



**CROFTING COMMISSION**  
**COIMISEAN NA CROITEARACHD**



# Crofting Commission

Annual Report & Accounts  
2018/19

Crofting Commission Annual Report 2018/19

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 seventh Annual Report and Accounts of the Crofting Commission covering the year 2018/19.

Yours sincerely



Rod Mackenzie, Convener



Bill Barron, Chief Executive

SG/2019/114



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**CROFTING COMMISSION**  
**COIMISEAN NA CROITEARACHD**

# Performance Report

This section provides a review of the work of the Crofting Commission in 2018/19, including analysis of our delivery and performance and our position at the end of the year.

# Convener's Foreword

I am pleased to present the Crofting Commission's Annual Report for the financial year of 2018/19. In some respects, it has been a difficult year, because of the backlog of casework which built up during the summer of 2018.



Rod Mackenzie

The Chief Executive reports more fully on this in his Overview, but I should like to record the Board's thanks to the crofter applicants, their agents and their solicitors, for their patience, and also our thanks to the staff of the Crofting Commission for their hard work in maintaining services, during a very pressured period for all concerned.

Crofters are required by law to provide certain information by completing an annual return, or 'census', which the Commission issues at the end of each calendar year. In the 2018 census exercise, we invited crofters to complete an additional page giving more details about the types of activity on their croft and other matters such as succession planning and croft diversification. I am very grateful to everyone who completed these additional questions, which have provided us with a very informative snapshot of our sector. Our survey showed that crofting activities are alive and well across our sector. Crofting contributes many benefits, not all

financial, to the crofting counties and it is good for this contribution to be quantified and recognised.

It has been and will continue to be a top priority for the current Board of the Commission to expand our work of supporting compliance with crofters' duties to reside on or near their croft, and to cultivate it or put it to another purposeful use. Our residency and land use team expanded its work this year, writing to all those who had reported that they were not fulfilling their residency duty, explaining the ways this can be resolved. I am grateful to everyone who responded positively to these letters, whether by taking up residency themselves, applying for an assignation or sublet, or applying for formal permission to be absent for a time. Thankfully, it is only a minority of cases where the Commission must take further action.

In the coming year we plan to widen the residency and land use work further, by contacting some of those who have not responded to the census, and – with the help of our Assessors – by working with



crofters who, though resident, are not making use of their croft. The Commission can guide people in this position to find a solution, but as the final resort the Act gives us the responsibility to ensure that crofts are in the hands of those who will fulfil the duties.

During the year, we also expanded the work of our grazings team, who work with grazings committees to help address any issues that have arisen in their township. Across the year, the grazings team were in touch with 50 townships in this way. They also produced a substantial package of guidance about common grazings, which we published in February 2019. This guidance draws on their experience of working with townships, and is designed to clarify the requirements of legislation, and general good practice, in grazings matters. There are over 400 active grazings committees across the crofting counties and I am very grateful for the work they put in, to support their townships and crofting agriculture.

The Board will continue to prioritise communicating openly and being accessible to all crofters. During the year we released a series of videos and began production of a further series. Board members took turns to contribute to the Commission's blog and to write articles for crofting magazines and newspapers. And we made ourselves available, at several shows in the summer, and at public meetings in Caithness, Orkney, Shetland, Skye

and Benbecula during the darker months.

Commissioners welcome contacts from individual crofters, whether it is about a regulatory process or about the future of crofting. In the coming year we will be thinking about how to contribute to the Government's proposed long-term development of crofting ('Phase 2' of their legislative reform), and it is extremely important that we know what crofters are thinking. Please make contact with any of the Commissioners, our contact details are on the Commission's website.

On behalf of the Board, I would like to thank the staff and management of the Commission for all their hard work and dedication over the past year. We are also most grateful to the Cabinet Secretary for the Rural Economy, Fergus Ewing, to other members of the Scottish Parliament, and to the Scottish Government for their continued support.

Finally, I would like to thank my fellow Board members for their own commitment and enthusiasm. Most of us are now in our third year at the Commission, and I believe that the Board's willingness to work with each other and to tackle the issues facing crofting and the Commission, stands us in very good stead for the future.



**Rod Mackenzie, Convener**



# Chief Executive's Overview

2018/19 was the second year of the current elected Commissioners' terms of office, and we continued to deliver the priorities the Board established for the organisation in 2017.



As the Convener's Foreword has highlighted, 2018/19 presented us with significant operational challenges. In Summer of 2018 a backlog of regulatory applications built up, for a variety of reasons including turnover of experienced staff. Our sustained efforts to resolve this are borne out by the substantial increase in the number of cases we processed (whether to approval or refusal) during the year. Nevertheless, I acknowledge that across much of the past year, the timescales for responding to regulatory applications should have been better. The performance measures recorded in this annual report show the deterioration in response times that occurred as a result, as well as the consequences for staff morale and engagement.

In 2019/20 it will be a top priority to seek further recovery and overall improvement to operational response times, while other priorities will include giving careful consideration to the long-term future

of crofting in our consideration of the Scottish Government's Phase 2 discussions of crofting legislation.

2018/19 was also a busy year for enhancing our governance arrangements and controls. Along with other public sector organisations across Scotland, we prepared for and secured implementation of the General Data Protection Regulation (GDPR), which came into force in May 2018, and of the Scottish Government's requirements for Cyber Resilience, with our Cyber Essentials accreditation achieved in October 2018. My thanks to our Compliance team and Information Services team for guiding the organisation through these changes, and to all the staff who have actively collaborated on delivering them.

Other improvements to our governance arrangements were a review of our five-year



Corporate Plan, to reflect more closely the priorities of the current Board; and a reconsideration of our approach to risk management. Both resulted from wide ranging discussions between the Board and managers of the Commission. Our new approach to risk has been welcomed by Commissioners and auditors. It involves a short Strategic Risk Register which focuses on risks to achievement of our main objectives, supplemented by a bottom-up Operational Risk Register with which we scan and manage a wider variety of risks to our organisation.

In June 2018 the Board met with Cabinet Secretary Fergus Ewing, to discuss in particular how the Commission can better fulfil its statutory role of promoting crofting. We see our work on residency and land use and on grazings as integral to the promotion of crofting, and also our advice to the Scottish Government on matters such as the Phase 1 reform of crofting legislation, which has been a major focus of our work in 2018/19. In addition, we published a report on crofting support which we had commissioned from Gwyn Jones of the European Forum on Nature Conservation and Pastoralism, which we hope will inform the Scottish debate about the future of support.

The Cabinet Secretary encouraged us to develop closer links with Highlands and Islands Enterprise (HIE), and in the succeeding months we met with

HIE twice at Board level, sharing our perspectives on the needs of crofting within the Highlands and Islands, and agreeing to collaborate on matters of mutual interest.

We have also re-examined our working arrangements with the Highland Council Planning Authority. The Crofting Commission is a statutory consultee for planning applications, and we are grateful to the Council for highlighting to us those planning applications where crofting questions are likely to be central to the decision. The Commission's role is to provide comment from a crofting perspective, while of course the decisions are a matter for the respective Planning Authority.

The following sections of this report provide a broader snapshot of our activities over the year, together with full financial information. I would like to take this opportunity to thank all of our staff, Board Members and Assessors, the Scottish Government and other partners for their continued support. I owe particular thanks to my former deputy Donna Smith, whose eight years at the Commission ended in March 2019 when she left to set up a consultancy business.



Bill Barron, Chief Executive



## Who we are

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 Commission is a Non Departmental Public Body (NDPB) which operates on a day-to-day basis independently of the Government, but for which Scottish Ministers are ultimately responsible.



## 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.



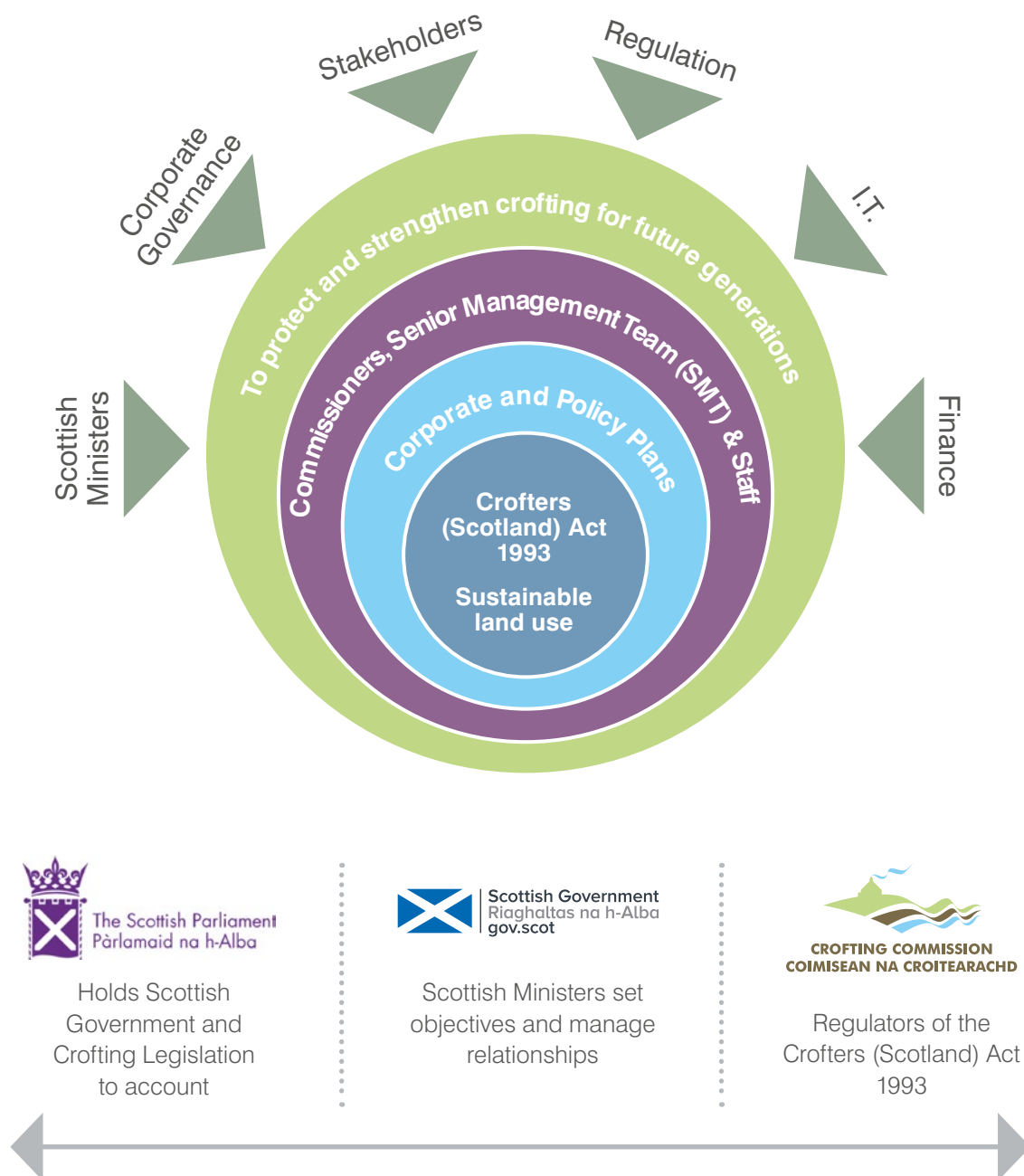
## Organisational values

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.

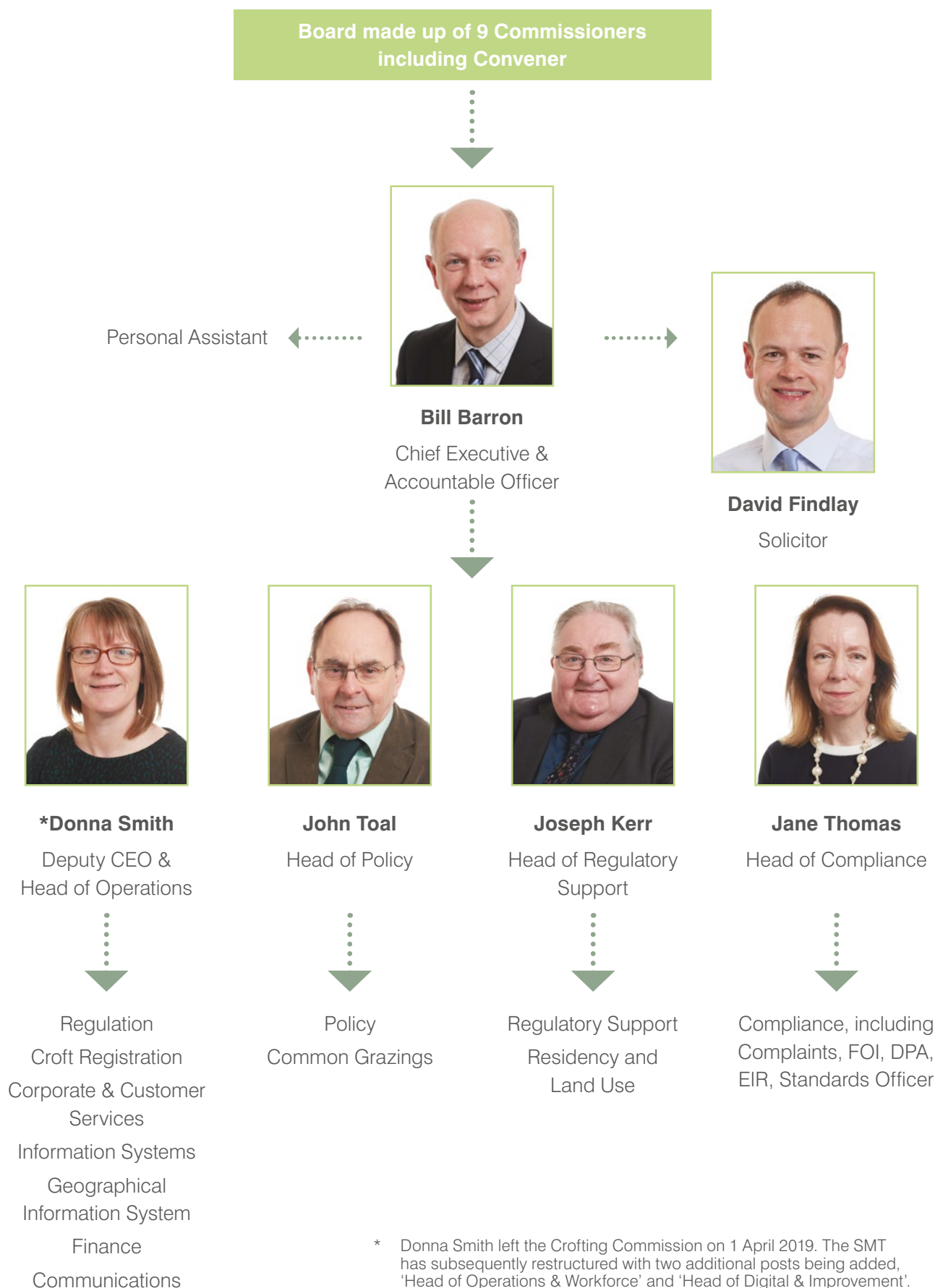
- Caring for crofting communities and environment
- Positive teamwork
- Commitment to service quality and improvement
- Encourage staff and Commissioner development
- Being fair and impartial

# Business Model

The Crofting Commission's principal functions are regulating crofting, re-organising crofting, promoting the interests of crofting and keeping under review matters relating to crofting. The Crofters (Scotland) Act 1993 also places a duty on the Commission to investigate reports of breaches of duty by tenants and owner-occupier crofters. It can advise Scottish Ministers on matters relating to crofting and it also collaborates with other bodies for the economic development and social improvement of the crofting counties. The following show the elements that affect the main functions of the organisation.



# Organisational Structure



# Objectives and Strategies

The outcomes of the Crofting Commission's Corporate Plan are aligned with those of others in the public sector to bring about delivery of the Scottish Government's National Outcomes contained in the new National Performance Framework. We believe that we contribute to 4 of the National Outcomes as summarised below. A copy of our Corporate Plan can be found at [www.crofting.scotland.gov.uk/about-us](http://www.crofting.scotland.gov.uk/about-us)

National Outcomes	Crofting Commission Outcomes	How we contribute
<b>We value, enjoy, protect and enhance our environment.</b>	One	We recognise the potential that lies within crofts and common grazings and we believe that by ensuring crofts are well managed and by facilitating development of crofts and common grazings through our decision making, we can enable an increase in productive use of croft land for a diverse range of activities.
	Two	
	Three	We acknowledge the detrimental impact that unworked crofts have on the well-being and productiveness of crofting communities and the land they occupy. By working with crofters to ensure they are fulfilling their duties in relation to cultivating and maintaining the land and working to increase the number of grazings committees in office, we can contribute to better land management across the crofting counties.
	Four	
	Six	
<b>We live in communities that are inclusive, empowered, resilient and safe.</b>	One	We understand that crofts without a resident crofter or crofter family can create holes in communities which can have far-reaching impacts and through the use of information from the crofting census, we will take action on residency and make a contribution to maintaining sustainable communities. In addition, we will work with communities to help them understand the value of croft land as an asset and encourage more grazings committees into office to help fulfil the land's potential through better management of shared assets.
	Two	
<b>We have a globally competitive, entrepreneurial, inclusive and sustainable economy.</b>	One	We recognise the potential within croft land to support local food and drink production, and also within common grazings to support renewable energy and carbon reduction and we will be mindful of this through our decision making, enabling use of crofting assets to support these industries. Within the organisation, we will ensure that our working practices are mindful of our carbon footprint and energy consumption and will progress changes to reduce these.
	Two	
	Four	
	Five	
<b>We respect, protect and fulfil human rights and live free from discrimination.</b>	Three	By providing evidence based information to Scottish Ministers and working with other crofting stakeholders, the Commission has a vital role in ensuring that the legislation and policies regarding crofting are fit for purpose both now and in the future. Further, by ensuring that our workforce are high performing and that the organisation operates in a straightforward and transparent way through process review and change, we can deliver significant improvements in service to the people of Scotland.
	Four	
	Five	

# Key Risks and Issues that we face

Risk management is very important to the Crofting Commission. Our Board of Commissioners agreed to adopt twin risk registers: a 'Strategic' risk register, which would allow the Board to focus directly on risks to the achievement of its top objectives; and an 'Operational' risk register to scan a wider range of risks that might impact the organisation.

The Commission has considered the possible impacts of Brexit, but it is unlikely that any form of Brexit would have a direct impact on the way the Commission operates. However, the Commission is very concerned about the impacts that Brexit could have on the crofting sector itself.

The Strategic risk register is presented to Board 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 for the Commission as set out in the Corporate Plan, 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 the five top objectives and actions planned to minimise the risk are detailed in the table opposite.



Corporate Plan Outcome	Risk Description	Action Taken
<b>Crofts are occupied and managed</b>	Not enough momentum and political will can be gained to see an improvement, and/or an increase in legal challenges slows process.	<ul style="list-style-type: none"> <li>• Systematic approach for dealing with those who confirm through the census that they are in breach of duties</li> <li>• Proactive work with landlords to improve occupancy on their estate</li> <li>• Work in collaboration with the FONE initiative</li> </ul>
<b>Common grazings are regulated and shared management practices are encouraged</b>	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"> <li>• Template grazings regulations made available</li> <li>• Grazings guidance published February 2019</li> <li>• Direct support provided to grazings committees/ townships that encounter problems</li> <li>• Support and encouragement to get grazings committees back into office</li> </ul>
<b>Crofting is regulated in a fair, efficient and effective way.</b>	Volume and complexity of casework exceeds Crofting Commission's ability to deliver high standards of customer service.	<ul style="list-style-type: none"> <li>• Provision of Register of Crofts Online</li> <li>• Ongoing process reviews</li> <li>• Monitoring of turnaround times through KPI quarterly report to provide early warning of issues</li> <li>• Regular Financial Forecasting which includes scenario planning for future</li> </ul>
<b>We inform and support the future of active crofting</b>	Conflicts arise due to clash between the crofting system, the modern environment and economy and different stakeholder agendas.	<ul style="list-style-type: none"> <li>• Crofting Commission closely involved in Phase 1 Crofting Bill discussions</li> <li>• New working relationship with HIE in early stages</li> <li>• Regular meetings between Convener/CEO and key stakeholders</li> <li>• Participation in Cross Party Group on Crofting and Crofting Stakeholder Forum</li> <li>• Web presence and videos.</li> </ul>
<b>Our workforce have the right skills and motivation to perform well and our governance processes are best practice.</b>	Inability to recruit and/or retain good/experienced staff, because of budget constraints or for other reasons.	<ul style="list-style-type: none"> <li>• Prompt recruitment when necessary to fill posts.</li> </ul>

# Financial Summary 2018/19

The 2018/19 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 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 78. They were prepared on a going concern basis, which means the Commission intends to continue its business for the foreseeable future and is able to do so. The Commission operated within its budget allocation for the reporting year. The financial position of the Commission for the reporting year reflected total expenditure of £2.786M (2017/18 £2.780M) which was solely funded by The Scottish Government. Further detail on financial performance is provided within our Performance Analysis on page 35.



# Performance Indicators

For the year 2018/19 the Crofting Commission measured its performance against the strategic objectives given in the 2017-2022 Corporate Plan, using 8 Key Performance Indicators. They have been carefully chosen to reflect the outcomes that matter most to the organisation and its stakeholders and cover all the major areas of the Commission's remit.

High Level Performance Indicators	Objective	Overall Success
Number of occupied crofts	Increase	The number of crofters resident on or within 32km of their croft remained static at 87%
Number of actively managed crofts	Increase	Actively managed crofts fell from 90% in 2017/18 to 82% in 2018/19
Number of regulated grazings with committee in office	Increase	The number of common grazings committees in office fell from 463 in 2017/18 to 418 in 2018/19
Number of common grazings registered on Crofting Register	Increase	There was an increase of one common grazings registered on the Crofting Register during the year.
Regulatory application turnaround times	Decrease	The median turnaround times increased in 2018/19 due to the severe backlog in summer 2018.
Customer satisfaction rates	Increase	No measure as yet
Staff engagement rating	Increase	Staff engagement rating fell from 53.38% in March 2018 to 50.9% in March 2019.
Corporate carbon emissions from travel	Decrease	The corporate carbon emissions generated by the Commission increased from 12 tCO <sub>2</sub> e to 18 tCO <sub>2</sub> e.

## Key



**Achieved**



**Partially Achieved**



**Not Achieved**

In 2019, the Commission took a decision to revise its Corporate Plan for the period to 2022, to reflect more closely the priorities of the current Board. As part of this revision, some of the Performance Measures are to be revised, and future Annual Reports will report progress against the new set of indicators. Of the 8 indicators in the table above, the first two are to be replaced with indicators that can be more reliably measured; and the fourth is to be dropped.

# Performance Summary 2018/19

In the Crofting Commission Business Plan for 2018/19, we identified various key milestones that we wanted to achieve that would help us work towards delivery of our Corporate Outcomes and we have made significant progress with these. We also set some performance improvement targets against each and report below which of these we achieved.

OUTCOME 1: CROFTS ARE OCCUPIED AND MANAGED	
<b>Write to census respondents who have advised they are in breach</b>	We wrote to all census respondents who either advised us for the first time that they were in breach of their duties, or that they were continuing to be in breach and advised them of their options. We continue to work with those we have contacted to resolve their position.
<b>Review the status of all owned crofts to clarify the status</b>	Work was done to review the status of owned crofts in order to clarify between Owner-Occupier Crofters, Owner-Occupiers of a Vacant Croft, Landlords of Tenanted Crofts and Landlords of Vacant Crofts.
<b>Introduce systematic approach to escalating crofts vacancies and unresolved successions</b>	We introduced a procedure whereby succession cases unresolved for 3 years are escalated to the Residency and Land Use team for action. We will develop similar procedures for other circumstances.
<b>Support and assist the FONE scheme to include opportunities on selected crofts</b>	We developed arrangements to make vacant crofts available to the FONE scheme, and the first 3 vacant crofts – from Scottish Government estates - have been made available.
OUTCOME 2: COMMON GRAZINGS ARE REGULATED AND SHARED MANAGEMENT PRACTICES ARE THE NORM	
<b>Promote online template for Common Grazings Committees</b>	The availability of these templates has, and will continue to be highlighted to communities who might need to use them.
<b>Publish guidance on best practice for Common Grazings Committees</b>	New comprehensive guidance was published in February 2019.
<b>Increase face to face meetings with Common Grazings Committees</b>	Members of the Grazings Team have taken part in visits to communities where the issues cannot easily be resolved through correspondence.

OUTCOME 3: CROFTING IS REGULATED IN A FAIR, EFFICIENT AND EFFECTIVE WAY	
<b>Introduction of monthly workflow management stats to be reviewed by SMT</b>	A backlog of work over the summer triggered weekly monitoring of workloads which have continued throughout the year. These are not yet formally presented in a standing item report to SMT, but there are general discussions about them on a regular basis.
<b>Release of video clips explaining key issues</b>	A series of videos were launched through social media channels in August 2018 and were well received. Further videos are planned for release in 2019/20.
<b>Launch enhanced Register of Crofts online</b>	Decrofting directions are being prepared for addition to the ROC Online once data and technical issues are resolved.
<b>Launch enhanced customer contact page and applications received on website</b>	A redeveloped customer contact page was launched in January 2019 which provides concise pointers to information that can be found on the website, and also making clear what the Commission is not responsible for.
<b>Online applications development</b>	Extensive user requirements definition has been undertaken for this development to be progressed.
OUTCOME 4: WE WORK WITH STAKEHOLDERS TO INFORM AND SUPPORT THE FUTURE OF ACTIVE CROFTING	
<b>Publish new research on Support for Crofting</b>	A report was published by the Commission in July 2018, outlining some of the background and current issues related to financial support for crofting.
<b>Working with Highlands and Islands Enterprise (HIE)</b>	The Convener, two Commissioners and the CEO attended a HIE Board meeting in October 2018 to start discussions on how the two organisations could work closer together in relation to crofting. This work is continuing.
<b>Strategic planning issues</b>	The CEO met with Highland Council Planning Authority in November 2018 to discuss how a more strategic approach could be taken in relation to Crofting Commission input to the planning process.
<b>Crofting survey</b>	An additional, optional survey was issued with the Crofting Census in January 2019 to collect more general information about each croft and where crofters are getting their advice and help from. This information will be used to inform future discussions of the Commission.
<b>Establish focus group of Assessors to discuss key topics</b>	Several Assessors have agreed to take part in Residency and Land Use work or discussions about the reform of crofting legislation.
<b>Identify key issues to feed into Scottish Government led discussions on Phase 2 of future crofting legislation</b>	This work has begun and will continue throughout the coming year.

## OUTCOME 5: OUR WORKFORCE HAVE THE RIGHT SKILLS AND MOTIVATION TO PERFORM WELL, OUR GOVERNANCE PROCESSES ARE BEST PRACTICE

<b>GDPR Implementation</b>	Significant work was undertaken to ensure our readiness for compliance with GDPR from 25 May 2018, with policies and procedures being reviewed and staff training taking place. Since then we continue to embed awareness and improve our procedures on an ongoing basis.
<b>Review staff induction process</b>	A comprehensive review of our induction process was undertaken to ensure it was still fit for purpose and up to date. A new version was launched in June 2018.
<b>Workforce Plan</b>	A new workforce plan was developed in January 2019 which will inform training, succession planning and recruitment policies in the future.
<b>Cyber Essentials accreditation</b>	The Commission achieved its Cyber Essential accreditation in October 2018 in line with Scottish Government's expectations.

## OUTCOME 6: WE REDUCE OUR IMPACT ON THE ENVIRONMENT

<b>Implementation of electronic board papers</b>	Trials of an electronic approach took place at January's Audit and Finance Committee meeting and February and March 2019 boards with positive results.
<b>Migration to the cloud</b>	Migration of file storage to the cloud took place during December 2018 – March 2019.





# Performance Analysis

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. The backlog experienced from summer 2018 affected performance turnaround times and almost certainly on staff engagement as well.

## Operational Performance for 2018/19

### Corporate and Business Plan Outcome 1: CROFTS ARE OCCUPIED AND MANAGED

Measure	Target	Result	
Improve occupancy & residency on crofts with each private estate who engages in work with the Commission.	An increase in occupancy	We have given slightly lower priority to this work but have continued to work with South Uist Estates, Ardfin Estate (Jura), Corpach & Banavie and Fearann Eilean Iarmain (Isle of Skye) and Rum with the aim to improve occupancy & residency on the crofts and have achieved some success already but this work will continue. In Corpach & Banavie we let a number of deemed crofts, we let a vacant croft in Rum and have received 2 applications to let crofts in Jura. We have also been in liaison with a non-crofting estate in Skye with a view to receiving applications to create 6 new crofts under section 3A of the 1993 Act during the course of the year.	
A reduction in the time taken to let a vacant croft where Commission has terminated the tenancy.	90% within 6 months.	No new cases have progressed to this point, where the 6-month target would have applied. However, the Commission held meetings in the crofting communities to resolve longstanding cases, and 8 different crofters obtained crofts through a selection procedure. 2 crofts were let in Lewis, 1 in Barra, 1 in Bernera, 1 in Harris, 1 in Sanna, and 2 in Highland mainland.	N/A
Increase enforcement action against 2017 census respondents who have been in breach of their residency duty for one or more census returns	Increase in RALU Team enforcement activity	The RALU Team developed new ways of enforcing duties, see page 27. We identified 11 crofts in the Western Isles which were either vacant or the subject of long term unresolved successions. 5 of these have since been resolved and the remaining cases have the opportunity to be part of the FONE programme.	

#### Key



Achieved




Partially Achieved




Not Achieved


### Corporate and Business Plan Outcome 2 – COMMON GRAZINGS ARE REGULATED AND SHARED MANAGEMENT PRACTICES ARE THE NORM

Measure	Target	Result	
More common grazings adopting the new template	Commission approvals of new regulations submitted by Committees based on the template	During the year, 10 Grazings Committees submitted draft regulations using the new template, and by 31 March 2019 four of these had been approved by the Commission.	
More meetings or other substantial communications with representatives of crofting communities to support them with active grazings management	Substantial communications with grazings committees/townships	The grazings team had substantial engagement with 50 crofting communities about grazings issues during the course of the year, a significant increase on the comparable activity in 2017/18.	


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

Measure	Target	Result	
A reduction in the number of general enquiries received	10% reduction, to 3,048	The number of general enquiries fell by 27%, to 2,459, largely because of the information which has been made available through the online Register of Crofts.	
A reduction in turnaround times for delegated decision making functions	Improvement in median turnaround times for each major type of casework	The median turnaround times for most application types were longer in 2018/19 than they had been in the previous year. This is attributable to the severe backlog that we encountered in summer 2018, which had a knock-on effect on timescales for several months.	




Figures for cases involving registered crofts, which were *concluded* during the year, were as follows:

	Approx Number of cases per year	Median weeks (2017-18)	Median weeks (2018-19)	
Assignment	c125	8.0	9.4	
Decrofting Croft House Site	c50	6.2	9.1	
Decrofting Part Croft	c100	13.1	15.1	
Division by Owner Occupier	<10	15.4	9.1	
Division by Tenant	5 or less	15.7	24.4	
Letting by Landlord	13	10.0	14.0	
Letting by Owner Occupier	c10	13.1	13.6	



### Corporate and Business Plan Outcome 4 – WE WORK WITH STAKEHOLDERS TO INFORM AND SUPPORT THE FUTURE OF CROFTING

Measure	Target	Result	
Develop strategies to increase the response rate to the crofting census	Increase from 62% to 75%	69% return rate for 2018, this gives an increase of 7%.	

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

Measure	Target	Result	
An increase in our staff satisfaction level.	Increase from 53% to 60%	Our staff satisfaction measure has fallen, from 53% to 51%.	
Decrease in levels of short term absence through sickness	10% reduction of short-term absence to 4.2 Average Working Days Lost (AWDL).	AWDL has risen from 4.7 to 5.8, but it should be noted that a number of staff have ongoing health conditions.	
Continued proportion of FOI requests processed within the statutory timescale	Maintain current high level of requests processed within statutory timescale.	43 FOI requests were received and processed during the year, with 100% adherence to the statutory timescales.	

### Corporate and Business Plan Outcome 6 – WE REDUCE OUR IMPACT ON THE ENVIRONMENT

Business Plan Objective	How we are doing?		
Increase our use of email correspondence with customers	Increase proportion of Crofting Information System mail sent by email, from 2% to 10%	Proportion increased to 7.4%.	
Reduce the amount of hard copy papers being passed on to members	Stop producing printed papers and Board and Committee meetings, for staff and Commissioners	We started using electronic papers in January 2019.	

#### Key



Achieved



Partially Achieved



Not Achieved

# Fair, Efficient and Effective Regulation

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

Application/Notification Type	Received	Approved / Notified	Refused	Invalid	Withdrawn
Apportionment	50	27	3	1	7
Assignation	339	337	0	28	6
Bequest (Notifications)	111	110	0	0	1
Consent to be absent	74	40	6	28	0
Consent to be absent extension	8	7	0	1	0
Decrofting - House Site & Garden Ground	198	168	0	31	3
Decrofting - Part Croft	334	262	10	42	6
Decrofting - Whole Croft	14	8	2	3	2
Division	49	22	4	8	6
Intestate Succession (Notifications)	87	80	0	6	1
Letting	58	57	0	7	1
New Croft created*	9	3	0	4	0
Short Term Lease	24	19	0	2	0
Sublet	156	125	0	10	5
<b>TOTALS</b>	<b>1511</b>	<b>1265</b>	<b>25</b>	<b>171</b>	<b>38</b>
<i>Totals for 2017/18</i>	<i>1366</i>	<i>925</i>	<i>21</i>	<i>132</i>	<i>36</i>

\* Under section 3(A) of the Crofters (Scotland) Act 1993

The number of applications received will differ from the number of applications decided due to applications which were carried over from 2018 and those which will be carried over to 2019.

The Commission also conducted one Hearing during the year (3 Hearings in 2017/18) and dealt with **2,459 general enquiries** on crofts and common grazings (over 3,000 in 2017/18).



## 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 Commission and the number of cases considered at each level.

Level of Decision Making	Number of Cases 2018/19	Number of cases 2017/18
Tier 1 (Case Officers)	735	678
Tier 2 (Senior Officials)	211	186
Tier 3 (3 Commissioners)	53	57
Decision by full Board of Commissioners	4	5

The number of applications received will differ from the number of applications decided due to applications which were carried over from 2018 and those which will be carried over to 2019.

## 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 2018/19

First Registrations	838	
Subsequent Event affecting a registered croft	473	(1,219 in 2017/18)
	(489 in 2017/18)	

Since its inception a total of **5,899** crofts have been entered in the ROS Crofting Register.



# 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, landlord and any rights held in a common grazings.

We made amendments to the Register of Crofts as a result of approximately 1,950 Crofting Census forms providing us with additional information which was missing or inaccurate. (2,700 amendments made as result of the census returns in 2017).



Number of Crofts recorded in the ROC = 20,867.

Details of previous years can be found at

[www.crofting.scotland.gov.uk/  
annual-report-and-accounts](http://www.crofting.scotland.gov.uk/annual-report-and-accounts)

Na h-Eileanan Siar	
<b>Tenanted</b>	6,083
<b>Owned</b>	235

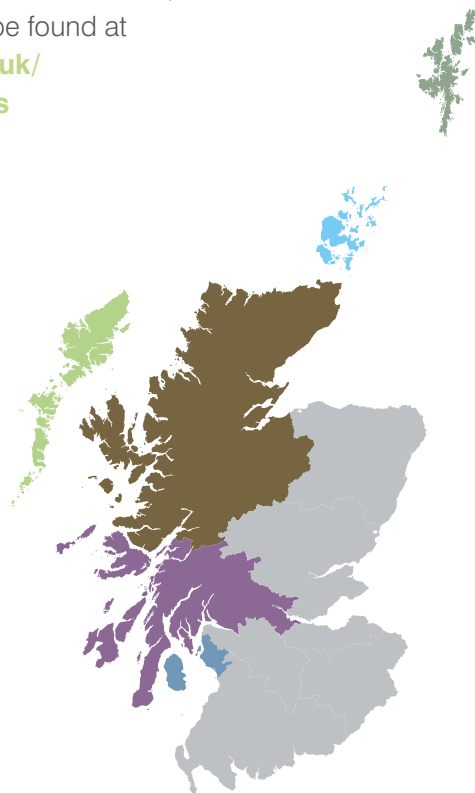
Argyll & Bute	
<b>Tenanted</b>	460
<b>Owned</b>	354

North Ayrshire	
<b>Tenanted</b>	0
<b>Owned</b>	1

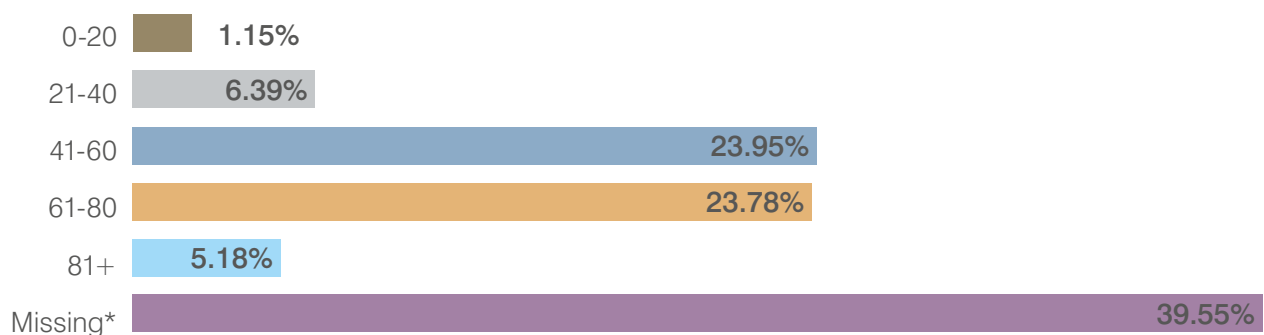
Shetland	
<b>Tenanted</b>	2,104
<b>Owned</b>	1,172

Orkney	
<b>Tenanted</b>	64
<b>Owned</b>	395

Highland	
<b>Tenanted</b>	6,258
<b>Owned</b>	3,741



There are over 26,000 crofters recorded in the ROC, the table below shows age by percentage.



\*where we have not been informed of the date of birth

## 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.

During the year 2018/19 there have been:



74,203  
Searches



29,526  
Copy entries extracted

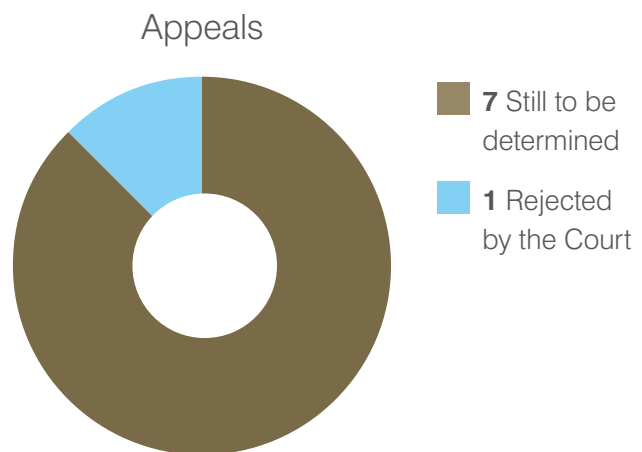
Since the ROC Online was launched there have been a total of 94,980 searches and 50,393 copy entries extracted. The ROC Online is available at [www.crofting.scotland.gov.uk/register-of-crofts-roc](http://www.crofting.scotland.gov.uk/register-of-crofts-roc)

## Appeals to the Scottish Land Court (SLC)

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

There were 8 appeals made in 2018/19  
(5 appeals in 2017/18)

The outcome of 7 of these appeals is still to be determined by the SLC, 1 appeal against the refusal of a decrofting was rejected by the Court.



# 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.

**19 cases** of suspected breaches of duty were reported to the Commission over the year. This has risen from 10 suspected cases in 2017/18. If a failure to comply with any of the duties are reported by a member of the crofting community, a grazings committee/ Constable or an Assessor the Commission have an obligation to investigate.



## Status of cases

**3** withdrawn\*



**1** invalid (crofter concerned was deceased)



**1** croft was sublet by the crofter as a result of the notification



**14** cases ongoing



\* Two of the tenancies were terminated by the landlord, and one tenancy was renounced

In addition to the above there are 5 ongoing cases carried forward from 2017/18.

The Commission also let **2 crofts** during the year where the tenant was not complying with their duty to be resident and the landlords failed to let the crofts within the required timescales.



# Crofting Census 2017 – Duties

In a new initiative the Commission wrote out to all 98 crofters who indicated for the first time on a Crofting Census that they were in breach of one or more of their statutory duties, giving them options for resolving the breach and allowing them until the 2018 Crofting Census to resolve the matter.

We also wrote to **208 crofters** who indicated on two or more consecutive Census Returns that they were in breach of one or more of their statutory duties, setting out a timescale for resolving their breach. Among these were:



- **23 crofters** have subsequently resolved their breach and are now in compliance
- **27 crofters** have applied for and received Consent to be Absent
- **13 cases** where the Commission considered that whilst the crofter was in breach, there was a good reason not to take duties enforcement action
- **15 crofts** were sublet
- **4 crofts** were assigned
- **1 croft** was relet

There are currently **142** cases ongoing.



# Crofting Census 2018

The Crofting Census forms are issued on an annual basis and crofters have a legal obligation to complete and return their forms to the Commission.

2018 saw the issue of **19,269** Crofting Census forms, (**17,213** general croft forms and **2,056** in relation to deemed crofts). With 13,347 forms being returned to the Commission this makes a 69% return rate which is up 7% from 2017. For the previous year's figures, visit our website at <http://www.crofting.scotland.gov.uk/annual-report-and-accounts>



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

**87%**



Not Neglected/  
Misused:

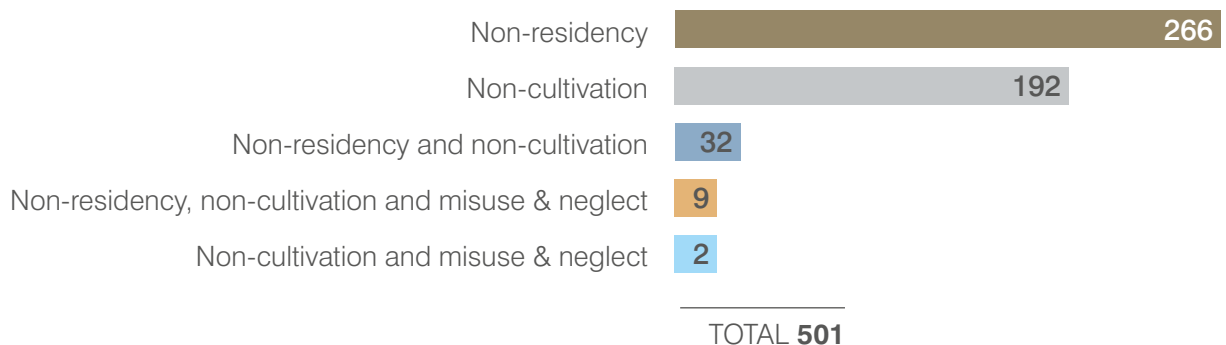
**80%**



Croft is Cultivated/Maintained/  
Put to Purposeful Use:

**82%**

Number of crofters not complying with their Duties as notified through the 2018 Crofting Census



# 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 Commission to apportion, some or all of their grazings share for their own exclusive use.

During the year we received **50 applications** to apportion areas of 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 Commission created and issued a new set of guidance for Common Grazings Committees. The Guidance is intended to assist 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](http://www.crofting.scotland.gov.uk/common-grazings-regulations-template)

	No of Common Grazings	No of Committees in Office
Argyll & Bute	61	6
Highland	540	215
Na h-Eileanan Siar	295	158
Orkney	9	1
Shetland	169	38
<b>Totals</b>	<b>1,074</b>	<b>418</b>
2017/18	1,072	463

There have been **2** additional common grazings added to the Commission's records during the year.



## Common Grazings Census

Grazings Committees are required 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.

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



## Common Grazings Registration

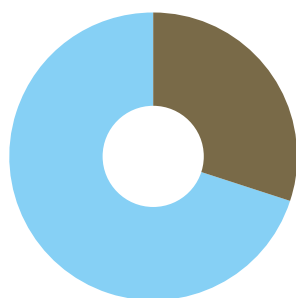
There was one common grazings registered with Registers of Scotland (ROS) during the year  
(*There were no common grazings registered in 2017/18*).

## Freedom of Information Requests

The 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. During the course of the year, we received 43 enquiries for information.

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



Freedom of information (FOI)	13
Environmental Information Regulations (EIR)	30
Data Protection Act	0

**TOTAL 43**  
2017/18 65

NB: Responses for 3 FOI's and 2 EIR's were carried over to 2019/20

# Complaints

The Crofting Commission is committed to providing high-quality customer services and we use information from customers who are dissatisfied to improve our services.

During 2018/19 we received **74** complaints. There were **55 complaints** handled at frontline resolution stage over the year, the tables show the outcome of these cases.



Frontline Resolution 2018/19		2017/18
Upheld & Resolved	16	10
Upheld & Escalated	0	1
Partially Upheld	16	2
Not Upheld	23	7
<b>Totals</b>	<b>55</b>	20

In addition to the Frontline Complaints we also considered **19 complaints** at Investigation Stage.

Investigation 2018/19		2017/18
Upheld	5	2
Partially Upheld	8	4
Not Upheld	4	5
Invalid	1	3
Investigation in Progress	1	0
<b>Totals</b>	<b>19</b>	14

## Communications

Social Media is becoming increasingly important to any organisation as a quick and effective manner to distribute information to a large audience. The Commission continued to enhance the use of its digital multi-media platforms during the year and launched 7 corporate videos through Youtube [www.youtube.com/channel/UCH0mvYYAozy0UsHNk3uCE0w](https://www.youtube.com/channel/UCH0mvYYAozy0UsHNk3uCE0w)

The topics covered in the videos ranged from

What is Crofting, which reached over 13,000 people, to What is the Crofting Commission which reached over 3,000 people. As these videos were very successful the Commission is investing in additional videos which will be launched in 2019.

The Commission continues to improve its website to increase the information available to customers.

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## 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](http://www.crofting.scotland.gov.uk/the-act-and-policy)

During the year the Commission also contracted a consultation on Support for Crofting. The focus of the report was to analyse the current agricultural and environmental support for crofting, while examining the feasibility of creating any new forms of support more specific to crofting. In particular it looked at the following two points:

- examine the extent to which the support payments currently available to crofters are sufficient to achieve the Scottish Government's objectives for crofting and the sustainability of the crofting system
- identify alternative support systems that might achieve these objectives to a greater extent in the future.

A copy of this report can be found at [www.crofting.scotland.gov.uk/consultations-and-publications](http://www.crofting.scotland.gov.uk/consultations-and-publications)

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

- Data Protection Policy
- Data Breach Plan
- Guidance for Common Grazings Committees

As the Commission is responsible for keeping under review matters relating to crofting, we took part in three public consultations that related to crofting.

- National Council for Rural Advisers: "Together we can, together we will" consultation on new policy direction for rural economy
- Scottish Government: "Simplicity and Stability" consultation on transition of support for agricultural and rural development post-Brexit.
- Scottish Government: Good Food Nation proposals for Legislation.

# People

The Crofting Commission's employees 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, Senior Management Team and staff is encouraged and as such, continuous engagement is vital to the long-term success of the organisation.

In order to aid this flow of communication, a Staff Engagement Group continues to meet, regular updates are provided to all staff by the Chief Executive, and regular one-to-ones with managers are required.

The Commission's Corporate Plan shows a commitment to maintaining and improving the effectiveness of its workforce and ultimately sustaining best practices within the organisation while also looking for improvements where possible. An employee who receives the necessary training is better able to perform in their roles and in order to support this we now have a Local Learning & Development Support Officer to assist delivery of a structured training and development programme.

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# 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 the following summary has been provided 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 on the Crofting Commission's website.

**[www.crofting.scotland.gov.uk/userfiles/file/Commission\\_Corporate\\_Documents/EQUALITY-and-Diversity-plan-2017-18.pdf](http://www.crofting.scotland.gov.uk/userfiles/file/Commission_Corporate_Documents/EQUALITY-and-Diversity-plan-2017-18.pdf)**

# 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 main area of emissions for the Commission is travel. The corporate carbon emissions generated by the Commission over the year increased from 12 tCO<sub>2</sub>e to 18 tCO<sub>2</sub>e. 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.

The launch of our Register of Crofts Online in August 2017 has reduced our internal paper usage, with over 29,000 copy entries being taken from it during 2018/19. We are in the process of extending our online capabilities which will lead to greater savings. We are also corresponding more and 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 which is monitored and reported each quarter as part of the Key Performance Indicator report to the Audit and Finance committee and the Board.



# Financial Performance

The Scottish Government allocated the Crofting Commission a budget of £2.797M (£2.497M 2017/18 with access to an additional £0.281M of 'Other Income'. Further information is provided within Note 2 'Other Income' on page 72). An allocation of £0.065M (£0.042M 2017/18) was also provided for non-cash costs such as depreciation and amortisation.

## Strategic Outcomes

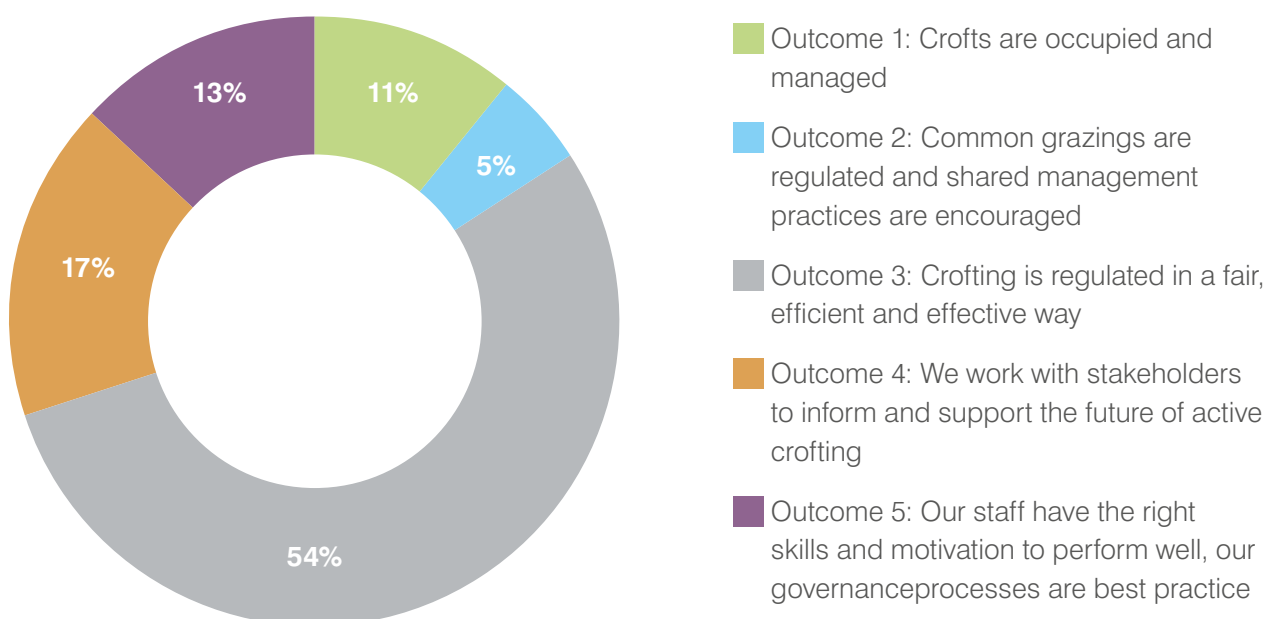
As a regulatory body 76% (73% 2017/18) of the Crofting Commission's overall cash allocation drawn down was spent on staff resources.

The Commission continued to manage its resources well, paying 99% (98% 2017/18) 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. The launch of the online ROC in 2017, allowing the public to undertake direct searches of the Register of Crofts continues to provide a reduction in general enquiries, enabling staff resources to be focussed upon other frontline tasks. Streamlining the Commission's Assessors Network, 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 2018/19 baseline budget of £2.862M. Overall, we recorded 3.4%, or approximately £98,000 of notional savings during 2018/19 (3.2%, £80,000 2017/18). Additional financial analysis is provided within the Accountability Report on page 41.

## How we allocated our resources in 2018/19

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



# 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 2018/19.



**Bill Barron**  
Chief Executive and Accountable Officer  
19 August 2019





## Case study: Whole Croft Decrofting 3 & 4 Aviemore (Burnside)

The Commission look carefully at applications to decroft whole crofts so as not to deplete the pool of croft land unnecessarily.

When the application to decroft the whole croft at 3&4 Aviemore (Burnside) came before the Commission for consideration they were satisfied the application was for a reasonable purpose, as it will provide 30 flats and 8 terraced units, which include 9 affordable homes. There were no objections or expressions of demand in response to the public advertisement of the decrofting application and planning consent had been granted by the Cairngorm National Park Authority in respect of the provision of housing in the area.

The Commission did recognise that there could be an opportunity at some point in the future for someone to take on the tenancy of the croft. However, the croft is located beside



existing residential developments and the A9 trunk road. In the circumstances, the residential and transport developments around the croft make it less attractive to any future croft tenant who would wish to carry out crofting activities. The Commission balanced the adverse impact upon the crofting community in the district and the public interest associated with a housing development (which incorporates an element of affordable housing) and found that, in this case, the public

interest outweighs the detriment to the crofting community.

Given that, in terms of the planning permission, part of the intended use of the decrofted land is for nine affordable houses the Commission granted the decrofting application subject to the condition that the land is used in part for nine affordable houses on terms to be agreed with the Cairngorms National Park Authority.



## Case study: Short Term Lease – 161 Spinningdale

Ms V Stuart – Owner-occupier Crofter

Ian S Small – Short Term Let

As travel for work took owner-occupier crofter, Vanessa Stuart, away for long periods of time she decided it was in the best interests of the croft to apply to the Commission for consent to allow her nephew, Ian, to work the croft on a short term let basis.

When considering the application the Commission were satisfied that Ian is well placed to work the croft, having grown up in a crofting community and worked in various land-based employment, including being a Stalker, Self-employed fencer and dry stone dyker.

Vanessa said, “It made sense with me having to be away from the croft so much to apply for a short term let of 7 years so Ian could take on the running of the croft on an official basis.



This way I know the land is being well looked after by a member of the family but will return to myself at the end of the lease.”

Having been granted the short term let by the Commission, Ian explained, “the land is not suitable for cropping so I will concentrate on reseeding to improve grazing and although I will have some sheep I’ll also

include rare breed poultry, horses and have some bee hives and fruit trees. I’m really grateful to my Auntie for this opportunity and having an official short term let means I am recorded in the Register of Crofts as the Short Term Let Tenant and can apply for grant assistance to help with the cost of repairing fences and drainage to improve the croft.”












# Accountability Report 2018/19

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

# Corporate Governance Report

## Directors' Report

### Commissioners during 2018/19

Commissioner	Method of Appointment	Attendance at Board Meetings during 2018/19	Attendance at Audit & Finance Committee Meetings during 2018/19
 Rod Mackenzie* <sup>1</sup> & <sup>5</sup>	Elected	6/6*	-
 Mairi Mackenzie* <sup>1</sup>	Elected	5/6*	-
 Andy Holt* <sup>1</sup>	Elected	5/6*	-
 Cyril Annal* <sup>1</sup>	Elected	6/6*	-
 Iain Maciver* <sup>1</sup>	Elected	6/6*	4/4*
 Billy Neilson* <sup>1</sup>	Elected	6/6*	-
 David Campbell* <sup>2</sup>	Appointed by Cabinet Secretary	6/6*	4/4*
 Malcolm Mathieson* <sup>3</sup>	Appointed by Cabinet Secretary	6/6*	4/4*
 James Scott* <sup>4</sup>	Appointed by Cabinet Secretary	6/6*	-

\* = 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 = 3 year re-appointment by The Scottish Government from 1 April 2017.

3 = 3 year appointment by The Scottish Government from 1 January 2017.

4 = 3 year appointment by The Scottish Government from 1 February 2017.

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

The Crofting Commission also convened one Strategy Meeting, which was held in private and not minuted on 28 June 2018.

Full details of the Commissioners Register of Interests can be found on our website [www.crofting.scotland.gov.uk/meet-the-commissioners](http://www.crofting.scotland.gov.uk/meet-the-commissioners)

## Senior Management Team 2018/19

**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.

**\*Donna Smith**, Deputy Chief Executive Officer & Head of Operations – Leads on operational performance for the organisation with a focus on Corporate Planning, Performance Management, Corporate Development and overall responsibility for IS strategy and Communications.

**John Toal**, Head of Policy – Supports the Board in formulating strategic policy on a range

of external and internal issues in pursuit of its operating objectives.

**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– Responsibility for Complaints, Freedom of Information requests, Data Protection/GDPR, leading on Equality and Diversity, Gaelic Language Plan and Standards Officer for the Crofting Commission.

**David Findlay**, Solicitor – Provides the Crofting Commission with legal advice and deals with litigation involving the Crofting Commission.

\*Donna Smith left the Crofting Commission from 1 April 2019. The SMT has subsequently restructured with two additional posts, 'Head of Operations & Workforce' and 'Head of Digital & Improvement', being added.

## Financial Performance

Summary of Deficit/(Surplus) for the year	2018/19 £000	2017/18 £000
Total Operating Expenditure	2,786	2,780
Grant-in-Aid Drawn Down	(2,796)	(2,491)
Other Income	–	(281)
Deficit/(Surplus)	(10)	8
Reconciliation of operational expenditure on an accrual basis to Grant-in-Aid drawn down	2018/19 £000	2017/18 £000
Deficit/(Surplus)	(10)	8
Exclude non-cash :		
Depreciation and Amortisation	(44)	(45)
Working capital adjustments involving:		
Debtors	(8)	(15)
Creditors	(64)	17
Movement in provisions	–	3
Investing activities	44	32
Grant-in-Aid drawn down in (excess)/deficit of Cash expenditure	(82)	–

On an income and expenditure accrual basis the financial outcome for the year on normal business activities reports a surplus of £10,000 (Deficit £8,000 2017/18). This surplus 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 £82,000 (2017/18 £Nil). This does not represent a cash surplus, as the funding will meet liabilities incurred during 2018/19 that will be presented for payment in the early part of 2019/20.

Total operating expenditure for 2018/19 was £2.786M compared with £2.780M in 2017/18. This expenditure is met solely from Grant-in-Aid. The Crofting Commission operated within its Grant-in-Aid allocation for year 2018/19.

Further details of the Commission's employee, board and operational expenditure to 31 March 2019 are disclosed in note 3 (Page 73) 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 senior managers are given in the Remuneration Report (Page 53) and note 1.6 (Page 70) 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 2019, the Crofting Commission paid 99.0% (100% in 30 days) of its invoices within these terms (98.0% 10 days, 100% 30 days in 2017/18).

## **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 2019 are disclosed in note 3 (Page 73) 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 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 Government Financial Reporting Manual 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.

### **Accounting 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 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, was revised in April 2018 and is published on our website. ([www.crofting.scotland.gov.uk](http://www.crofting.scotland.gov.uk))

### Governance Framework

#### The Board

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

The Board comprises 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 the Rural Economy.

More information on the Commissioners can be found on page 40.

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:-

- Monitored and championed the recovery of operational performance standards following the emergence of a significant backlog of regulatory workload in summer 2018
- Agreed their approach to fulfilling its statutory function of 'promoting the interests of crofting', including collaboration where possible with Highlands and Islands Enterprise
- Expanded their public-facing and communications activities, with public meetings in Caithness, Orkney, Shetland, Skye and Uist, and publication of a series of short videos about crofting and regulation issues
- Expanded the Commission's work on enforcement of crofters' residency and land use duties
- Published comprehensive guidance for grazings committees
- Advised The Scottish Government on plans for reforming crofting legislation
- Published a research report on financial Support for Crofting, written for the Commission by Gwyn Jones
- Hosted a day conference for the Crofting Commission Assessors

The performance of Board Members in 2018/19 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 Board Member.

The results of this effectiveness review will be assessed by the Commission's Audit and Finance Committee within its 2019/20 workplan to ascertain if there are areas of governance that require review or clarification.

The purpose of the Board Member, Convener and Board self-assessment appraisal process is to contribute to the continuous improvement of the 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. This commitment is sustained by a detailed 5-year Board training and support programme that coincided with the March 2017 Crofting Elections.

The Board's terms of reference can be obtained from the Commissions website **[www.crofting.scotland.gov.uk](http://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 & 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 page 40.

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 Commission has appointed a Vice Chair of the Committee and the Convener does not normally attend meetings of the Committee. The 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.

For future organisational resilience purposes, Commissioners not appointed to the Committee were invited to attend meetings on a rolling basis during 2018/19 to observe the business of the Committee.

During 2018/19 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](http://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 Board Members 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 page 40.

## **Senior Management Team**

The SMT meets regularly and is responsible 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 41.

## **Risk and Control Framework**

All bodies subject to the requirements of the SPFM 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 Board. During 2018/19 Board Members and the SMT have attended professionally facilitated risk related training workshops to facilitate refreshing the Crofting Commission's approach to Risk Management.

The Crofting Commission is subject to a variety of risks and uncertainties. Key risks regarded as most relevant to the Commission's performance during the year to 31 March 2019 can be found within pages 12 to 13.

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

The risk and control processes applied within the Crofting Commission accord with guidance given in the SPFM and have been in place for the year ended 31 March 2019 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 & Finance Committee (this includes their independent and objective opinion on the adequacy and effectiveness of the 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 & Finance Committee to the Board, detailing the work of that committee during the year;
- 5) Quarterly reviews by the Audit & 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:

- Proposed changes were agreed for the Commission's 5-year Corporate Plan, to reflect the evolving priorities of the current Board
- A new Framework Agreement was agreed with Scottish Government, to cover the period up to March 2021
- A Compliance Team was created within the Crofting Commission, to oversee implementation of GDPR and compliance with Freedom of Information, Data Protection and other governance requirements
- A Strategic Risk Register was developed, focussing on the high-level objectives of the Board, to complement the bottom-up Operational Risk Register
- We renewed and updated our induction handbook for new staff
- We trialled the use of electronic Board papers to reduce our carbon footprint, and purchased software to allow rollout in 2019-20
- We produced a first draft of a new Workforce Plan

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.

Based on the above assurances, and established internal controls, I am satisfied that the overall operation of governance requirements at the Commission was satisfactory for financial year 2018/19.

## 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 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.

## External Audit

The Auditor General for Scotland appointed Deloitte LLP as the 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. The Crofting Commission's internal audit service for the financial year was provided by Scott-Moncrieff, who undertook work based on an analysis of the risk to which the Crofting Commission was exposed. Reports have been produced which covered the Crofting Commission's Financial Planning and Scrutiny Systems, Non-Regulatory Decision-Making Processes, FOISA and EIR Handling Processes and Business Continuity Planning Processes.

The internal audit findings are presented in the individual reports issued during the year to the SMT and the Audit & Finance Committee. These include an opinion on the adequacy and effectiveness of the system of internal control, together with any recommendations for improvements.

Six improvement actions were identified during the Business Continuity Planning review, all of which relate to control design issues. Three of these actions were allocated a high-risk rating and an action plan has been agreed by SMT to address these issues.

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 2018/19 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 improvements identified in the Business Continuity Planning review".

The Audit & Finance Committee received an excellent assurance in 2018/19 relating to the quality and effectiveness of the Crofting Commission's internal audit service in the form of an independent Quality Assurance Assessment report.

## Significant Governance Issues

No significant governance issues were recorded during 2018/19.

## Governance Issues Going Forward

The key governance challenges going forward centre on delivery of outcomes in the context of a tight financial climate and will involve:

Governance Issue	Action Planned
Forward financial strategy and Workforce Planning	The Commission is currently developing a forward financial strategy and a linked Workforce Plan.
Inconsistent speed of responses to regulatory casework	The Commission is developing a plan to improve the speed and reliability of our responses to non-contentious regulatory casework and has published information for crofters about the factors that can increase complexity and cause delays.
Uncertainty regarding decision-making responsibilities	The Commission is clarifying the respective decision-making responsibilities of the Convener, Board, Audit & Finance Committee, CEO and Senior Management Team; and has commissioned combined training to enhance the way Board and management work together.
Inconsistent forward planning	The Commission is improving the robustness of our forward planning, so that there will be fewer delays to delivery of planned improvements.
Business Continuity plans need to be reviewed and updated	The Commission is reviewing our Business Impact Analysis as the first stage of overhauling our Business Continuity Plans.

## 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 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 2018/19, we have been closely monitoring the requirements of the General Data Regulations (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 once a quarter.

The Commission is aware that there is currently no automatic way for multiple records to be updated, when it is informed of a change of landlord. The need to update records, in line with GDPR requirements, has been discussed by management and a technical solution should be in place in the near future.

The Crofting Commission continues to focus upon cyber security and resilience which culminated in the award of Cyber Essentials PLUS accreditation during the reporting year.

There are no significant lapses in data security to report in 2018/19 (2017/18: 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.uk/publications](http://www.scotland.gov.uk/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 the Rural Economy are on 3 year terms, and the appointment dates can be viewed within the Directors' Report on page 40.

#### 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.org.uk](http://www.civilservicecommission.org.uk).

## Audited

### Board remuneration

#### Commissioners were due remuneration as follows:

	2018/19 £000	2017/18 £000
<b>Commissioners who held office during 2018/19</b>		
Roderick Mackenzie	20-25	15-20
(Full year equivalent)	(20-25)	(20-25)
Cyril Annal	5-10	5-10
David Campbell	5-10	5-10
Andrew 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)

Commissioners' appointments are non-pensionable. Taxable benefits in kind amounting to £144 was paid to one Commissioner during 2018/19 (£36 2017/18).

## 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	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000	£000	£000
<b>Chief Executive</b>						
Bill Barron	70-75	65-70	33	3	100-105	70-75
<b>Senior Management Team</b>						
David Findlay	65-70	60-65	26	24	90-95	85-90
Donna Smith	50-55	45-50	–	–	50-55	45-50
Jane Thomas	40-45	40-45	15	8	55-60	50-55
Joseph Kerr	40-45	40-45	13	11	55-60	50-55
John Toal	40-45	40-45	13	6	55-60	45-50

### 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.

### Benefits in kind

There were no benefits in kind within 2018/19 (2017/18: £nil).

### Bonuses

There were no bonuses within 2018/19 (2017/18: £nil).

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.

### Compensation for loss of office

This value was £nil for 2018/19 (£nil 2017/18).

### 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](http://www.crofting.scotland.gov.uk)

### 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 £17,550, and the lowest salary across the Scottish Government as at 31 March 2019 was £18,392. 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>

### 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.

	2018/19	2017/18
Banded remuneration of highest-paid staff member	£70-£75k	£65-£70k
Median remuneration of workforce	£27,398	£25,682
Median ratio	2.6	2.6

In 2018/19 Nil (2017/18 Nil) employees received remuneration in excess of the Chief Executive. Remuneration ranged from £18,392 to £71,381 (2017/18 £18,352 to £68,052).

### Pension Benefits

	Accrued pension at pension age as at 31/03/19 and related lump sum		Real increase in pension and related lump sum at pension age		CETV at 31/03/19	CETV at 31/03/18	Real increase in CETV as funded by employer
	£000 Pension	£000 Lump sum	£000 Pension	£000 Lump sum	£000	£000	£000
<b>Chief Executive</b>							
Bill Barron	30-35	100-105	0-2.5	2.5-5	775	675	33
<b>Other senior staff</b>							
David Findlay	5-10	–	0-2.5	–	61	39	11
Jane Thomas	10-15	–	0-2.5	–	240	213	15
John Toal	10-15	30-35	0-2.5	0-2.5	275	245	13
Joseph Kerr	15-20	40-45	0-2.5	0-2.5	374	328	14
Donna Smith	Partnership pension. Employer's contribution for the year 5-10						

The Civil Service Pension Scheme is still assessing the impact of the McCloud judgement in relation to changes to benefits in 2015. The benefits and related CETVs disclosed above do not allow for any potential future adjustments that may arise from this judgement.

## 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 a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% 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](http://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	Board Members	Others	Total 2018/19	Total 2017/18
	£000	£000	£000	£000	£000
Salaries	1,372	93	-	1,465	1,414
Social security costs	133	2	-	135	130
Other pension costs	273	-	12*	285	274
Temporary staff	-	-	227	227	205
<b>Total</b>	<b>1,778</b>	<b>95</b>	<b>239</b>	<b>2,112</b>	<b>2,023</b>

	2018/19 £000	2017/18 £000
* Pensions paid to former Commissioners under "other pension costs"	12	12

There were no off-payroll arrangements for staff during 2018/19 (£nil 2017/18).

#### Average number of whole-time equivalent persons employed

	2018/19		2017/18	
	Directly employed staff	Others	Directly employed staff	Others
Directly employed: Permanent contract	39.16		46.92	
Directly employed: Fixed Term contract	7.00		-	
Temporary staff contract		8.0		7.0
<b>Total</b>	<b>46.16</b>	<b>8.0</b>	<b>46.92</b>	<b>7.0</b>

## Unaudited

#### Gender Note

	Males 31 March 2019	Females 31 March 2019	Males 31 March 2018	Females 31 March 2018
Commissioners	8	1	8	1
Chief Executive	1	-	1	-
Employees	18	41	17	42

Employee numbers include part time staff

The figures above are the total numbers of staff as at 31 March 2019 (including agency) not full-time equivalents

## Sickness Absence

The 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 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.

	2018/19 Crofting Commission	2017/18 Crofting Commission	2018/19 Scottish Government Comparative	2017/18 Scottish Government Comparative
Average working days lost per member of staff	7.2	10.6	7.6	7.6
Due to short-term absence	5.9	4.8	4.0	4.0
Due to long-term absence (periods of $\geq 21$ days)	1.3	5.8	3.6	3.6

Our overall staff sickness levels have reduced by an average of 3.4 days per person.

## 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: - Staff Training

A designated local learning development support officer has been appointed from the existing staff complement to facilitate a proactive approach to support learning development for all staff. This has proven to be a successful investment of resource as training requirements and opportunities have been managed in an effective and targeted manner throughout the year. A particular training highlight was a well-received all staff training day held at Cantraybridge College, Inverness.

## Staff Engagement Group

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 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. A Commission Employee Survey was completed in April 2018 where staff were able to provide their views and concerns in response to a range of questions. In responding to the survey, the SMT have been reviewing a range of topics, including the Commission's internal communication processes.

A further employee survey was launched in April 2019 and the SMT are now reviewing the responses to identify any trends to assist on building on the Commission's strengths and remedying concerns in areas such as workloads, internal communications and change management. The Commission Employee Survey will now be issued on an annual basis to staff.

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 Commission SMT ensure that PCS representatives who work within the Commission are allocated sufficient time to fulfil their union responsibilities.

### **Equal Opportunities and Diversity Policies**

The Crofting Commission adopts The Scottish Government policies on equal opportunities and diversity. The policy on equal opportunity states

that all staff should be treated equally irrespective of their sex, marital/civil partnership status, age, race, ethnic origin, sexual orientation, disability, religion or belief, working pattern, employment status, gender identity (transgender), maternity or paternity status, caring responsibility or trade union membership. In line with Scottish Government policy, the Crofting Commission is specifically required to increase the diversity of staff within the organisation. The Crofting Commission undertakes to develop all staff and positively values the different perspectives and skills each brings to our work. The Crofting Commission is committed to delivering its 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 Financial Reporting Manual, we are required to disclose losses and special payments above £250,000. During 2018/19 there were no losses or special payments within these criteria (2017/18: £nil)

### Gifts and Charitable Donations

There were no gifts or charitable donations made during the year 2018/19 (2017/18: £nil).

## Audited

### Remote Contingent Liabilities

The Crofting Commission are 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.



Bill Barron

Chief Executive and Accountable Officer

Date 19 August 2019

# 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 2019 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, the 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 2018/19 Government Financial Reporting Manual (the 2018/19 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 2019 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 2018/19 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 for 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 three 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 the Accountable Officer 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](http://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 auditor's report thereon. 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.

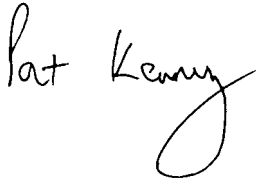
We have nothing to report in respect of these matters.

**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, reading 'Pat Kenny'. The signature is fluid and cursive, with the first name 'Pat' and the last name 'Kenny' clearly legible.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)  
110 Queen Street  
Glasgow  
G1 3BX  
United Kingdom  
Date 19 August 2019



**CROFTING COMMISSION  
COIMISEAN NA CROITEARACHD**

# Financial Statements 2018/19

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

## Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

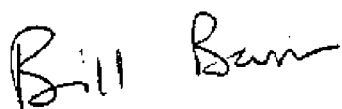
	Note	2019 £000	2018 £000
Other operating income	2	–	(281)
<b>Total operating income</b>		<b>–</b>	<b>(281)</b>
Staff costs	3	2,112	2,023
Depreciation and Amortisation	3,4,5	44	45
Other operating expenditure	3	630	712
<b>Total operating expenditure</b>		<b>2,786</b>	<b>2,780</b>
<b>Net operating expenditure</b>		<b>2,786</b>	<b>2,499</b>

The notes on pages 69 to 77 form an integral part of these accounts

## Statement of Financial Position

as at 31 March 2019

	Note	2019 £000	2018 £000 Restated*
<b>Non-current assets:</b>			
Information Technology Equipment	4	54	28
Intangible assets (Software)	5	82	108
<b>Total non-current assets</b>		<b>136</b>	<b>136</b>
<b>Current assets</b>			
Trade and other receivables	6	35	43
Cash and cash equivalents	7	103	21
<b>Total current assets</b>		<b>138</b>	<b>64</b>
<b>Total assets</b>		<b>274</b>	<b>200</b>
<b>Current liabilities</b>			
Trade and other payables	8	98	94
Other liabilities	8	60	–
<b>Total current liabilities</b>		<b>158</b>	<b>94</b>
<b>Total assets less current liabilities</b>		<b>116</b>	<b>106</b>
<b>Taxpayers' equity</b>		<b>116</b>	<b>106</b>
General fund		<b>116</b>	<b>106</b>
<b>Total equity</b>			



Bill Barron  
Chief Executive and Accountable Officer  
Date 19 August 2019

The Crofting Commission Board authorised these financial statements for issue on 19 August 2019

The notes on pages 69 to 77 form an integral part of these accounts

\*Restated – Refer to Note 1.1 on page 69

# Statement of Cash Flows

for the year ended 31 March 2019

	Note	2019 £000	2018 £000 Restated*
<b>Cash flows from operating activities</b>			
Net operating expenditure	SoCNE	(2,786)	(2,499)
Adjustment for non-cash transactions			
Depreciation and Amortisation	3,4,5	44	45
Movements in working capital			
(increase)/decrease in trade and other receivables	6	8	15
Increase (decrease) in trade and other payables	8	64	(20)
<b>Net cash outflow from operating activities</b>		<b>(2,670)</b>	<b>(2,459)</b>
<b>Cash flows from investing activities</b>			
Purchase of information technology equipment	4	(44)	(22)
Purchase of intangible assets	5	–	(10)
<b>Net cash flow from investing activities</b>		<b>(44)</b>	<b>(32)</b>
<b>Total cash outflows</b>		<b>(2,714)</b>	<b>(2,491)</b>
<b>Cash flows from financing activities</b>			
Grant-in-Aid		2,796	2,491
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>82</b>	<b>–</b>
Cash & cash equivalents at the beginning of the period		21	21
Cash & cash equivalents at the end of the period		103	21

The notes on pages 69 to 77 form an integral part of these accounts

\*Restated – Refer to Note 1.1 on page 69

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

	General Fund £000
<b>Balance at 1 April 2018</b>	<b>106</b>
Grant-in-Aid	2,796
	2,902
Comprehensive net expenditure for the year	(2,786)
<b>Balance at 31 March 2019</b>	<b>116</b>
<b>Balance at 1 April 2017</b>	114
Grant-in-Aid	2,491
	<b>2,605</b>
Comprehensive net expenditure for the year	(2,499)
<b>Balance at 31 March 2018</b>	<b>106</b>

The notes on pages 69 to 77 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 78) issued by Scottish Ministers and the 2018/19 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

Under the Crofting Reform (Scotland) Act 2010, the Crofting Commission has a statutory duty to collect and disburse all croft registration fees to the Registers of Scotland. Historically fees that have been collected but not yet forwarded as at the end of the financial year have been recognised both as an asset and a liability within the Statement of Financial Position. As the Commission receives no benefit from this statutory duty, the Commission has determined that it would be of more benefit for the users of the accounts if this duty be recognised within a note to the accounts as an agency relationship, rather than within the primary financial statements.

The adoption of this voluntary change in accounting policy has no material effect on the previous year's financial statements and there is a net £nil impact on the net assets/equity of the Commission.

For comparison purposes, the impact on each line item of the primary financial statements for the previous reporting period 2017/18 is detailed in the table below:

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	As reported 2018 (£000)	Adjustment 2018 (£000)	Restated 2018 (£000)
<b>Statement of Financial Position</b>			
Total Current Assets	133	(69)	64
Total Assets	269	(69)	200
Total Current Liabilities	163	(69)	94
<b>Statement of Cash Flows</b>			
Increase(Decrease) in trade and other payables & provisions	(23)	3	(20)
Net cash outflow from operating activities	(2,462)	3	(2,459)
Net (decrease)/increase in cash and cash equivalents	(3)	3	–
Cash and cash equivalents at the beginning of the period	93	(72)	21
Cash and cash equivalents at the end of the period	90	(69)	21

## 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 has 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 as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk))

Further pension details can be found in the remuneration report on pages 54 to 55.

## 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 11) to the accounts in accordance with the requirements of the Government's Financial Reporting Manual. In previous years the accounting practice adopted was to recognise these assets in the accounts, see note 1.1 above.

## 1.14 Adoption of New and Revised Standards

IAS8 requires disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

At the date of authorisation of these financial statements, the following Standard was issued but not yet effective.

- IFRS 16, Leases (effective 1 April 2020)

The Crofting Commission does not expect that the adoption of the Standard and Interpretations detailed above will have a material impact on the financial statements of the Crofting Commission in future periods. Currently, the Crofting Commission has no lease agreements in place that require to be reported under IFRS 16

The following amendments to IFRS', issued by the International Accounting Standards Board, that are mandatorily effective in the current year have been considered and adopted by the Crofting Commission:

- IFRS 9, Financial Instruments (2014) (effective 1 January 2018)
- IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018)

The adoption of IFRS 9 and IFRS15 has had no impact on the 2018/19 financial statements. These standards will be applied when applicable, but their adoption is not expected 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.

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 Commission is aware of a small number of live or potential appeals to the Land Court which might, depending on the Court's decisions, lead to modest costs being awarded against the 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 Commission is not sufficiently substantial 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. Other Income

All other income receivable by the Crofting Commission that is not part of Grant-in-Aid is recognised in the year in which it is receivable.

	2019 £000	2018 £000
Scottish Government Pressure Funding	-	281
<b>Total</b>	<b>-</b>	<b>281</b>

Other income (pressure funding) was paid to the Crofting Commission in 2018 for the purpose of funding additional resources to carry out a number of duties and functions introduced within the 2010 Act. In 2019 this arrangement was formalised within the Commission's Grant-in-Aid award.

### 3. Expenditure

	2019 £000	2018 £000
<b>Board Member and Staff Costs</b>		
Salaries	1,465	1,414
Social security costs	135	130
Other pension costs	285	274
Temporary Staff	227	205
<b>Total of staff costs</b>	<b>2,112</b>	<b>2,023</b>
<b>Other operating expenditure</b>		
Accommodation expenses	167	161
Information systems & telecommunications	103	107
Training	26	47
Communication	60	63
Regulatory advertising expenses	40	33
Assessors' conference & travel expenses	7	13
Travel & subsistence - staff	28	29
Travel & subsistence - Commissioners	23	29
Legal fees	8	6
External Auditor's remuneration	19	16
Internal Auditor's remuneration	19	12
Other running costs*	130	196
<b>Total of other operating expenditure</b>	<b>630</b>	<b>712</b>
<b>Non-cash items</b>		
Depreciation	18	17
Amortisation	26	28
<b>Total of Non-cash items</b>	<b>44</b>	<b>45</b>
<b>Overall total</b>	<b>2,786</b>	<b>2,780</b>

\*Other running costs – additional funding of £100k was provided by The Scottish Government during 2017/18 which was primarily focussed upon the Crofting Commission's Records Management Plan.

## 4. Information Technology Equipment

	£000
<b>Cost</b>	
1 April 2017	207
Additions	22
Disposals	(49)
<b>31 March 2018</b>	<b>180</b>
<b>Depreciation</b>	
1 April 2017	(184)
Charged in year	(17)
Disposals	49
<b>31 March 2018</b>	<b>(152)</b>
<b>Net book value at</b>	
31 March 2017	23
31 March 2018	28
<b>Cost</b>	
1 April 2018	180
Additions	44
Disposals	–
<b>31 March 2019</b>	<b>224</b>
<b>Depreciation</b>	
1 April 2018	(152)
Charged in year	(18)
Disposals	–
<b>31 March 2019</b>	<b>(170)</b>
<b>Carrying value at</b>	
31 March 2018	28
<b>31 March 2019</b>	<b>54</b>
<b>Asset Financing:</b>	
Owned	54
<b>Carrying value at 31 March 2019</b>	<b>54</b>

## 5. Intangible assets – Software

	£000
<b>Cost</b>	
1 April 2017	669
Additions	10
Disposals	(519)
<b>31 March 2018</b>	<b>160</b>
<b>Amortisation</b>	
1 April 2017	(543)
Charged in year	(28)
Disposals	519
<b>31 March 2018</b>	<b>(52)</b>
<b>Net book value at</b>	
31 March 2017	126
31 March 2018	108
<b>Cost</b>	
1 April 2018	160
Additions	–
Disposals	–
<b>31 March 2019</b>	<b>160</b>
<b>Amortisation</b>	
1 April 2018	(52)
Charged in year	(26)
Disposals	–
<b>31 March 2019</b>	<b>(78)</b>
<b>Carrying value at</b>	
31 March 2018	108
<b>31 March 2019</b>	<b>82</b>
<b>Asset Financing:</b>	
Owned	82
<b>Carrying value at 31 March 2019</b>	<b>82</b>

## 6. Trade receivables, Financial and other assets

Amounts falling due within one year:

	2019 £000	2018 £000
Receivables	–	2
Prepayments	35	41
<b>Total</b>	<b>35</b>	<b>43</b>

## 7. Cash and cash equivalents

	2019 £000	2018 £000 Restated
Balance at 1 April	21	21
Net change in cash & cash equivalents	82	–
<b>Balance at 31 March</b>	<b>103</b>	<b>21</b>

The following balances at 31 March were held with the Government Banking Service	103	21
<b>Balance at 31 March</b>	<b>103</b>	<b>21</b>

Due a change in accounting practice monies which the Crofting Commission do not have a beneficial interest in are now excluded from the financial statements. Prior year amounts have been restated to enable meaningful comparisons to be made. See notes 1.1, 8 and 11.

## 8. Trade payables and other current liabilities

Amounts falling due within one year:

	2019 £000	2018 £000 Restated
Other Tax and Social Security	60	–
Trade Payables	27	28
Accruals	71	66
<b>Total</b>	<b>158</b>	<b>94</b>

The restated amount excludes monies amounting to £69k collected on behalf and due to Registers of Scotland. See note 1.1.

## 9 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 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 £2,796,125 (2017/18 £2,491,293 and Pressure Funding £280,930) as disclosed in the Changes in Taxpayers Equity statement on page 68.

There has been no other transactions with related parties.

## 10 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 Commission transacts in fixed terms in Sterling only and is not exposed to market risk.

## 11 Third party assets

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

	2018/19 £000	2017/18 £000
Bank balance – Registers of Scotland	40	45
Third party funds in transit*	57	24
<b>Total monetary assets</b>	<b>97</b>	<b>69</b>

\*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. See note 1.1.



## **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



Dated 26/10/12

# Glossary of Financial Terms

## **Accruals basis**

The 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 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 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 Commission.

## **Trade payables**

Amounts due for payment to suppliers of goods and services.

## **Trade receivables**

Amounts due from third parties.