of the value of an IT asset used during the year.

FReM

Financial Reporting Manual issued by HM Treasury.

Going concern basis

Financial statements are prepared on this basis assuming that the Crofting Commission will continue operating into the foreseeable future.

Grant-in-Aid

Funding received from The Scottish Government.

Intangible assets

An asset, such as a right to use software, that cannot be touched.

Liability

A debt owed by the Crofting Commission to another entity.

Prepayments

An amount paid for in advance such as software licences. Initially recognised as an asset, then transferred to expense in the period when the benefit is enjoyed.

Provision

Liability of uncertain timing or amount.

Taxpayers' equity

The net assets of the Crofting Commission.

Trade payables

Amounts due for payment to suppliers of goods and services.

Trade receivables

Amounts due from third parties.