



**CROFTING COMMISSION  
COIMISEAN NA CROITEARACHD**



# Crofting Commission

Annual Report & Accounts

2020/21

Crofting Commission Annual Report and Accounts 2020/21

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 ninth Annual Report and Accounts of the Crofting Commission covering the year 2020/21.

Yours sincerely



Malcolm Mathieson, Convener  
Appointed as Convener with effect from 20 July 2021



Bill Barron, Chief Executive

SG/2021/178



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Front cover @ Charlotte Mackay Innes

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**CROFTING COMMISSION  
COIMISEAN NA CROITEARACHD**

# Performance Report

This section provides a review of the work of the Crofting Commission in 2020/21, including analysis of our delivery and performance and our position at the end of the year.

# Convener's Foreword

To say that this past year has been interesting is an understatement! The Crofting Commission along with other organisations has had to adapt to a different style of working, away from its Great Glen House base.



Rod Mackenzie

From the end of March last year, the staff and Commissioners have been working remotely from their homes and have had countless virtual meetings. All of these new practices have worked well, apart from the physical handling of the large volume of mail the Commission receives daily, which in true crofting style was redirected to, handled, and processed from my own croft for 6 months until the end of September. All the other Commissioners pitched in as well during that time where our personal phone numbers were posted on the Commission website, and as a result, we all helped “field” the many telephone queries which the Commission receives daily, until an alternative method was found for staff to receive calls once again.

During last spring, our CEO Bill Barron was seconded by The Scottish Government to help with the Covid-19 related crisis in the care home sector and once again the Commissioners rallied round to help where they could to keep the Commission operating. My heartfelt and grateful thanks to my Board of Commissioners for stepping up and getting involved in the operational side of the business when needed.

What the past year has highlighted to me, amongst other things, is that the Commission was not resilient enough when lockdown measures were imposed. A particular example of this was not having an online system where notifications and applications could be done electronically, and where Register of Scotland (RoS) registration fees could be paid online, rather than dealing with cheques. This was a Board priority but now is an absolute necessity to bring the Commission in line with other regulatory bodies.

In response to the necessity of an online application system, we instituted a working group of management, staff and Commissioners to look at the online forms which will be required to set up a viable online system. There were another three working groups set up in the same format to look at and make recommendations to the Board regards:

- The priorities for expansion of the Residency & Land Use Team (RALUT).
- Consideration of the location of the Commission's workforce – how to balance our HQ in Inverness with the opportunity to create posts elsewhere.
- How to encourage participation in the Board in 2022, especially by women.

All of these working groups made recommendations, which we will follow through and action in the coming year.

My thanks to all those who volunteered to be involved in the working groups. It was very rewarding to see staff, management and Commissioners working together to achieve a common goal.

The Board met virtually with the Cabinet Secretary, Fergus Ewing, at the end of June and we were delighted to be offered an increase in budget to be able to strengthen and develop crofting, with posts in the Western Isles. The Commissioners decided the priorities for the new money: in the short term we launched a drive to improve the efficiency of the Commission's systems, especially to progress online applications; we also decided that the expansion of posts should be shared between

a new development team based in the Western Isles, an expansion of RALUT and an additional post in the regulatory team.

Crofting and crofters remain, as ever, resilient, and this organisation needs to keep pace with crofting and serve the needs of 21st century crofting.

This will be my final foreword as Convener of the Crofting Commission, as there will be a new Board in place from March 2022 following the Commissioner elections. My thanks for the support from the Cabinet Secretary and Sponsor Division; the Commission management and staff and my board of Commissioners during my term of office.

As I mentioned before, I have been frustrated at progress of some initiatives during my tenure. I urge the new Board to be bold and take decisions that will promote and enhance crofting. Crofting has many challenges, such as environmental and climate change issues, lack of activity, dereliction and remoteness. A well-regulated crofting system can address many of these issues.

**The Crofting Commission as the Regulator faces the biggest challenge of all... how to achieve this and provide the support, guidance and encouragement that crofting needs.**



Rod Mackenzie, Convener



# Chief Executive's Overview

This year has seen big changes for the Commission, prompted both by the Covid-19 pandemic and by the expansion of our role in support of crofting.



Bill Barron

We also saw the end of the Brexit transition period on 31 December 2020. The Commission itself has been little affected by Brexit, but we are very conscious that many crofters have been facing considerable uncertainties and enforced changes as a result of it.

The Commission had been discussing the possibility of an expanded promotional or development role for some time, because the 1993 Act gives us a general function of “promoting the interests of crofting”. So, we were delighted when the Cabinet Secretary for the Rural Economy asked the Commission to expand our role in the development of crofting, with additional Scottish Government funding. This has enabled us to create a small development team, and to expand our Residency and Land Use (RALU) enforcement work, which we see as fundamental to our role of strengthening and protecting the crofting system.

Two new development posts, one RALU post and an administrative post are now located in the Western Isles, as requested by the Cabinet Secretary. There are obvious advantages from recruiting staff and locating some of our posts in crofting heartlands. Ideally, we should like to see this expansion into the Western Isles followed by similar expansions into other crofting areas, although we are also committed to retaining a strong headquarters in Inverness. The Commission will continue to consider this issue.

Along with people and organisations everywhere, the pandemic and resulting lockdowns brought major differences to the way we work. Since March 2020, the vast majority of Commission staff have been working from home. For some, this has brought benefits, in the form of greater privacy, flexibility of working hours, and the saving on commuting time. Others have faced pressures and stress, from the isolation of working alone, caring for family and neighbours, and in some cases difficulties with broadband. As an organisation, under the leadership of the Commissioners, we have emphasized communication and connectedness, improvements to IT connectivity, and support for personal wellbeing of all our staff, whether they are working in the office or at home.

We worked hard to maintain as many functions as we could, despite the difficulties caused by the pandemic. Regrettably, it was not possible to attend any agricultural shows in Summer 2020, as they were all cancelled. A similar issue confronted our grazings team: how could we encourage the appointment of new grazings committees, when it was impossible for public meetings to take place? To help townships caught up in this impasse, we used our powers under the Act to appoint continuing or new grazings committees, to appoint committees whose term in office had concluded or, in some instances, other new committees.





This secured a further small increase in the number of grazings committees in office, from 495 to 500. Likewise, we were able to continue some training for grazings committees, using online solutions.

Residency and Land Use enforcement is a top priority for the Commissioners and a key concern for many crofters. After the expansion of RALU activity in 2018 and 2019, the last year has seen a lower level of activity because of the impacts of Covid-19. Nevertheless, the work of following up known and suspected breaches of duty continued, and 49 breaches were resolved through RALU action during the year: The details are on pages 16 to 17.

Anticipating an increase within the RALUT in 2021, a working group considered the priorities for expanding the RALU work. Their recommendations were accepted by the Board and are reflected in our Business Plan for 2021/22. We will be taking more action regarding crofters who do not return their annual notice, owners of unused vacant crofts, and crofts which lie uncultivated despite having a resident crofter.

A key focus this year has been to maintain customer service standards in the handling of regulatory applications. After the first lockdown, our capacity to process casework was severely hampered; but the number of applications also fell sharply. Since then, we have been monitoring casework closely as both the demands and our capacity have recovered closer to previous levels. The net effect is that turnaround times have generally increased, though there are several causes for this, including a decision by the Commission to spend more time looking critically at decrofting applications before deciding if they should be approved.

I am extremely grateful to staff in our regulatory teams, and our other teams, who have been working flat out to maintain services, despite the challenges of working remotely and the other pressures that the pandemic has placed upon them and their families.

Towards the end of the year, two additional audits were conducted into aspects of the Commission's work. An internal audit has highlighted weaknesses in the way we plan, control and ensure the quality of our in-house Croft Information System (CIS); and an external audit of the Commission's Governance and Transparency highlighted longstanding issues in how the Board and Chief Executive relate to each other, in the context of our organisation's relationship with The Scottish Government. Robust plans have been drawn up to address the matters raised in both reports, and I am confident that these will enable the Board and management to forge a successful future for the Commission.

Despite these issues, these are exciting times for the Commission, with the prospect of online regulatory applications, expanded RALU work and the new development team embarking on its work. 2022 will also be an election year for the Commission, and I would encourage all who are interested to consider standing for election in March, to provide the leadership for the Commission in the next 5 years.



**Bill Barron, Chief Executive & Accountable Officer**



# Who We Are

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

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

The Crofting Commission Board consists of six elected Commissioners and three Commissioners appointed by The Scottish Government, led by a Convener. The Board of Commissioners are supported by a staff of 58 led by a Chief Executive.



## OUR VISION

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



## OUR PURPOSE

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



## OUR VALUES

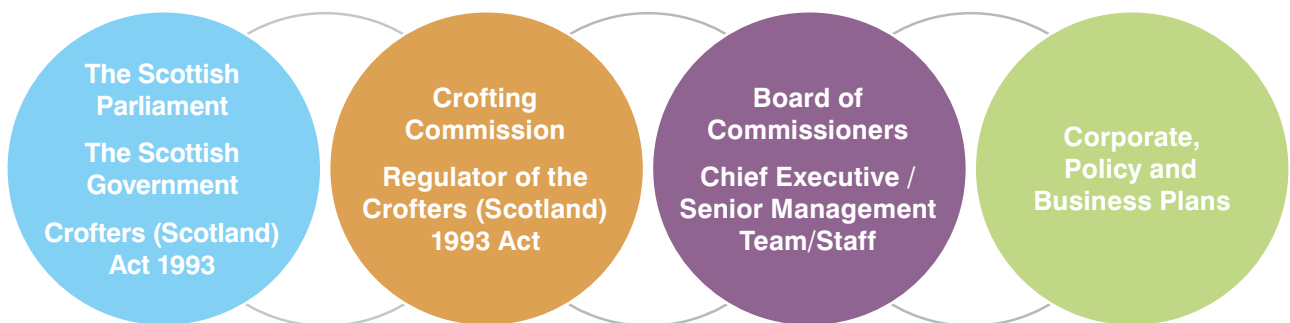
The Commission has developed corporate values which reflect what is important to us as an organisation and are at the heart of how we strive to operate on a day-to-day basis.

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

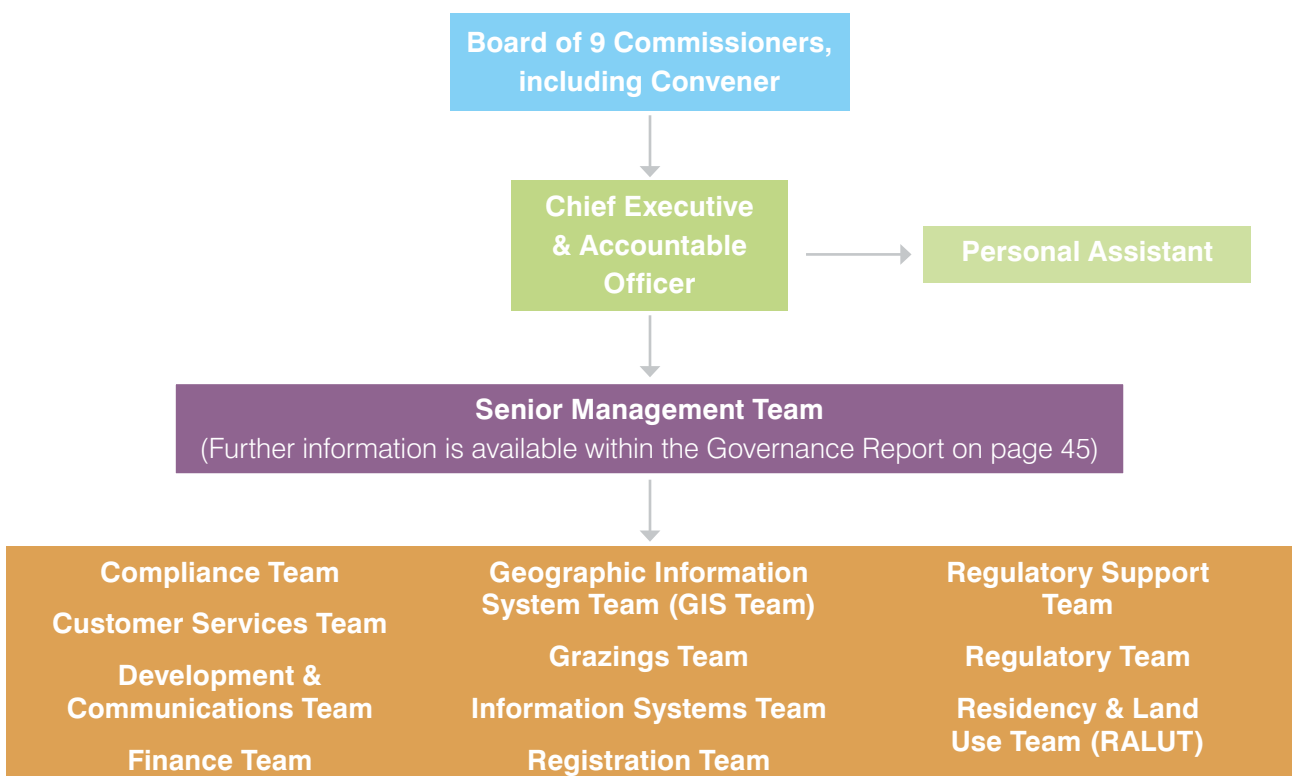
# Business Model

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

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



# Organisational Structure



# Objectives and Strategies

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




Scottish Government's National Performance Framework

**National Performance Framework** 
**Our Corporate Plan** **1** **2** **4**

**How we contribute:** Integral to crofting is a model of small-scale sustainable agriculture on often marginal land, and this type of food production has clear benefits for biodiversity and carbon mitigation. Much of the Commission's work protects and strengthens this aspect of crofting. In particular, in 2020/21, we worked to increase the number of actively managed common grazings, with the number of grazings committees increasing by 5, during the year. We also worked to preserve land in crofting tenure by critically scrutinising decrofting applications, in accordance with our Policy Plan. Board discussions recognised the importance of peatland restoration on common grazings, and tree planting on common grazings and crofts, and we contributed to The Scottish Government's National Development Plan for crofting, which sets out a range of further initiatives to support the environmental wellbeing of the crofting areas.

**National Performance Framework** 
**Our Corporate Plan** **1** **2** **3**

**How we contribute:** By working to ensure that crofts are worked by resident crofters or subtenants, we strengthen crofting communities and the wider community fabric of the Highlands and Islands. In 2020/21, as a result of our work, 2 crofters returned to take up residence on or near their crofts, while a further 12 who were not able to do so, chose to assign or let the croft to someone else. In addition, the Commission took direct action to terminate 4 crofting tenancies so that the crofts can be re-let to those who will comply with the duties. Similarly, our regulatory work underpins community cohesion as the rights of crofting communities are built into regulatory processes as specified in the Crofting Acts.

**National Performance Framework** 
**Our Corporate Plan** **1** **2** **4**

**How we contribute:** The economic contribution of crofters to the Highlands and Islands and the wider Scottish economy is reviewed every 4 years by The Scottish Government, whose most recent publication on this topic was in December 2018. This found that the median crofting revenue to a crofting household was £2000 per annum, but there had been an increase in the number of crofters reporting incomes much higher than this average. The report also noted evidence that crofters are diversifying their activities – with, for example, an increase in the number of crofters providing holiday accommodation. Of course, very many crofters also have other employment in their communities and beyond, in addition to their crofting activities. We supported the economic resilience of the crofting communities by taking transparent decisions on regulatory applications, and by giving our views on selected planning applications which impact on crofting communities. We have also planned a range of initiatives to be taken forward by our new Crofting Development Team.

**National Performance Framework** 
**Our Corporate Plan** **3** **4** **5**

**How we contribute:** The Commission strives to be impartial and non-discriminatory in all its work. The Crofting Acts enshrine the rights of crofters, landlords and local communities, and the Commission upholds all of these in its decision-making. We took over 700 regulatory decisions in 2020/21, some of which required a careful balance between the divergent interests of different parties and against the general interest of the crofting community. We have worked to ensure the continuity of our business despite the restrictions that resulted from the pandemic.

# Summary of Key Risks and Issues We Face

The Crofting Commission maintains two risk registers: a Strategic Risk Register focusing on the risks to achievement of our main outcomes, and high-level overarching risks; and an Operational Risk Register which covers a range of other risks to the day to day running of the business.

In recent years, the chief concerns in the Strategic Risk Register have been twofold: maintenance of sufficient regulatory team capacity to manage an unpredictable volume of applications; and our effectiveness in promoting active crofting, through duties enforcement, support for grazings, and more recently our development team. Regulatory team capacity in a time of pandemic remains a concern and is closely monitored. The pandemic has also hampered our promotional work, and longstanding intractable issues such as the pricing of crofts continue to pose major challenges to the crofting system. However, overall, our effectiveness in promoting active crofting has continued to improve, and the current creation of a development team and expansion of the RALU team will enable us to do more.

In Spring 2021, we added two new high-level risks to the Strategic Risk Register, as a result of two key audits. These risks had in part been longstanding, but the issues were brought to the fore in 2020/21. An external audit highlighted areas where there was a need for greater clarity of roles between the Chief Executive, Board and The Scottish Government, and an action plan is being developed to address this. At the same time, an internal audit report highlighted deficiencies in the governance and control of our in-house CIS development, which will require increased Commission resources and/or a partly outsourced solution, to ensure resilience.

A major theme of the Operational Risk Register is the potential for individual teams to be impacted by the loss of key staff. The Commission is smaller than many other public bodies, and many roles are covered by just one or two individuals. When key people leave, the loss of their expertise can be significant. During the year we have mitigated this risk by identifying deputies for most key roles, and we are developing an operational continuity annex to our Workforce Plan, to address the risk of staff loss more directly.

A more in-depth analysis of our key risks is available within the Performance Analysis Report on page 25.

# Financial Summary

The 2020/21 annual report and accounts were audited by Deloitte LLP who were appointed by the Auditor General for Scotland as auditors to the Crofting Commission from 1 April 2016.

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

These accounts were prepared under the Accounts Direction issued by The Scottish Ministers detailed on page 89. They were prepared on a going concern basis, which means the Crofting Commission intends to continue its business for the foreseeable future and is able to do so. The Commission operated within its Grant-in-Aid budget for the reporting year. The financial position of the Commission for the reporting year reflected total expenditure of £3.060M (£2.807M 2019/20) which was solely funded by The Scottish Government. Further detail on financial performance is provided within our Performance Analysis on page 38.



# Performance Summary

The Crofting Commission measured its performance for the year 2020/21 against the strategic objectives in the 2019 – 2022 Corporate Plan. The strategic objectives reflect the outcomes that matter most to the organisation and its stakeholders and cover the major areas of the Crofting Commission's remit.

## Performance Indicators

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

### Key



**Achieved**



**Partially Achieved**



**Not Achieved**

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



# Performance Analysis

The outcomes in the Crofting Commission's Corporate Plan are delivered through actions in the Business Plan.

In our Business Plan 2020/21 we identify key milestones that we wanted to achieve so we can deliver our Corporate Plan Outcomes. We have published this information within our website and is available for review at <https://www.crofting.scotland.gov.uk>

In addition to the Milestones, we also set some performance improvement measures and targets, and report below which of these we achieved.



# Operational Performance


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

Measure	Target	Result
Reduce number of vacant crofts.	Reduce by 5%.	

### Result:

Not measured because work to refine the identification of vacant crofts and secure a reduction in their number has been delayed because of resourcing pressures. However, RALUT has continued to address individual cases.


The team has been involved in virtual meetings with Commissioners in relation to engaging with identified estates to have vacant crofts let. Following those meetings, the team is currently engaging with estates in Caithness and Wester Ross with a view to progressing a number of cases to the letting application/proposal process stage. The Commission approved 3 letting proposals from landlords under section 23(5) of the 1993 Act to let vacant crofts. We are currently processing a letting application from a landlord under section 23(3) in a case in Harris, where the Commission terminated the tenancy. The proposed tenant will be a new entrant to crofting. In terms of taking on the letting of the croft at the Commission's own hands under sections 23(5B) and (5C) of the 1993 Act, the team progressed the letting of a vacant croft in Lewis which, again, resulted in a new entrant to crofting.

Measure	Target	Result
Initiate correspondence with more crofters where a breach of RALU duties is suspected.	Initiate RALUT correspondence with 100 new cases.	

### Result:

Due to resource restrictions, the team's focus has been on progressing existing cases and in dealing with new cases arising from written information of suspected breaches of duty.


The RALUT initiated correspondence with crofters who have been identified as being suspected of being in breach of duty, following written information received under section 26A of the 1993 Act. The team received information on **10** such cases in the first half of the year, which they are currently progressing. Following a change in policy agreed by the Board in June 2020, we initiated correspondence with the **44** remaining 2018 census returners to either have the cases resolved or progressed to the issuing of a notice of suspected breach of duty under the section 26C(1) enforcement provisions.

Measure	Target	Result
Number of RALU breaches resolved by a crofter in breach of their residency duty taking up residence on their croft.	Maintain or increase the baseline number (32) in 2019/20.	

### Result:

There have been **2** cases resolved by the crofter taking up residence. The team has however also processed **20** applications for consent to be absent, of which **16** were approved and **4** were refused. In addition, the Team processed and approved **2** applications for extensions of consent for absence.

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

Measure	Target	Result
Number of RALU breaches resolved by assignment of the croft, or sale of an owner-occupied croft.	Maintain or increase the baseline number (28) in 2019/20.	

#### Result:


**11** crofters resolved their breach by assigning their tenancies with the consent of the Commission.

**1** additional case was resolved by the tenant purchasing and letting the tenancy with the Commission's consent.

Measure	Target	Result
Number of RALU breaches resolved by sublet, or by short-term lease of an owner-occupied croft.	Maintain or increase the baseline number (88) in 2019/20.	

#### Result:

**15** crofters resolved their breach of duty by subletting in the first three quarters of the year. The Commission changed its policy on subletting during the first half of the year in that it will not normally approve sublets or short term lets for a term of more than 5 years. As a result, we can anticipate a greater number of modifications and refusals of applications for terms longer than 5 years moving forward.

Measure	Target	Result
Number of RALU breaches concluded by tenancy terminations, approval of letting proposals etc.	Maintain or increase the baseline number (6) in 2019/20.	

#### Result:

During this period, the Commission issued **13** Section 26C(1) notices of suspected breach of duty – **11** were as a result of census returns and **2** following a section 26A reported breach of duty.

There were also **12** Section 26C(5) decisions that duties were not being complied with, **11** generated by census returns, and **1** reported under section 26A.

There was **2** section 26C(5) decisions where it was decided, following consideration of the crofter's representations as required by the Act, that the statutory duty was being complied, **1** generated by a census return and **1** following a report under section 26A.

There was **1** section 26D(1) Notice issued providing the crofter with an opportunity to provide an undertaking to resolve their breach of duty.

The Commission issued **4** tenancy termination Orders under section 26H. **2** of these terminations were as a result of census returns and **2** were as a result of reports by grazing committees under section 26A.

#### Key



Achieved



Partially Achieved



Not Achieved

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


Measure	Target	Result
Increase in number of common grazings with a Committee in office.	An increase in the number of Grazings Committees in office.  Baseline: 495 Grazings Committees in office on 31 March 2020	

### Result:

Measures put in place to enable the appointment of existing committees going out of office have allowed some committees to return and continue the management of common grazings.

**500** grazings committees in office at the end of this period.


It is difficult for shareholders in a common grazings that does not have an existing committee to appoint a committee due to Covid-19 restrictions. Section 47(1) of the Crofters (Scotland) Act 1993 requires the appointment of a committee by shareholders to be made at a public meeting. The Commission has employed section 47(30) of the Act to ensure that outgoing committees can be appointed to serve a further term and ensure continuity of management for these common grazings. Additionally, it has in specific circumstances used the same powers to appoint committees for some common grazings that have not had a retiring committee.

Measure	Target	Result
Increase in number of grazings committees who have adopted the new template regulations.	Increase the baseline number (6) in 2019/20	

### Result:

Consequence of Covid-19 restrictions.

It has not been possible for grazings committees to meet during this period. Consequently, there have been no new requests in this period. However, there are **10** already submitted at various stages of progress, although some will still require further consultation with grazings committees. Ultimately, only **3** sets of regulations were approved in the year.


Measure	Target	Result
Meetings or other substantial engagement with Grazings Committees and shareholders (as required) to support them with the regulation and management of common grazings.	Maintain or increase the numbers of townships where grazings issues have been progressed, or resolved, following Commission engagement.  Baseline (33) in 2019/20.	

### Result:

**12** substantive engagements have been recorded.

While there has been little opportunity for grazings committees to meet during this period, this does not necessarily mean that disputes will not arise in relation to committees and their management of common grazings.

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

Measure	Target	Result
Establish correct shareholdings on common grazings by researching and updating records of shareholder situations.	Number of townships researched. Baseline (14) in 2019/20.	

**Result:**

**15** shareholding positions have been researched and updated.

Lack of access to historical files and documentation has added difficulty and increased the time requirement for carrying out this work.

Measure	Target	Result
Develop and assist with training and other events for grazings committees and the management of common grazings	Baseline (9) in 2019/20	

**Result:**

An on-line survey was sent to **365** grazings clerks in November 2020 to determine the level of interest in providing training to assist with arranging virtual meetings. This elicited **114** responses. A number of virtual training sessions on holding meetings on-line as well as training in mediation and conflict management were held during the last 2 quarters.

There is less likelihood of continuing the interactive training events for grazings committees that were initiated last year. However, recent discussions have taken place with SAC Consulting who have been encouraged to use Farm Advisory Service (FAS) funding for common grazings development. Consideration is being given to different on-line and digital training events that should be beneficial to common grazings and those responsible for their management.

**Key**



**Achieved**




**Partially Achieved**



**Not Achieved**

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

Measure	Target	Result
Decrease in median turnaround times (registered crofts, Tier 1 approvals).	Reduce median turnaround times for the main regulatory functions.	

**Result:**

There has been a slip in the turnaround times. Pressure of work remains high; the volume of applications being received in recent months having returned in line with previous years. March 2021 submissions increased significantly. This is being monitored to establish if this is an ongoing trend.

The impact of the pandemic and home working has had an effect on staff and there has also been prolonged periods of time where The Scottish Government Rural Payments & Inspections Directorate (RPID) were not able to produce and submit RPID reports therefore delaying cases.

Separately, the Regulatory Support Team has reported that across the application types there are an increased number of cases being referred to Tier 2 for advice and decision which is having an impact on the turnaround times of cases. Some processes and policies have changed and have elongated the process, for example the timescale for subletting cases being signed off at Tier 1 has been reduced therefore staff are reporting that an increased number of cases are being referred to Tier 2 which would formerly have been handled at Tier 1. Also, all cases where there are objections are now referred to Regulatory Support for advice.

The introduction of the triaging system has also led to greater engagement with applicants in terms of modifying applications to comply with delegation parameters and the Policy Plan including, in relation to decroftings, not including agricultural buildings in the area applied for, ensuring access is retained for the remaining part of the croft, discouraging applications which are not for a reasonable purpose in terms of section 20(3) of the Act, encouraging applicants not to apply for areas that are in excess of the required purpose etc. These may cause the application to take longer to process, but they do result in better outcomes, and often with less overall resource demand on the Commission even when the timeframe is lengthened. A positive outcome of this initiative is that there have not been any successful Scottish Land Court appeals to date, for any of the regulatory functions which have been subject to triaging since it was introduced.


We have taken steps to provide additional resilience to the Regulatory Team.

Refer to our website for a full description of our model of Delegated Decision Making.

**<https://www.crofting.scotland.gov.uk/forms-and-guidance>**


	Approx. Number of cases per year	Median weeks (2019/20)	Median weeks (2020/21)
Assignment	c125	8.0	10.71
Decrofting Croft House Site	c50	8.0	13.0
Decrofting Part Croft	c100	13.3	22.57
Letting by Landlord	c10	9.4	14.14
Letting by Owner- Occupier	<10	11.4	12.14

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

Measure	Target	Result
Decrease in number of regulatory cases outstanding after 12 months.	Reduce number of cases still live after 12 months.	
Baseline (167 open)		


**Result:**

A report has been produced allowing the Regulatory Team to identify and investigate the cases which have not been discharged within 12 months. The Regulatory Team are working through the cases. These cases are complex by nature and are progressing to Tier 2 and Tier 3 as required, but wherever possible the cases are being cleared and the number outstanding is reducing. (**159** remaining and have been reviewed).

Measure	Target	Result
Customer satisfaction rates.	To be developed once customer satisfaction system is in place.	

**Result:**

Customer Service Forms are now being issued to applicants for all decision types. A small number of completed forms have been received and all of the forms received were positive.

Measure	Target	Result
Decrease in number of general enquiries.	Reduce number.	
Baseline (2,394) in 2019/20		

**Result:**

There was a slight decrease from the number of enquiries received during 2019/20 compared to 2018/19. A further reduction was expected following the uploading of the apportionment orders to the online Register of Crofts, and this has been reflected in a substantial reduction in 2020/21, to approx. **1,500**.

**Key****Achieved****Partially Achieved****Not Achieved**

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

Measure	Target	Result
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There is no Performance Measure for this Outcome

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

Measure	Target	Result
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Increase in staff engagement rating.

Increase from 51% to 55%.



Baseline (51%) in 2019/20

#### Result:

Issue of staff survey delayed due to Covid-19. Survey was issued in August 2020 and the results analysed. The survey shows that the average positive scores for a set of fixed questions in the survey increased to **57%**. The Survey was reissued in Spring 2021 and reflected a staff engagement rating of **65%**.

Measure	Target	Result
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Corporate carbon emissions.

Maintain or reduce.



#### Result:

The Commission voluntarily signed up to The Public Sector Climate Change report which is completed on an annual basis (30 November). The Commission measures its CO2 emissions on an annual basis and the trend is as follows-

- 2017/18 18.45 tCO2e (Based upon Actual travel data)
- 2018/19 15.46 tCO2e (Based upon Actual travel data)
- 2019/20 15.20 tCO2e (Based upon Actual travel data)
- 2020/21 Unavailable at this time.

The latest measure demonstrates a slight decrease in emissions from 2018/19. Overall, there was a slight increase due to flights which was offset against lower car mileage, rail, ferry & taxi travel emissions. It is anticipated that 2020/21 emissions will have fallen sharply because of Covid-19 restrictions on travel.

#### Key



Achieved



Partially Achieved



Not Achieved



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

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

*The number of applications decided will differ from the number of applications received due to applications which were carried over from 2019/2020 and which will be carried over to 2021/2022.*

Application/Notification Type	Received	Approved/ Notified	Refused	Invalid	Withdrawn
Apportionment	61	15	1	4	6
Assignment Share	12	3	0	7	2
Assignment Croft	292	242	0	20	5
Consent to be Absent – Extension	2	2	0	0	0
Consent to be absent- initial application	21	15	4	2	0
Create a new croft	17	5	0	3	2
Decrofting – Croft House Site and Garden Ground	127	94	3	22	6
Decrofting – Part Croft	267	184	4	19	8
Decrofting – S17 & S18 Feu	8	5	0	3	0
Decrofting – Whole Croft	8	3	3	0	2
Decrofting – Whole Croft – House Site Only	4	5	0	0	0
Division – Owner-Occupier Crofter	18	10	2	4	2
Division – Tenant	17	15	0	1	2
Exchange of croft land	2	0	0	0	0
Letting – Landlord of a vacant croft	28	21	0	0	4
Letting – Owner-Occupier Crofter	12	8	0	1	0
Short-Term Letting	16	16	2	0	2
Subletting	66	52	3	9	2
Intestate Succession (Notification)	64	68	0	4	1
Testate Succession – Bequest of Croft Tenancy (Notification)	103	94	0	7	4
<b>Totals 2020/21</b>	<b>1,145</b>	<b>857</b>	<b>22</b>	<b>106</b>	<b>48</b>
<i>Totals 2019/20</i>	<i>1,494</i>	<i>1,260</i>	<i>23</i>	<i>189</i>	<i>61</i>
<i>Totals 2018/19</i>	<i>1,511</i>	<i>1,265</i>	<i>25</i>	<i>171</i>	<i>38</i>
<i>Totals 2017/18</i>	<i>1,366</i>	<i>925</i>	<i>21</i>	<i>132</i>	<i>36</i>

## Delegated Decision Making

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

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

Level of Decision Making	No of Cases Decided 2020/21	No of Cases Decided 2019/20	No of Cases Decided 2018/19	No of Cases Decided 2017/18
Tier 1 (Case officers)	630	859	735	678 *
Tier 2 (Senior Officials)	132	203	211	186
Tier 3 (3 Commissioners)	46	64	53	57
Decision by full Board of Commissioners	4	1	4	5

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

## Appeals to the Scottish Land Court (SLC)

Applicants can appeal to the SLC against any decision, determination or direction made by the Crofting Commission, on an application under the Crofters (Scotland) Act 1993. Any appeal must be made within 42 days. Additionally, the Commission can become involved as an interested party in various Land Court applications and rights of appeal that are distinct from section 52A appeals.

There were three appeals carried over from 2019/20.

- In one appeal the SLC upheld the Commission's decision
- One appeal resulted in the case being remitted back to the Commission for a new decision
- In one appeal the Commission decision was not upheld by the SLC.

A further 6 appeals were received during 2020/21 – the outcome of these is unknown, and 4 are currently sisted in order to allow discussions between the parties. Additionally, a landlord has appealed against the terms and conditions fixed by the Commission on a re-let. Separately, the Commission is involved in two resumption applications where it has formally objected to the application as an interested party.

# Analysis of Key Risks and Issues We Face

Corporate Plan Outcome	Risk Description	Action Taken
Crofts are occupied and managed	Not enough momentum can be gained to see a clear improvement.	<p>Systematic approach for dealing with those who confirm through the census that they are in breach of duties. Established process for investigating breaches reported under section 26A of the 1993 Act.</p> <p>In October/November 2020 processes were streamlined to escalate cases at an earlier stage to the statutory enforcement provisions at Sections 26C(1) to (5) of the 1993 Act.</p> <p>RALUT being expanded and will take more action against non-returners of Crofting Census forms and in respect of unused crofts.</p>
Common grazings are regulated and shared management practices are encouraged.	Changes in crofting practices and support see a continued decline and move away from common grazings being utilised and managed.	<p>Training for grazings clerks/committees. Survey of clerks being carried out to assess need and interest in training for digital meetings.</p> <p>New policy agreed to enable appointment back to office of outgoing grazings committees by Commission under powers of section 47(3) of the 1993 Act.</p>
Crofting is regulated in a fair, efficient, and effective way.	Volume and complexity of casework exceeds Commission's ability to deliver high standards of customer service due to budgetary constraints.	<p>A range of short-term projects to improve various aspects of our efficiency, especially regarding IT. Ongoing work with RoS to improve registration processes.</p> <p>Full review of application forms to make them more fit for purpose, with planning on-going to facilitate a full digital return, to remove the requirements for manual duplication of work entering into the CIS.</p> <p>A wider analysis of casework that has not yet reached conclusion, with a view to progressing these applications/notifications to an end.</p> <p>Further review of Management Information products.</p>

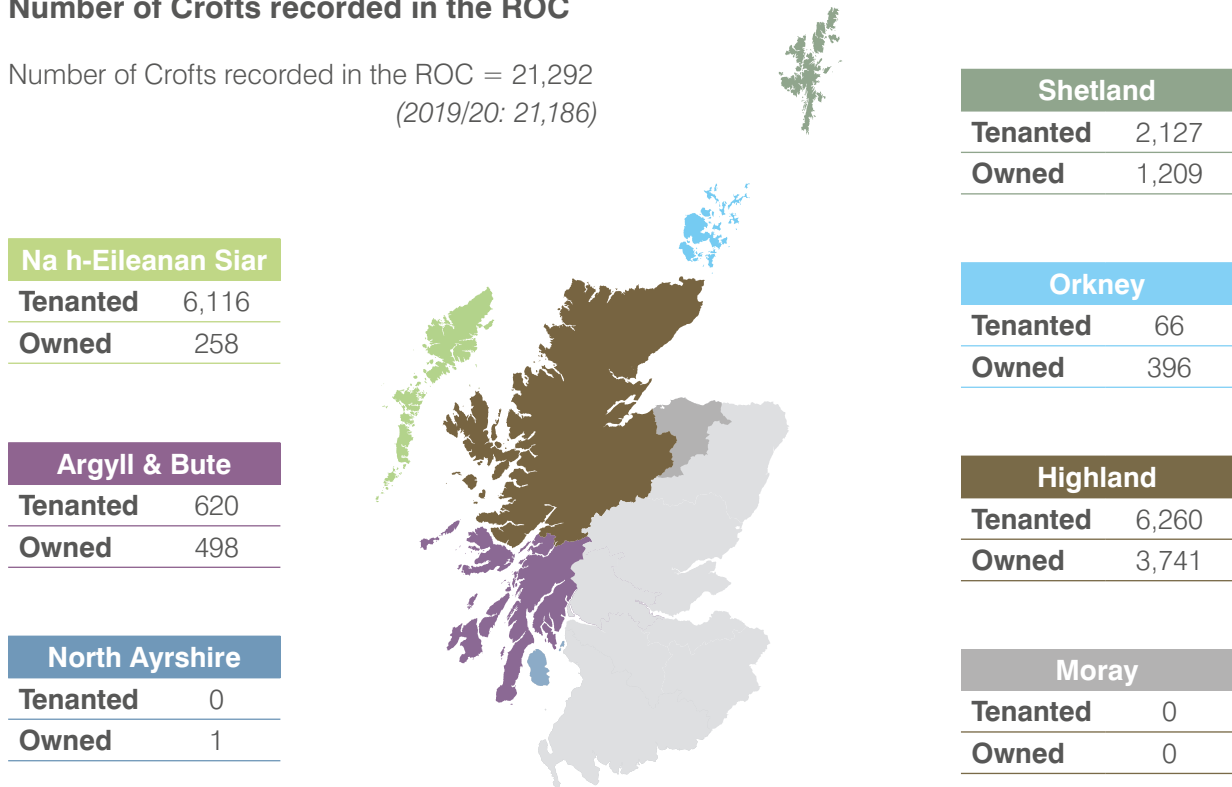
Corporate Plan Outcome	Risk Description	Action Taken
The future of active crofting is supported by well-informed engagement with stakeholders.	Conflicts arise due to clash between the crofting system, the modern environment and economy and different stakeholder agendas.	Additional funding provided to the Commission to expand our role of developing and promoting crofting.  Input provided to The Scottish Government draft of the National Development Plan for crofting.
Our workforce has the right skills and motivation to perform well, and our governance processes are best practice.	Inability to recruit and/or retain good/experienced staff, because of budget constraints or for other reasons.	Workforce plan to support training and succession planning.  Prompt recruitment when necessary, to fill posts.  Staff Surveys conducted regularly, and Action Plans developed and issued to staff. Increased focus on the wellbeing of staff with a Wellbeing page created. Events to support wellbeing being organised by the Staff Engagement Group (SEG).
Governance	Risk Description	Action Taken/Planned
Governance and Transparency	Leadership weakened by the need for greater clarity of roles between the Chief Executive, Board and The Scottish Government; relationships suffer as a result.	Comprehensive improvement plan in course of being finalised. Further information available within our Governance Statement on page 55.
Croft Information System	Poor planning and delivery of system enhancements results in weaknesses in functionality and effectiveness.	CIS Steering Group established. Further information available within our Governance Statement on page 55.  Greater resource to be committed to enhancements of the system, in particular testing before releases go live.
All aspects of the Commission's objectives	Covid-19 has hampered delivery of the Commission's work as a result of loss of staff availability through caring responsibilities and other home working constraints; reduced access to the office; and IT connectivity challenges.	Continual improvement approach for staff's home working experience.  Health, Safety & Welfare committee strengthened, new policies developed and H&S monitoring in place, both for staff in the office and for those working at home.  Throughput of regulatory work being monitored weekly. Bespoke continuity plan in place for Finance Team.

# 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.

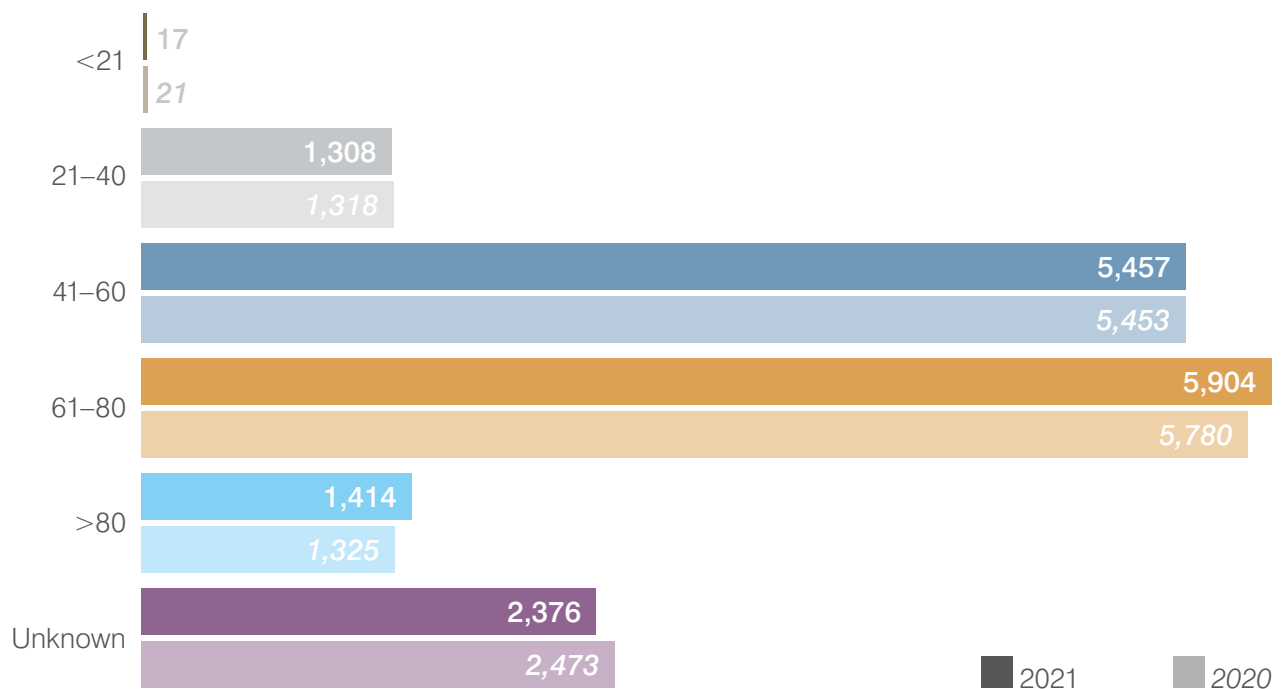
## Number of Crofts recorded in the ROC

Number of Crofts recorded in the ROC = 21,292  
(2019/20: 21,186)



## Crofters by age

Number of Crofters recorded in the ROC = 16,476 (2019/20 16,370)

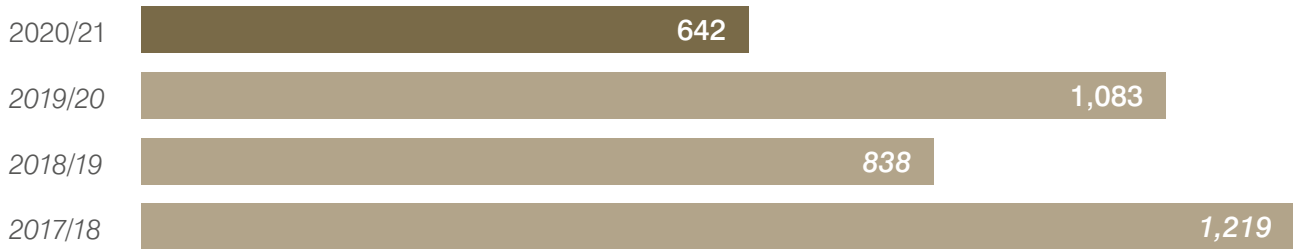


# Crofting Register

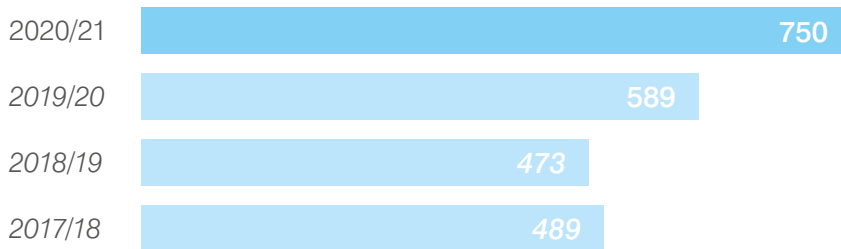
In addition to processing regulatory applications, we also assess the validity of Croft Registration applications for RoS.

## Croft Registration applications

### First Registrations



### Subsequent Event affecting a registered croft



There were also **30** (2019/20: 26) non-trigger updates and 113 (2019/20: 160) rectifications processed. An overall total of 7,481 (2019/20: 6,839 crofts) are now entered in the RoS Crofting Register.



# Crofters Duties

Tenants and Owner-Occupier crofters have a duty to:



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



Not to misuse or neglect the croft



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

## Notifications of Suspected Breach of Duties

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

**!** 10 cases of suspected breaches of duty were reported to the Commission over the year (18 cases in 2019/20).

1 invalid (subject not a croft)



9 cases ongoing (1 crofter is in the process of assigning their croft – the other 8 are still being investigated).



## Consent to be Absent Applications

**!** 21 (2019/20: 19) applications received.

16 approved



4 refused



1 invalid



## Consent to be Absent – Extension

**!** In addition, RALUT processed and approved 2 applications for extensions of consent for absence.

# Crofting Census 2019 – Duties

Due to the impact of Covid-19, the Commission was unable to commence engagement with individuals who returned their Crofting Census 2019 forms indicating that for the first time that they were in breach of one or more of their statutory duties. The Commission will re-commence the process of engaging with respondents to the Crofting Census 2020 setting out the steps they can take to comply with their statutory duties.

In 2020, the Commission did initiate correspondence with the **46** remaining 2018 Crofting Census returners to either have the cases resolved or progressed to the issuing of a notice of suspected breach of duty under the Section 26C(1) enforcement provisions.

Of those **46** written to – **5** crofters have, to date, resolved their breaches as follows:



- **2** crofters took up residence
- **3** crofters applied for and received Consent to be Absent
- There were also **2** cases closed as the crofters are now deceased; **1** case where it was decided that there was a good reason not to take enforcement action in terms of Section 26C(1) of the Crofters (Scotland) Act 1993; and **2** crofters who indicated to be in breach of the residency duty but upon investigation it transpired that the crofters were actually resident within the required 32 kilometres.

In addition to the above:

- **12** crofters have submitted applications for the Commission's consent to sublet their crofts which are pending decisions
- **8** crofters have submitted applications for the Commission's consent to assign the tenancy of their crofts which are pending decisions.

The remaining **16** cases are progressing through the Duties enforcement process.

In addition to the above, the following work was carried out by RALUT:



# 2017 & 2018 Crofting Census

- **11** crofters resolved their breach by assigning their tenancies with the consent of the Commission
- **1** additional case was resolved by the tenant purchasing and letting the tenancy with the Commission's consent
- **16** crofters resolved their breach by subletting their croft with the consent of the Commission.

By the end of the reporting year, the following remained under consideration:

- **15** applications for consent to assign the tenancy
- **17** applications for consent to sublet the tenancy
- **64** cases that are being dealt with under the duties enforcement provisions (from the issue of whether or not to issue a section 26C(1) Suspected Breach of Duty Notice – to decide under section 26C(5) if a duty is being complied with – to issuing notices under section 26D, providing the crofter in breach with an opportunity to resolve the breach within a timescale deemed to be reasonable by the Commission).

The Commission issued:

- **13** Section 26C(1) notices of suspected breach of duty – **11** were as a result of census returns and **2** following a Section 26A reported breach of duty
- **12** Section 26C(5) decisions that duties were not being complied with, **11** generated by census returns, and **1** reported under Section 26A
- **2** Section 26C(5) decisions that a duty was being complied, **1** generated by a census return and **1** following a report under Section 26A
- **1** Section 26D(1) Notice issued providing the crofter with an opportunity to provide an undertaking to resolve their breach duty
- **4** Tenancy Termination Orders under Section 26H of the 1993 Act. **2** of these terminations were as a result of census returns and **2** were as a result of reports by grazing committees under Section 26A.

The Commission approved **3** letting proposals from landlords under Section 23(5) of the 1993 Act to let vacant crofts. In terms of taking on the letting of the croft at the Commission's own hands under Sections 23(5B) and (5C) of the 1993 Act, we progressed the letting of a vacant croft in Lewis which resulted in a new entrant to crofting. The Commission also approved the first of **3** applications from a landlord in Skye to let crofts which have remained vacant since they were constituted as crofts over a decade ago.

It has been a consistent call of the Crofting Commission's Board that action to promote croft residency and active land use should be high on the Commission's list of priorities. The Board has responded to the Commission's enhanced budget allocation by indicating that some of this allocation should be used to promote residency and active land use and build upon the existing work of the Commission's RALUT. A working group comprising several Commissioners, assessors and officials was set up in July 2020 to examine how the Crofting Commission could take forward its work in this area.

The Duties Group prepared a set of 12 recommendations which were approved by the Board at its meeting in December 2020. Further information is available via our link <https://www.crofting.scotland.gov.uk>

In recognition of the fact that the implementation of the recommendations will expand the work of RALUT, the Commission will be allocating additional resources in 2021/22 in the form of additional Casework Officers, one of which will be based in Balivanich, Benbecula.

# Crofting Census 2020

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

2020 saw the issue of 19,636 (2019/20: 19,485) Crofting Census forms, 17,645 (2019/20: 17,519) general croft forms and 1,991 (2019/20: 1,966) in relation to grazings shares (deemed crofts). This was the second year crofters had the option to complete their Crofting Census form online and the Commission promoted the benefits of this option via social media platforms. 2,820 (2019/20: 1,674) forms, or 19.7% (2019/20: 11.4%) of all returns, were made online. Overall, 14,297 (2019/20: 14,726) forms were returned to the Commission. This is equivalent to a 72.8% (2019/20: 75.5%) return rate



Ordinarily Resident on, or within 32km of their Croft:  
**94%** (2019/20: 86%)

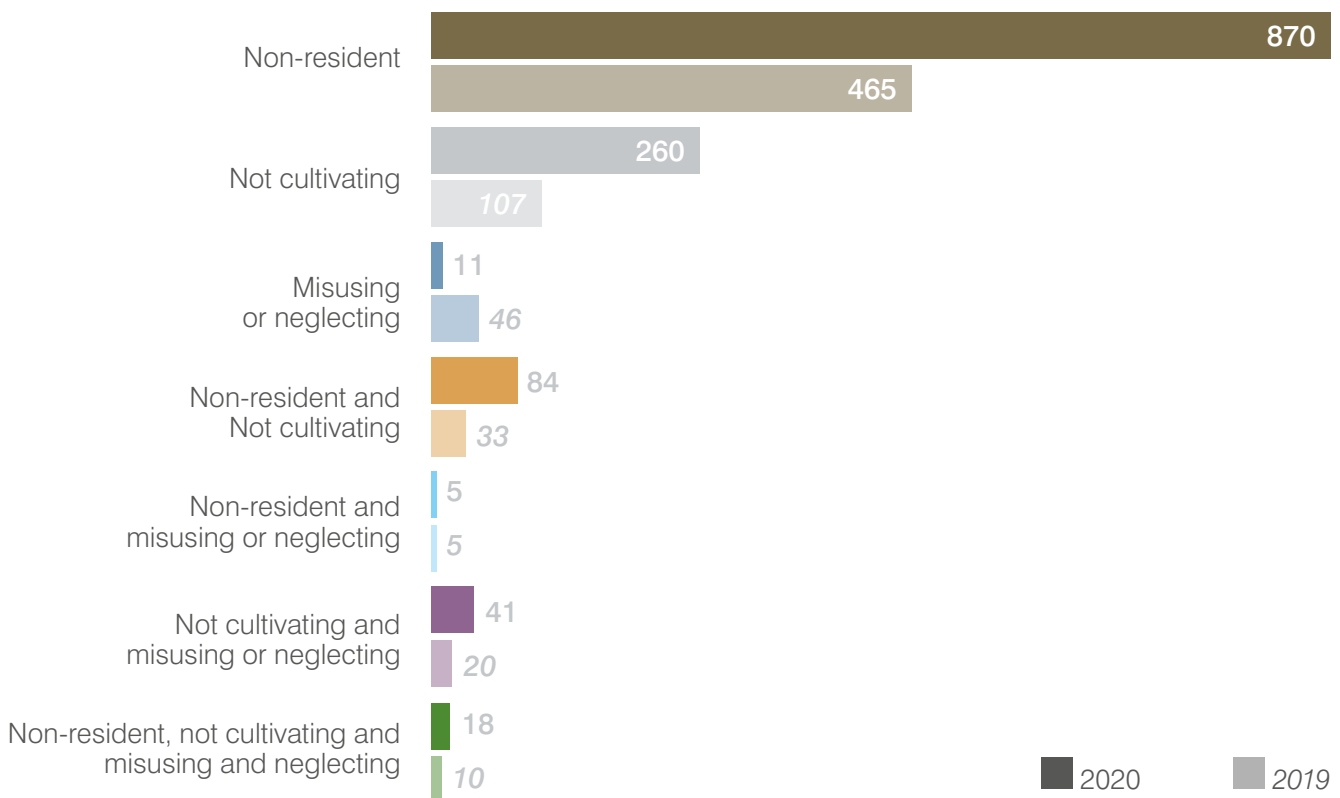


Not Neglected/ Misused:  
**89%** (2019/20: 89%)



Croft is Cultivated/Maintained/ Put to Purposeful Use:  
**89%** (2019/20: 89%)


## Number of crofters not complying with their Duties as notified to the Commission **TOTAL: 1,289 (2019/20: 686)**



# Common Grazings

Common grazings form an integral and vitally important part of the crofting system. Comprising two-thirds of all land under crofting tenure, these areas of land have been critical to crofting livestock systems but are also increasingly recognised for the environmental and ecological benefits they provide. Likewise, they have potential for climate change mitigation through the likes of peatland restoration, woodland creation and management, renewable power and balanced grazings regimes.

There are over 1000 common grazings covering an area in excess of 500,000ha across the crofting counties of Scotland.



Grazings committees appointed by the crofters sharing in common grazings are fundamental to the on-going management and maintenance of these important communal resources. The Covid-19 pandemic in 2020 presented particular difficulties for the statutory requirement to hold public meetings to appoint new grazings committees, particularly for those retiring after the stipulated 3 years term of office.

To ensure continuity of business and also to safeguard our own considerable investment in restoring confidence and numbers of grazings committees, the Commission used another element of the legislation to ensure the appointment of grazings committees who demitted office over the course of the year. Given the extenuating circumstances, the Commission provided the opportunity for the recently retired members of grazings committees to be appointed for a further term. In addition, if shareholders in other grazings needed a committee, arrangements were made for contact with all those sharing in the grazings prior to the Commission's appointment of any grazings committee. In this way the Commission has worked together with grazings committees and crofting communities to ensure that the management structure for common grazings remains in place wherever possible.

The programme to provide interactive training for grazings committees in conjunction with FAS, piloted the previous year, was adversely affected by the pandemic. This operates best within a group situation, and with interaction between the trainers and the crofting participants. However, grazings clerks were given the opportunity to participate in an on-line survey to gauge interest in digital training in November. This resulted in a number of digital training events being arranged with support from SAC and FAS over the following months.

	2020/21	2019/20	2018/19
No of Grazings Committees in Office	500	495	418

# Common Grazings Census

The Crofting Reform (Scotland) Act 2010 imposed requirements on Grazings Committees to report every 5 years on the condition of the common grazings and the condition of every croft of tenant and owner-occupier crofters who share in that common grazings, and on any other matter affecting the common grazings or crofting in any township associated with the grazings. A Grazings census form was created and made available for Grazings Committees to use to fulfil this requirement and is available on the Crofting Commissions website.

Since this form was made available in March 2017, the Commission has received a total of 109 Grazings census returns.

# Freedom of Information/ Environmental Regulations/ Data Protection

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

Further information can be found at [www.crofting.scotland.gov.uk/foi](http://www.crofting.scotland.gov.uk/foi)

## Complaints

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

During 2020/21 we received **39 complaints** (2019/20: 36).



Frontline Resolution	2020/21	2019/20	2018/19	2017/18
Upheld	15	4	16	10
Partially Upheld	2	3	-	1
Not Upheld	11	17	16	2
Escalated	-	-	23	7
<b>Totals</b>	<b>28</b>	<b>24</b>	<b>55</b>	<b>20</b>

Investigation Stage	2020/21	2019/20	2018/19	2017/18
Upheld	3	2	5	2
Partially Upheld	3	6	8	4
Not Upheld	4	3	4	5
Invalid	1	1	1	3
Investigation in Progress	-	-	1	-
<b>Totals</b>	<b>11</b>	<b>12</b>	<b>19</b>	<b>14</b>

Further information can be found at [www.crofting.scotland.gov.uk/complaints](http://www.crofting.scotland.gov.uk/complaints)

# Communications

Covid-19 and associated 'lock downs' has emphasised the role of social media.

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

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

We also continue to enhance our website, which is currently undergoing a significant refresh, including testing the current level of accessibility to ensure maximum usability. During the year we have undertaken a detailed review of our Communications and Social Media strategy with a view to implementing a number of recommendations in 2021/22, with the aim of increasing understanding and awareness of the Commission's role.



# Human Rights

## Equality, diversity and inclusiveness

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

## Equality Duty

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

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

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

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

The full report of the programme of mainstreaming initiatives that the organisation has been working to deliver, together with progress towards delivery of the equality outcomes, can be found in the Crofting Commission's Equality and Diversity Plan on the website. <https://www.crofting.scotland.gov.uk>

Under the Gender Representation on Public Boards (Scotland) Act 2018, The Scottish Government introduced a gender representation objective that 50% of Appointed members to public Boards should be women, with a deadline of 31 December 2022 to achieve this. In the case of the Crofting Commission, the Act implies that the gender representation objective would be satisfied if at least one of the Appointed Commissioners were female.

With a reporting deadline of April 2021, the Commission decided in the summer of 2020 to take steps to demonstrate its commitment to increasing female representation on the Board and a Short -Term Working Group (STWG) was established. The group consisted of 3 female officers from the Commission, 2 female Assessors and 2 Commissioners. It was decided at the outset that the group would work pro-actively on both encouraging women to apply for appointment vacancies and also to stand for election to the Board.

The STWG agreed a range of practical actions and compiled a Stakeholder's list, which facilitates speedy dissemination of information to a broad network of interest groups. This has allowed, for example, invitations to be issued to attend video Board meetings, which are now built into the Commission's processes. By increasing the visibility of Board meetings, it is hoped proceedings are demystified, as well as broadening an understanding of the work of the Commission. The group also established contact with the relevant officers in the Public Appointments office. The pro-active work begun by the group includes the drafting and circulation of a Questionnaire to survey women on possible barriers to participation and how these might be mitigated, articles, blogs and films, as well as training and direct approaches to individuals. This work will continue and will have a dual aspect with, on the one hand, officer led liaison with The Scottish Government, to maximise publicity and information sharing and, on the other hand, networking, informal engagement, and promotion led by other members of the group.

# Environmental Matters

The Crofting Commission shares an office space (Great Glen House) with NatureScot, which carries responsibility for the building, and 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 The Scottish Government, it takes environmental matters seriously and adopts environmentally focused practices where possible. The Commission is a voluntary participant regards monitoring its CO2 emissions and submitting climate change reporting to The Scottish Government.

The Crofting Commission transitioned quickly to working from home as a result of Scottish Government Covid-19 guidance. This has reduced almost to zero emissions associated with travelling to the office, but more significantly Commissioners travelling to Board meetings and other meetings in Inverness and across the crofting counties, some of which travel involved flying, ferry transport and private car. The Commission has continued to maintain its business through virtual meetings hosted initially on Skype and now on Microsoft Teams. Looking forward to 2021/22, it is anticipated that the Commission will incorporate a large element of virtual meetings and an element of home working into its practices, which will reduce travel and associated emissions substantially.

Work has been going on during 2020/21 to move towards online forms and a possible online annual notice return. It is anticipated that this will involve substantial savings in paper usage and postage, and the emissions associated with delivering mail.

Crofting is renowned for producing high quality food while managing the environment in a sustainable manner. A case study of a successful venture is featured on page 40 of our report.

The Crofting Commission has taken a lead in developing thinking about how peatland restoration could be accelerated on croft and common grazing land. The Commission has had meetings with NatureScot and Peatland Action, Scottish Forestry and The Scottish Government in order to decide how more information can be provided to crofters, grazings committees and landlords and to explain how a peatland restoration scheme could be done in a way that is consistent with crofting legislation. The Commission aims to develop collaborations with some crofting communities and landlords regarding peatland restoration and is also exploring if and how the peatland code could be used in connection with certain schemes. The Commission solicitor presented a paper to the Commission's board during 2020/21 outlining some of the thinking and issues with regard to crofting and peatland restoration. The Commission has also been working with Scottish Forestry to develop thinking about enhancing woodland cover on croft land and common grazings.

In summary, the Crofting Commission has made modest steps this year directly to reduce emissions, mainly through reduced travel. On a larger stage it has contributed to developing greater awareness of the importance of climate change and the loss of biodiversity to crofting and the potential contribution crofting could make to help reach The Scottish Government's net-zero targets through collaboration with stakeholder agencies.

# Financial Performance

The Scottish Government allocated the Crofting Commission a budget of £3.022M (£2.758M 2019/20). An allocation of £0.065M (£0.065M 2019/20) was also provided for non-cash costs such as depreciation and amortisation.

## Payment Practice Code

In line with The 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 and in these terms. During the year ended 31 March 2021, the Crofting Commission paid 92% (100% in 30 days) of its invoices within these terms (96% 10 days, 100% 30 days in 2019/20).

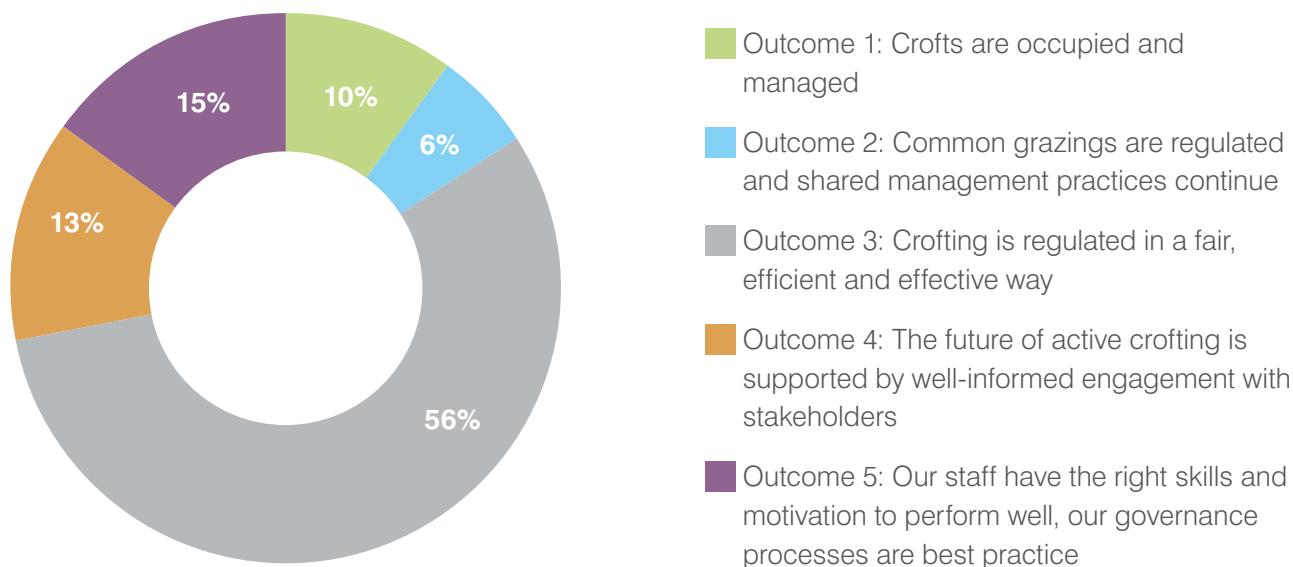
## Strategic Outcomes

Reducing our costs to maximise funding for our regulatory work continues to be a priority. During the year, the Crofting Commission continued to review its staff structure to ensure resources were focussed upon frontline tasks. Participating with Scottish Government collaborative contracts, the transition to a cloud based financial system, combined with further travel cost economies being achieved due to the enforced pandemic lockdown 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 2020/21 baseline budget of £3.022M. Overall, we recorded 3.4% or approximately £95,000 of savings during 2020/21 (3.8%, £108,000 2019/20). The trend in travel and subsistence efficiencies is likely to continue in future years as routine meetings, such as Tier 3 Regulatory Case Work reviews, that have historically involved travel to Inverness, are now facilitated successfully via remote video conferencing working practices.

Additional financial analysis is provided within the Accountability Report on page 46.

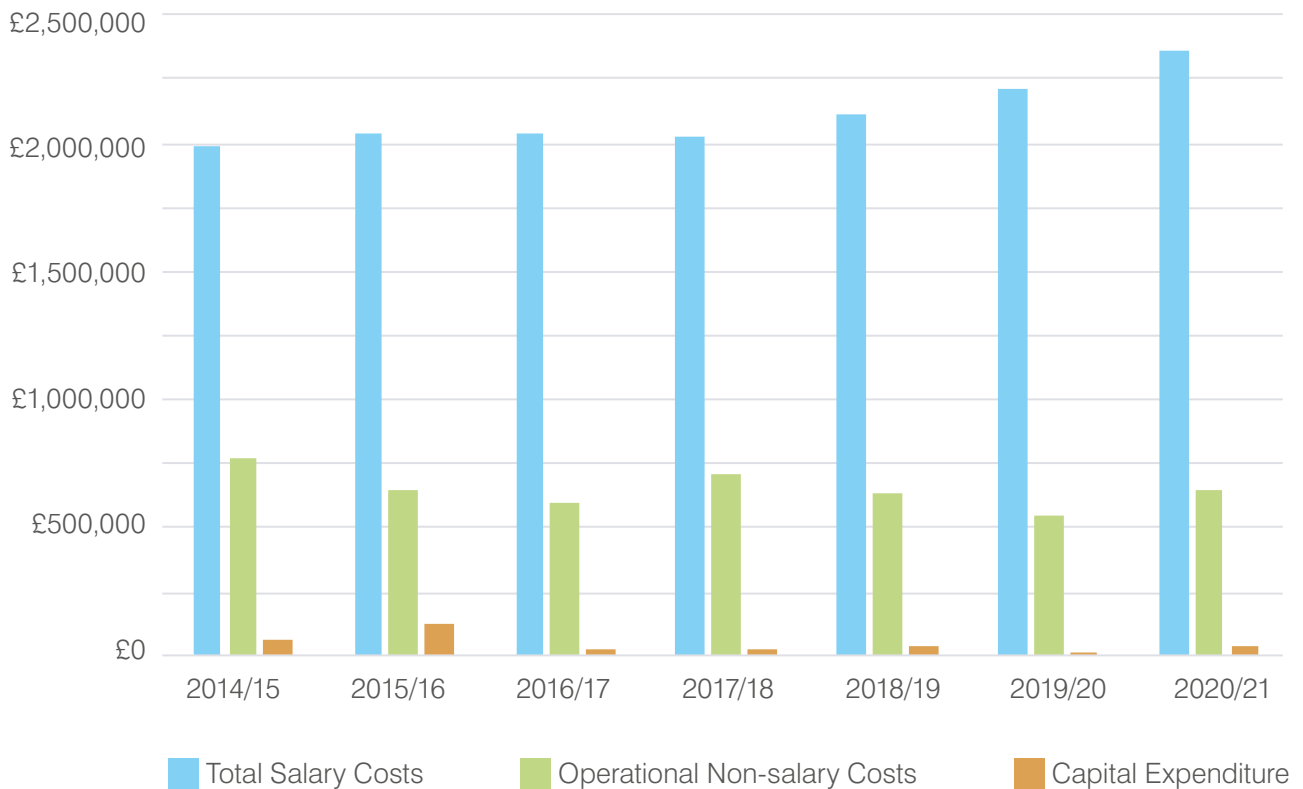
## How we allocated resources in 2020/21

We are funded by The Scottish Government and as a regulatory body approximately 75% of our overall expenditure was staff related.





## Resource Allocation Trend Analysis



## Planning Ahead

The Commission has been allocated a 2021/22 resource budget of £3.200M which has been approved by The Scottish Parliament.

# 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 2020/21.

Bill Barron  
Chief Executive and Accountable Officer  
10 August 2021

## Case Study

“The Green Bowl” is a local food hub set up by Helen O’Keefe and Tessa Dorrian to sell food that is produced in Elphin, Knockan and Ledmore.

They sell food from their own crofts (mutton from Helen, beef and pork from Tessa, plus eggs, vegetables, bread and some other baked goods) as well as produce from other local growers (soft fruit & vegetables, and herbs) and there are a number of other local people interested in being involved in the near future.

Helen and Tessa manage the online shop and arrange deliveries. The other growers let them know what they will have available each week, and the price. They get the goods to Helen and Tessa on delivery day and Helen’s mum acts as delivery driver to take it out to the customers.

Helen explains how they got involved. “I’ve been involved

with ‘Nourish Scotland’ since I was part of their “Making a Living from Local Food” mentorship programme in 2018 and they taught me a lot about Scotland’s food systems and its issues. I’m really passionate about local food, as it’s better quality and tastier than most of what you can buy in the supermarket, our animals are well looked after (and loved!) and live natural lives outdoors with minimal input, and we all do our best to protect the land that we farm or grow in. I would much rather buy food that I know is coming from a system like this, than food that has been transported hundreds (or thousands) of miles from who-knows-what kind of production system”.

“Not only this, but if we can make local businesses out of producing food, then it will boost our communities – giving more people (and especially families) a reason to live here and work on the land, instead of everything being sold for retirement homes or tourist accommodation”.

“The original Green Bowl idea was partially inspired by the quality and quantity of “backyard” growers in Elphin. They produce amazing food here and, while none of us have enough individually to sell commercially, if we all got together, we could have a range and amount that was worth supplying to our own village as well as neighbouring villages. Not only that, but we could support each other in our growing and work together to help new residents (or existing residents who want to start growing) get started”.

“We are a crofting township (two actually – Elphin and Knockan are separate crofting townships) and crofting was originally about working together to produce food for local communities. We may not all be crofters, but we can all produce incredible food for our communities! Last year we started a farm shop in the





Elphin Tearooms, mainly selling meat but also some surplus veg from local residents. The Tearooms was shut for most of this year due to Covid -19, so we needed another outlet for our produce. I attended an online webinar run by The Soil Association about moving sales online, where I learned about the Open Food Network and saw how it could work for our situation, so we started up in July 2020 and the rest is history as they say”.

“Each producer is responsible for their own produce and sets their own prices, and the customers can see who they are buying from. It’s kind of like an online farmers market.

The Green Bowl collects a 10% fee on top of this price. About half of this fee goes to paying the Open Food Network and the card payment fees. The rest is to cover our delivery and admin costs, anything

excess will hopefully be used to help our producers – buying equipment, packaging and labelling materials, and maybe in the future organising training, making land available.... who knows”.





**CROFTING COMMISSION  
COIMISEAN NA CROITEARACHD**

# Accountability Report 2020/21

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

# Corporate Governance Report

## Directors' Report

### Board of Commissioners

Commissioner	Method of Appointment	Attendance at Board Meetings during 2020/21	Attendance at Audit and Finance Committee Meetings during 2020/21
 Rod Mackenzie <sup>*1,5 &amp; 7</sup>	Elected	8/8*	-
 Mairi Mackenzie <sup>*1 &amp; 6</sup>	Elected	8/8*	-
 Andy Holt <sup>*1</sup>	Elected	8/8*	-
 Cyril Anna <sup>*1</sup>	Elected	6/8*	-
 Iain Maciver <sup>*1</sup>	Elected	8/8*	4/5*
 Billy Neilson <sup>*1</sup>	Elected	8/8*	-
 David Campbell <sup>*2</sup>	Appointed by Cabinet Secretary	7/8*	5/5*
 Malcolm Mathieson <sup>*3 &amp; 8</sup>	Appointed by Cabinet Secretary	8/8*	5/5*
 James Scott <sup>*4</sup>	Appointed by Cabinet Secretary	8/8*	-

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

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

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

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

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

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

6 = Appointed Vice-Convener of the Crofting Commission with effect from 24 August 2020.

7 = Resigned as Convener with effect from 21 June 2021 and resigned as a Commissioner with effect from 1 July 2021.

8 = Appointed Convener of The Crofting Commission with effect from 20 July 2021.

The Crofting Commission also convened three Strategy Meetings, which were held in private and not minuted on 26 June 2020, 31 August 2020 and 5 February 2021.

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 (SMT) 2020/21



**Bill Barron, Chief Executive Officer and Accountable Officer**

– Overall responsibility for strategy, operations, finance, and

management of the Crofting Commission. Ensures the Board of Commissioners receive accurate information and objective advice.



**Aaron Ramsay, Head of Digital and Improvement**

– Responsible for IS strategy and the evolution of digital services. Lead responsibility

regards reviewing and driving improvement in the Crofting Commission's operational systems and processes, to secure greater efficiency and effectiveness in the way casework is handled. Senior Information Risk Owner (SIRO) for the Crofting Commission.



**Heather Mack, Head of Crofting Development**

– Responsible for crofting development including leading the development posts in

the Western Isles.



**Mary Ross, Head of Operations and Workforce**

– Responsible for the organisation and effectiveness of the croft registration and regulatory

casework teams, using measures and indicators to ensure standards of delivery are maintained.



**John Toal, Head of Policy and Grazings team**

– Supports Commissioners in formulating strategic policy on a range of

external and internal issues in pursuit of its operating objectives and heads the Grazings Team, dealing with grazings committees.



**Joseph Kerr, Head of Regulatory Support**

– Responsible for providing support and guidance to staff and Commissioners on regulatory and

registration matters, leading on delegated decision making and process and documentation reviews as well as overseeing the activities of the RALUT.



**Jane Thomas, Head of Business Support & Compliance**

– Responsible for Complaints, Freedom of Information/EIR

requests, Data Protection/GDPR, leading on Equality and Diversity, Gaelic Language Plan and Standards Officer for the Crofting Commission. Also responsible for the Corporate & Customer Services team and provides secretariat support to the SMT and Board.



**Neil Macdonald<sup>1</sup>, Head of Finance**

– Responsible for ensuring that the Crofting Commission maintains robust, transparent, and

auditable financial systems. Co-ordinates all of the Commission's financial responsibilities in terms of the Scottish Public Finance Manual (SPFM) and the Framework Document that has been agreed with The Scottish Government.



**David Findlay, Solicitor**

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

<sup>1</sup> = Appointed to SMT 19 August 2020

## Financial Performance

Summary of Deficit/(Surplus) for the year	2020/21 £000	2019/20 £000
Total Operating Expenditure	3,060	2,807
Grant-in-Aid Drawn Down	(3,022)	(2,758)
Deficit/(Surplus)	38	49
Reconciliation of operational expenditure on an accrual basis to Grant-in-Aid drawn down	2020/21 £000	2019/20 £000
Deficit/(Surplus)	38	49
Exclude non-cash:		
Depreciation and Amortisation	(50)	(50)
Working capital adjustments involving:		
Debtors	(1)	(17)
Creditors	(120)	(16)
Movement in provisions	-	-
Investing activities	35	19
Grant-in-Aid drawn down in (excess)/deficit of Cash expenditure	(98)	(15)

On an income and expenditure accrual basis, the financial outcome for the year on normal business activities reports a deficit of £0.038M (2019/20 Deficit £0.049M). This deficit arises as a result of accounting adjustments, such as depreciation and working capital movements to the financial statements, that do not involve the flow of cash. On a cash accounting basis, the Crofting Commission's actual Grant-in-Aid draw down exceeded its cash operating expenditure requirements by £0.098M (2019/20 £0.015M). This does not represent a cash surplus, as the funding will meet liabilities and commitments incurred during 2020/21 that will be presented for payment in the early part of 2021/22.

Total operating expenditure for 2020/21 was £3.060M (2019/20 £2.807M). This expenditure is met solely from Grant-in-Aid. The Crofting Commission operated within its Grant-in-Aid allocation for year 2020/21.

Further details of the Crofting Commission's employee, Commissioner and operational expenditure to 31 March 2021 are disclosed in note 2 (Page 83) to the accounts.

### Pensions

Crofting Commission staff members are eligible to be members of the Principal Civil Service Pension Scheme. Details of the scheme and details of the pension entitlements of the Crofting Commission's SMT are given in the Remuneration Report (Page 60) and note 1.5 (Page 81) to these accounts.

### 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 2021 are disclosed in note 2 (Page 84) to the accounts. Deloitte LLP were not engaged or paid for any non-audit work during the year.



## Statement of Accountable Officer's Responsibilities

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

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

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

- observe the Accounts Direction issued by Scottish Ministers including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

### **Statement by Accountable Officer**

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

### **Disclosure of Information to the Auditors**

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

### **Accountable Officer Confirmation on the Annual Report and Accounts**

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

## Governance Statement

### Background

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

### Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by The 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 SPFM. The SPFM is issued by The Scottish Ministers to provide guidance to The Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary, and administrative requirements, emphasises the need for economy, efficiency, and effectiveness, and promotes good practice and high standards of propriety.

Our Framework Document\*, which is our agreement with The Scottish Government and sets out our relationship is published on our website. ([www.crofting.scotland.gov.uk](http://www.crofting.scotland.gov.uk))

\*In course of being refreshed for 2021-2024.

### External Audit: Interim Report on Governance and Transparency

An Interim Report by our external auditors has highlighted a number of areas which require improvement in order to ensure that the system of internal control remains fit for purpose. An Improvement Plan is being developed and implemented to ensure that all recommendations from that report are actioned. A number of these had already been identified and action progressed on them. Our Audit & Finance Committee (AFC) will receive regular updates throughout 2021/22 regards progress. I am satisfied that appropriate arrangements and resources are being put in place to address the weaknesses in internal control as quickly as possible.

### Governance Framework The Board

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

The Board is comprised of 9 Commissioners, 6 of whom are elected by registered crofters, and 3 appointed by The Scottish Government. The Convener is selected from within the Board by the Cabinet Secretary for Rural Affairs and Islands.

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

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

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

- Oversaw and directly supported management's arrangements for ensuring that customer services continued during the pandemic; received and scrutinised additional management information to assure this
- Approved and authorised a letter from the CEO to The Scottish Government, confirming that the Commission was ready to take on an expanded role of developing crofting, subject to additional resources being made available
- Subsequently, agreed the Cabinet Secretary's request that the Commission take on this additional role, and that we should appoint four permanent posts to be located in the Western Isles
- Decided that the priorities for workforce expansion were outward-facing development work, additional RALU enforcement, and resilience in regulatory casework
- Decided the Commission's priorities for use of the additional resources provided in year
- Approved temporary arrangements for re-appointing common grazings committees when lockdown prevented election of a new committee; and thereby secured a further small increase in the number of grazings committees in office
- Initiated a project to implement on-line notifications and regulatory applications, which is due to complete in 2021/22
- Participated in and received reports from STWGs on home working and remote working, encouraging women to seek to serve on the Commission's Board, and priorities for expanding enforcement of RALU
- Approved the migration of selected Commission IT operations to cloud-based systems, commencing with the GIS team
- Reported on the achievement of our previous 5-year Gaelic Language Plan and published a new 5-year Plan after it was approved by Bòrd na Gàidhlig
- Considered a report on the practicalities and costs of recommencing the registration of common grazings
- Agreed to undertake joint work with other organisations on (a) population retention and (b) environmental activities, following the Convener's and CEO's presentation to the Convention of the Highlands and Islands
- Considered and commented on successive drafts of The Scottish Government's National Development Plan for Crofting, prior to its publication in March 2021.

During March 2021, the Board undertook a review of its own effectiveness. This review was based upon 'On Board – A Guide for Board Members of Public Bodies in Scotland' best practice and was issued in the form of a self-assessment questionnaire that was completed independently by each Commissioner.

The results of this effectiveness review will be assessed by the Commission's AFC within its 2021/22 workplan to ascertain if there are areas of governance that require review or clarification.

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

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

The Board's Code of Conduct can be obtained from the Crofting Commission's website <https://www.crofting.scotland.gov.uk>

The Board is supported by the AFC.

### **Audit and Finance Committee**

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

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

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

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

During 2020/21 the AFC 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 AFC terms of reference can be obtained from the Crofting Commission’s website  
<https://www.crofting.scotland.gov.uk>

### **The Convener of the Crofting Commission**

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

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

### **Senior Management Team**

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

Following on from our external audit regards Governance and Transparency, the structure of the SMT will be reviewed. In advance of that the SMT has commenced a programme of development to enhance leadership skills so as to safeguard effective leadership at operational level.

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

### **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 AFC. 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 AFC and the Board.

The scope of external audit's review of Governance and Transparency has identified the need for further development in assessing risk and this is being actioned in the current year.

The Crofting Commission is subject to a variety of risks and uncertainties. Key risks regarded as most relevant to the organisational performance during the year to 31 March 2021 can be found within pages 25 to 26.

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

The governance, 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 2021 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 AFC (this includes their independent and objective opinion on the adequacy and effectiveness of the Crofting Commission's systems of internal control together with recommendations for improvement)
- 3) Comments made by external audit in their audit reports
- 4) The annual report provided by the Vice Chair of the AFC to the Board, detailing the work of that committee during the year
- 5) Quarterly reviews by the AFC 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 NatureScot 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:

- We adjusted our ways of working in response to the covid pandemic, as detailed below
- We reviewed and updated our assurance matrix
- We reviewed and updated our Workforce Plan and Medium-term Financial Plan
- On the award of a substantial mid-year increase of core funding, we drew up plans for a range of improvement projects in the short

to medium term and for increasing our staffing in the medium to long term. Progress against these plans has been reported regularly to the AFC and the Board

- We established four joint STWGs, involving Commissioners, management and staff, to address key opportunities and challenges regarding encouraging women to seek election or appointment to the Board, redesigning forms to permit on-line regulatory applications, expanding RALU enforcement, and home working/remote working. Each of these produced a final report that was considered by the Board
- We received and responded to an external audit of Governance and Transparency (see below).

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.

### **Our Response to Covid-19**

The national lockdown to contain the spread of Covid-19 has posed several new challenges to the Crofting Commission, including a reduction in the availability of those staff who have caring responsibilities, and the restriction of access to our office, requiring almost all work to be done remotely. These enforced changes created significant and unforeseen challenges for our business continuity, risk control, budget control and governance.

We have considered the risks of the Covid-19 pandemic against the needs to keep the Crofting Commission's operations functioning until such time as the pandemic is considered at an end.

We have implemented a Business Continuity Plan (BCP). In implementing this BCP we have developed new ways of working, such as holding meetings 'virtually', and in more use of collaborative IT solutions, and by remote working, with the use of the office kept to the absolute safe minimum. This has allowed the Board and staff,

to continue to "meet" and to carry on working as near normal as is possible in a very abnormal time. We have also adapted procedures and controls to allow us to continue operating in an effective and safe way. An early priority was to monitor the Health, Safety and Wellbeing of staff working from home, often in isolation; to address home connectivity issues; and to provide furniture and equipment as necessary to support home working. When the lockdown has been most severe, from spring 2020 and from January 2021, alternative arrangements were also put in place for scanning incoming mail and issuing outgoing mail. Minor changes have been made to our Standing Orders to reflect the practicalities of Board meetings held remotely.

A specific BCP Lessons Learnt Log has been developed to capture the wide variety of issues, some small, some large, which were being worked through or having an impact on the organisation's business in the months following lockdown. An Action List has been drawn up to clearly identify where action is needed to embed learning. This is now brought to the AFC for information, indicating where action is complete or planned.

The SMT and Board have reviewed our strategic and operational delivery plans. We have adapted our resource allocation and operational plans to manage and mitigate the impacts of Covid-19, while continuing to deliver existing strategic objectives where possible. Some of the objectives in our Business Plan for 2020/21 were rendered unachievable by the pandemic, and our quarterly reports to the AFC noted these issues.

A STWG of selected Commissioners, managers, staff, Trade Union representatives and a representative from Scottish Government HR, chaired by the Convener, met four times to consider the long-term options for home working and working in different locations, and reported to the Board.

We will continue this process of governance and BCP review throughout 2021/22. We will continue to monitor the impact of the pandemic as time

goes on and ensure that we are financially stable and have all the resources to deliver our plans for 2021/22, just as we will continue to explore and adapt new technologies and practices to aid our response to the pandemic.

Based on the above assurances, and established internal controls, I am content that the overall operation of governance requirements at the Crofting Commission was satisfactory for the financial year 2020/21, notwithstanding that several issues raised in the Governance and Transparency audit will require to be addressed in 2021/22.

### **Conflicts of Interest Procedures**

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

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

### **External Audit**

The Auditor General for Scotland originally appointed Deloitte LLP as the Crofting Commission's external auditor for the five-year period from 1 April 2016. The audit appointment has been extended by one year due to the ongoing uncertainty arising from the Covid-19 pandemic. This effectively means the last year under the current appointment regime is now the 2021/22 audit year.

### **Internal Audit**

The internal audit function is an integral part of the internal control system. Following a tender exercise conducted via Public Contracts Scotland, Azets Audit Services Ltd (formerly referred to as Scott-Moncrieff) was reappointed as the internal auditors of the Crofting Commission for the three-year period 2019-2022. An internal audit strategy and plan for 2020/21 was prepared for consideration and approved by the AFC at its meeting on 7 May 2020.

### **Levels of assurance provided in internal audit report opinions**

Table listing the four internal audit reviews carried out in 2020/21 and providing the report classification in terms of levels of assurance for each review, alongside a summary of key observations.

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

The internal audit review of CIS identified a variety of control weaknesses which are addressed below.

Each year the Internal Audit provider issues an annual report which includes an opinion on the system of internal control. The opinion for year 2020/21 is that *"The Crofting Commission has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks, with the exception of the systems and controls surrounding the CIS system, which require significant improvement"*.

Internal audit review	Report classification	Internal audit observations
Core Financial Systems	Limited risk	We have gained assurance that the Crofting Commission's core financial procedures are generally working effectively in the areas reviewed. The Commission has a clear Financial Scheme of Delegation in place, policies and procedures are readily available to staff as appropriate, and all finance procedures are being reviewed (and updated where appropriate) to take account of changes in practice as a result of Covid-19.
Performance Management	Moderate risk	<p>We have gained assurance that the Crofting Commission's performance management arrangements are generally working effectively in the areas reviewed. The Commission has a single suite of measures and milestones designed to support achievement of the Corporate Outcomes. Standard reporting templates have been updated to highlight progress towards achievement of objectives and to take account of the impact of the Covid-19 pandemic.</p> <p>We have also identified some areas for improvement which will strengthen the controls in place. The most significant of these relates to enhancing the quality of the commentary and risk assessment of milestone/measure reporting and assessing the effectiveness of the current management information collection and reporting processes.</p>
Workforce Planning	Moderate risk	We have gained assurance that the Crofting Commission's workforce planning arrangements are generally well designed and working effectively. We have confirmed that the organisation has an up-to-date Workforce Plan, linked to a Medium-Term Financial Plan. However, we have identified areas for improvement. These include developing clearly documented plans for continuity following the loss of key posts, and for improving the development of staff to enable them to progress within the organisation.
Croft Information System Review	Very High Risk	Our review has identified significant systemic weaknesses within the Crofting Commission in relation to the control for the development of CIS.



## Significant Governance Issues

- **Governance and Transparency**

In March 2021, our external auditor determined that it was appropriate to expand the scope of the 2020/21 audit from what was initially set out in the Audit Plan communicated to the AFC in January 2021. This was discussed with Audit Scotland who confirmed that the scope of the audit should specifically consider 'Governance and Transparency' arrangements within the Commission.

The report arising from this review was presented to the AFC on 1 June 2021, and subsequently to the Board on 3 June 2021. The report highlighted a number of governance issues, as well as making recommendations on the actions required to address them. I will prepare and issue an Improvement Plan to address the recommendations, including improving communication between the SMT, Board and The Scottish Government, enhancing leadership capacity, and clarifying the structure and function of the SMT. It is anticipated that the recommendations, once in place, will improve the corporate governance framework.

A copy of the review and the Crofting Commission response and Improvement Plan will be available for review on the Crofting Commission's website in late October 2021.

- **Development of CIS**

CIS went live in February 2016. It is the organisation's primary business system for processing case files.

In March 2021, the AFC requested an internal audit review of CIS to capture and understand potential risks to the Commission. The Commission's internal audit review assessed the controls over the ongoing development of the CIS application. This considered the adequacy of governance, risk and issue management as well as testing arrangements.

While CIS is a stable and functioning system the audit identified areas for improvement which need to be addressed to strengthen the Commission's control framework for the development of the CIS. As CIS is of strategic importance to the Commission, the AFC and subsequently the Board considered the audit review recommendations on 17 May 2021 and 20 May 2021, respectively.

The Board confirmed that a Steering Group should be established with immediate effect to mitigate the risks identified, which had the full support of SMT. A copy of the Steering Group's Terms of Reference can be viewed at [www.crofting.scotland.gov.uk](http://www.crofting.scotland.gov.uk)

## Governance Issues Going Forward

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

Governance Issue	Action Planned
Audit of Governance and Transparency	An Improvement Plan will be developed and progressed throughout 2021/22.
Audit of Development of CIS	An Action Plan has been developed and will be progressed throughout 2021/22 with the oversight of the CIS Steering Group.
Home working, location and use of offices, and costs of office accommodation	All Commission staff are on The Scottish Government terms and conditions and any agreements reached on behalf of The Scottish Government civil servants through collective bargaining will apply to them. Within any constraints provided by this, the Commission will develop its own policy on the location of staff's main place of work and future authorisation of home working. We will also negotiate with our landlord, NatureScot, regarding our future use of Great Glen House and will agree with The Scottish Government arrangements for the use of their offices in Stornoway and Balivanich by our Western Isles staff.
Health, Safety and Wellbeing	As we move into the next phase of the pandemic, the Board will oversee management's plans and actions to ensure the best possible health, safety and welfare arrangements for staff.
Management information	Following an internal audit, we will seek improvements in the value and the efficiency of the management information we maintain to inform management, the AFC and the Board about the performance of our operations.
Board elections and appointments in 2022	We will prepare for the crofting elections in 2022, ensuring that the electoral roll is accurate, encouraging participation by both female and male candidates, and preparing a training programme for new Board members in 2022.

## Information and Data Security

The Crofting Commission has in place a range of systems and measures which ensure that information held by the organisation and held by third parties on behalf of the organisation, is secure. The Crofting Commission's Compliance Hub monitors compliance concerning the release of data from the organisation. In addition, the Crofting Commission has implemented The 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 2020/21, due to Covid-19 restrictions, almost all staff have been working exclusively from home. It has not, therefore, been possible to carry out a clear desk monitoring check (though this has not been needed for the office). However, staff and Commissioners have been given guidance on maintaining information security at home, the Commission has issued specific advice prohibiting the transfer of data to personal devices and all staff and Commissioners have been asked to review and sign the IS Acceptable use policy, which covers information security.

During 2021 we will be migrating several of our IT operations to the cloud and introducing online arrangements for notifications and regulatory applications to the Commission. There will require to be scrutiny of these developments to ensure that we secure the maximum enhancement to the security of our systems and data.

All new staff have received direct training on GDPR and a refresher course for staff was delivered in mid-April 2021, as well as staff continuing to complete the annual mandatory online training.

Two minor data breach incidents were reported to the Information Commissioner's Office in 2020/21, both in connection with the issuing of the Annual Notice. Neither represented a risk of serious harm to individuals. Cyber security testing took place in early 2021.

## Whistleblowing

The Crofting Commission is committed to dealing responsibly, openly and professionally with any genuine concern held by staff and Commissioners. The Crofting Commission encourages staff and Commissioners to report any concerns about wrongdoing or malpractice within the Crofting Commission which they believe has occurred or is likely to occur. Staff and Contractors are covered by the Scottish Government's Policy on Whistleblowing and a stand-alone policy has been developed to cover Commissioners which reflect the provisions of the Public Interest Act 1998.

To assess the effectiveness of our whistleblowing arrangements the policies are reviewed by the AFC on an annual basis. With effect from 2021/22 the policies will also be circulated to staff to ascertain their confidence in the arrangements.

# Remuneration Report and Staff Report

## Unaudited

### Remuneration policy

#### Board Members

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

#### Staff

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

### Service contracts

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

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

Further information about the work of the Civil Service Commission may be found at [www.civilservicecommission.independent.gov.uk](http://www.civilservicecommission.independent.gov.uk)

## Audited

### Board remuneration

Commissioners were due remuneration as follows:

	2020/21 £000	2019/20 £000
<b>Commissioners who held office during 2020/21</b>		
Rod Mackenzie	20-25	20-25
(Full year equivalent)	(20-25)	(20-25)
Cyril Annal	5-10	5-10
David Campbell	5-10	5-10
Andy Holt	5-10	5-10
Iain Maciver	5-10	5-10
Mairi Mackenzie	5-10	5-10
Malcolm Mathieson	5-10	5-10
Billy Neilson	5-10	5-10
James Scott	5-10	5-10
(Full year equivalent)	(5-10)	(5-10)

Commissioner appointments are non-pensionable.

## 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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
<b>Chief Executive</b>						
Bill Barron	75-80	70-75	37	35	110-115	105-110
<b>Senior Management Team</b>						
David Findlay	70-75	70-75	29	28	100-105	95-100
Aaron Ramsay	35-40	30-35	16	8	55-60	35-40
Jane Thomas	45-50	45-50	17	18	60-65	60-65
Joseph Kerr	45-50	45-50	21	15	65-70	60-65
John Toal	45-50	45-50	18	14	60-65	55-60
Heather Mack*	30-35	25-30	10	11	40-45	35-40
Mary Ross	35-40	15-20	21	9	55-60	25-30
Neil Macdonald**	20-25	N/A	11	N/A	30-35	N/A

\* Heather Mack's contract is 0.78 Whole Time Equivalent.

\*\* Neil Macdonald was promoted to the SMT from 19 August 2020. His salary banding is calculated from this date. His FYE salary banding was £35-40k.

### Salary

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

### Benefits in kind

2020/21 £nil (2019/20 £216 was claimed as taxable benefits in kind which related to travel expenses).

### Bonuses

There were no bonuses within 2020/21 (2019/20: £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. Nor does it include any increases (or decreases) because of any changes during the year in the actuarial factors used to calculate CETVs.

### 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 £18,278 and the lowest salary across The Scottish Government as at 31 March 2021 was £20,064. 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.

	2020/21	2019/20
Banded remuneration of highest-paid staff member	£75-£80k	£70-£75k
Median remuneration of workforce	£29,192	£28,341
Median ratio	2.7	2.6

In 2020/21 Nil (2019/20 Nil) employees received remuneration in excess of the Chief Executive. Remuneration (including the Chief Executive) ranged from £20,064 to £76,574 (2019/20 £19,314 to £74,343).

### Pension Benefits

	Accrued pension at pension age as at 31/03/21 and related lump sum		Real increase in pension and related lump sum at pension age		CETV at 31/03/21	CETV at 31/03/20	Real increase in CETV as funded by employer
	£000		£000		£000	£000	£000
	Pension	Lump sum	Pension	Lump sum			
<b>Chief Executive</b>							
Bill Barron	35-40	110-115	0-2.5	5-7.5	904	849	39
<b>Other senior staff</b>							
David Findlay	5-10	N/A	0-2.5	N/A	104	82	13
Aaron Ramsay	0-5	N/A	0-2.5	N/A	20	11	6
Jane Thomas	10-15	N/A	0-2.5	N/A	271	258	16
Joseph Kerr	15-20	50-55	0-2.5	2.5-5	434	408	22
John Toal	10-15	40-45	0-2.5	2.5-5	306	290	18
Heather Mack	0-5	N/A	0-2.5	N/A	33	27	4
Mary Ross	15-20	35-40	0-2.5	0-2.5	309	285	14
Neil Macdonald*	10-15	15-20	0-2.5	0-2.5	174	161	7

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

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

During the year, the Government announced that public sector pension schemes will be required to provide indexation on the Guaranteed Minimum Pension element of the pension. The Civil Service Pension Scheme has updated the methodology used to calculate CETV values as at 31 March 2020. The impact of the change in methodology is included within the reported real increase in CETV for the year.

## 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: three 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 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75%



(depending on the age of the member). 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 2020/21	Total 2019/20
	£000	£000	£000	£000	£000
Salaries	1,617	97	-	1,714	1,583
Social security costs	158	3	-	161	147
Other pension costs	432	-	13*	445	402
Temporary staff	-	-	41	41	73
<b>Total</b>	<b>2,207</b>	<b>100</b>	<b>54</b>	<b>2,361</b>	<b>2,205</b>

	2020/21 £000	2019/20 £000
* Pensions paid to former Commissioners under "other pension costs"	13	12

There were no off-payroll arrangements for staff during 2020/21 (£nil 2019/20).

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

	2020/21		2019/20	
	Directly employed staff	Others	Directly employed staff	Others
Directly employed: Permanent contract	46.74		42.88	
Directly employed: Fixed Term contract	4.17		5.46	
Temporary staff contract		1.1		2.1
<b>Total</b>	<b>50.91</b>	<b>1.1</b>	<b>48.34</b>	<b>2.1</b>

## Unaudited

### Gender Note

	Males 31 March 2021	Females 31 March 2021	Males 31 March 2020	Females 31 March 2020
Commissioners	8	1	8	1
Chief Executive	1	-	1	-
Employees	19	39	18	36

Employee numbers include part time staff

The figures above are the total numbers of staff as at 31 March 2021 (including agency) not full-time equivalents.

### Sickness Absence

	2020/21 Crofting Commission	2019/20 Crofting Commission	2020/21 Scottish Government Comparative	2019/20 Scottish Government Comparative
Average working days lost per member of staff	6.7	18.4	5.4	8.1
Due to short-term absence	3.1	7.7	2.2	4.1
Due to long-term absence (periods of ≥ 21 days)	3.6	10.7	3.2	4.0

Our overall staff sickness levels have decreased by an average of 11.7 days per person.

## Staff Turnover

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Average Whole Time Equivalent (WTE) Directly Employed Staff in Post	48.71	48.75	46.92	44.95	48.34	50.91
Turnover as a % of Average Whole Time Equivalent Directly Employed Staff	14%	16%	13%	13%	10%	2%
Leavers	7	8	6	6	5	1

## Analysis of Staff Turnover

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	6 Year Trend
Securing Promotion within Scottish Government	1	3	4	2	3	-	13 (40%)
Resigned	3	1	2	4	2	-	12 (36%)
Contract expired	1	2	-	-	-	1	4 (12%)
Retired	2	1	-	-	-	-	3 (9%)
Other	-	1	-	-	-	-	1 (3%)

28 Leavers (85%) of 6-year trend analysis relates to administrative posts (17) and junior management posts (11). 16 (57%) of these leavers left to secure promotion within The Scottish Government or left in order to relocate for family reasons.

### Policies in Relation to Disabled Persons

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

### Focus Upon Staff Wellbeing:

The Crofting Commission's staff are essential to the successful delivery of its strategic objectives. We are committed to developing and retaining a motivated and skilled workforce. Open communication between the Board, SMT and staff is encouraged

and as such, continuous engagement is vital to the long-term success of the organisation.

The wellbeing of staff throughout the Covid-19 pandemic has been a particular focus for the Board, SMT and SEG. Working from home and the isolation that this brings has emphasised the need for us to look after ourselves and our colleagues. Along with the mandatory line management responsibilities regards staff wellbeing, the Commission has also created a Wellbeing Page on Microsoft Teams, with helpful information to support staff. We have also arranged a number of sessions aimed at promoting and improving staff wellbeing. To date, sessions have been run on Mindfulness, Yoga, Relaxation and Meditation. A Scottish Government Welfare Officer has also hosted a session on the support and services that are available from The Scottish Government.

## Staff Training

During the year we have adapted to delivering training on a remote basis via Microsoft Teams. An experienced regulatory trainer has delivered one to one online training for new and recent entrants to the regulatory team. Training in the use of the Crofting Commission's bespoke IT systems is provided by a member of the IS team. External and other general training is coordinated by our local learning development and support officer. In addition, during the year we were grateful to receive the support of Bòrd Na Gàidhlig towards continuing classes online in conversational Gaelic at a Beginner and Intermediate level, which have been regularly attended by a number of staff.

## 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 Crofting Commission and reflect a cross section of employment grades and length of service.

## Employee Involvement

The Crofting Commission actively encourages feedback and communication from staff through a number of channels, including a SEG that meets monthly.

Staff are also encouraged to participate within The Scottish Government's People Survey.

Employee engagement is a workplace approach

designed to ensure that employees are committed to their organisation's goals and values and are motivated to contribute to organisational success. Five questions in the People Survey measure employee engagement and combine these responses into a summary index score to tell you where they sit on a scale of very disengaged (0%) through to very engaged (100%).

The Crofting Commission also conducts its own staff survey, which complements the People Survey but is tailored to our own needs. The SEG participates in checking and refining the questions to be used each year.

An analysis of the detailed responses reflects that the survey trends for 2020/21 are generally moving in the right direction. However, there are clear areas where the Commission needed to improve. An action plan has been created highlighting 9 specific areas for improvement:

- Bullying and Discrimination
- Internal Communications
- Croft Information System
- Change Management
- Resources and Workload
- Culture of Leadership
- Consistency of Line Management
- Learning and Development
- Wellbeing

As at the reporting date, the action points have either been addressed or efforts to resolve concerns are progressing well. Progress is also reviewed by the AFC on a 6-monthly basis.

	2020/21	2019/20	2020/21 Civil Service Benchmark
<b>The Scottish Government People Survey</b>			
Staff Engagement Score	64% (26 responses)	57% (33 responses)	66% (319,935 participants from 106 organisations)
<b>Crofting Commission Staff Survey</b>			
Staff Engagement Score	65% (45 responses)	51% (47 responses)	-

### The Trade Union (Facility Time Publication Requirements) Regulations 2017

The Crofting Commission continues to work constructively with the recognised trades unions. The SMT ensure that Public Commercial Services Union representatives who work within the Crofting Commission are allocated sufficient time to fulfil their union responsibilities.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require public sector employers to publish information relating to facility time.

Further information can be obtained from the Crofting Commission's website [www.crofting.scotland.gov.uk](http://www.crofting.scotland.gov.uk)

Relevant trade union officials	2020/21	2019/20
Number of employees who were relevant union officials during the relevant period.	1	1
Full-time equivalent employee number	0.86	0.86

Percentage of time spent on facility time	2020/21 (Number of employees)	2019/20 (Number of employees)
0%	-	-
1%-50%	1	1
51%-99%	-	-
100%	-	-

Percentage of pay bill spent on facility time	2020/21	2019/20
Total cost of facility time	£1,082	£139
Total pay bill	£2.361 million	£2.205 million
Percentage of total pay bill spent on facility time	0.046%	0.006%

Paid trade union activities	2020/21	2019/20
Time spent on paid trade union activities as a percentage of total paid facility time	87%	100%

### Equal Opportunities and Diversity Policies

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

# Parliamentary Accountability Disclosures

## Unaudited

### Losses and special payments

In accordance with the SPFM, we are required to disclose losses and special payments above £300,000. During 2020/21 there were no losses or special payments within these criteria (2019/20: £nil)

### Gifts and Charitable Donations

The Crofting Commission made a charitable donation of £250 during the year 2020/21 to RSABI (2019/20: £nil).

At the outset of the pandemic, the Crofting Commission was unable to process incoming physical mail at its headquarters, and for a 6-month period our mail was instead redirected to an office owned by our convener, Rod Mackenzie. The Crofting Commission's management team wished to show their appreciation for the Convener's help during this time by providing a donation to a charity that has supported crofters through difficult circumstances as a result of the pandemic.

## Audited

### Remote Contingent Liabilities

The Crofting Commission is required to report any liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability under IAS37. There are currently no remote contingent liabilities. (2019/20: £nil).



**Bill Barron**

Chief Executive and Accountable Officer  
Date 10 August 2021

# 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 2021 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 2020/21 Government Financial Reporting Manual (the 2020/21 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 2021 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 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007, the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers.

### Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

## Risks of material misstatement

We report in a separate Annual Audit Report, available from the **Audit Scotland website**, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## Responsibilities of the Accountable Officer for the financial statements

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

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- considering the nature of the Commission's control environment and reviewing the Commission's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtaining an understanding of the applicable legal and regulatory framework and how the Commission is complying with that framework;
- identifying which laws and regulations are significant in the context of the Commission;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included 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
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the requirement to operate within the expenditure resource limits set by the Scottish Government. The risk is that the expenditure in relation to year-end transactions may be subject to potential manipulation in an attempt to align with the Commission's tolerance target or achieve a breakeven position. In response to this risk, we obtained independent confirmation of the resource limits allocated by the Scottish Government and tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed

whether the judgements made in making accounting estimates are indicative of a potential bias, and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Commission's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

## Reporting 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. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, 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.

## Reporting on other requirements

### Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. 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.

### Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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.

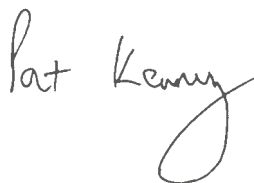
We have nothing to report in respect of these matters.

### **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.



Pat Kenny, CPFA (for and on behalf of Deloitte LLP)  
110 Queen Street  
Glasgow  
G1 3BX  
United Kingdom  
10 August 2021



**CROFTING COMMISSION  
COIMISEAN NA CROITEARACHD**

# Financial Statements 2020/21

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



## Statement of Comprehensive Net Expenditure

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Staff costs	2	2,361	2,205
Depreciation and Amortisation	2,3,4	50	50
Other operating expenditure	2	649	552
<b>Total operating expenditure</b>		<b>3,060</b>	<b>2,807</b>
<b>Net operating expenditure</b>		<b>3,060</b>	<b>2,807</b>

The notes on pages 80 to 88 form an integral part of these accounts.

## Statement of Financial Position

as at 31 March 2021

	Note	2021 £000	2020 £000
<b>Non-current assets:</b>			
Information Technology Equipment	3	48	46
Intangible assets (Software)	4	42	59
<b>Total non-current assets</b>		<b>90</b>	<b>105</b>
<b>Current assets</b>			
Trade and other receivables	5	17	18
Cash and cash equivalents	6	216	118
<b>Total current assets</b>		<b>233</b>	<b>136</b>
<b>Total assets</b>		<b>323</b>	<b>241</b>
<b>Current liabilities</b>			
Trade and other payables	7	215	101
Other liabilities	7	79	73
<b>Total current liabilities</b>		<b>294</b>	<b>174</b>
<b>Total assets less current liabilities</b>		<b>29</b>	<b>67</b>
<b>Taxpayers' equity</b>			
General fund		29	67
<b>Total equity</b>		<b>29</b>	<b>67</b>



Bill Barron  
Chief Executive and Accountable Officer  
Date 10 August 2021

The Crofting Commission Board authorised these financial statements for issue on 10 August 2021

The notes on pages 80 to 88 form an integral part of these accounts.

## Statement of Cash Flows

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
<b>Cash flows from operating activities</b>			
Net operating expenditure	SoCNE	(3,060)	(2,807)
Adjustment for non-cash transactions			
Depreciation and Amortisation	2,3,4	50	50
Movements in working capital			
(increase)/decrease in trade and other receivables	5	1	17
Increase (decrease) in trade and other payables	7	120	16
<b>Net cash outflow from operating activities</b>		<b>(2,889)</b>	<b>(2,724)</b>
<b>Cash flows from investing activities</b>			
Purchase of information technology equipment	3	(28)	(19)
Purchase of intangible assets	4	(7)	–
<b>Net cash flow from investing activities</b>		<b>(35)</b>	<b>(19)</b>
<b>Total cash outflows</b>		<b>(2,924)</b>	<b>(2,743)</b>
<b>Cash flows from financing activities</b>			
Grant-in-Aid		3,022	2,758
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>98</b>	<b>15</b>
Cash & cash equivalents at the beginning of the period		118	103
Cash & cash equivalents at the end of the period		216	118

The notes on pages 80 to 88 form an integral part of these accounts.



## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2021

	General Fund £000
<b>Balance at 1 April 2019</b>	<b>116</b>
Grant-in-Aid	2,758
	2,874
Comprehensive net expenditure for the year	(2,807)
<b>Balance at 31 March 2020</b>	<b>67</b>
<b>Balance at 1 April 2020</b>	<b>67</b>
Grant-in-Aid	3,022
	<b>3,089</b>
Comprehensive net expenditure for the year	(3,060)
<b>Balance at 31 March 2021</b>	<b>29</b>

The notes on pages 80 to 88 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 89) issued by The Scottish Ministers and the 2020/21 Government's 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 Accounting convention

These accounts have been prepared under the historical cost convention.

### 1.2 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.

### 1.3 Intangible assets

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

Amortisation Policy:

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

## 1.4 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.

## 1.5 Employee Benefits

### Short-Term Employee Benefits

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

### Pension Costs

Crofting Commission employees are civil servants who are entitled to be members of the Principal Civil Service Pension Scheme (PCSPS). PCSPS is an unfunded multi-employer defined benefit scheme in which the Crofting Commission is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme under the multi-employer exemption permitted in IAS 19 Employee Benefits. A full actuarial valuation was carried out by HM Treasury during 2018 which incurred an increase to employer pension contributions which came into force from 1 April 2019. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk))

Further pension details can be found in the remuneration report on pages 62 to 63.

## 1.6 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.

## 1.7 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.

## 1.8 Cash and Cash Equivalents

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

## 1.9 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.

## 1.10 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.

## 1.11 Contingent Liabilities

Contingent liabilities are disclosed 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.

## 1.12 Contingent Assets

Contingent assets are recognised in respect of possible assets arising from past events whose existence will be confirmed by the occurrence of uncertain future events outwith the Crofting Commission's control.

## 1.13 Third Party Assets

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

## 1.14 Adoption of New and Revised Accounting Standards

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

In the current year, the Crofting Commission has applied a number of amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to IFRS 9: Applying IFRS 9 with IFRS 4.
- Amendment to IFRS 3: Definition of a Business.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 1).
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

### b) Standards, amendments and interpretations early adopted this year

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

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

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

- IFRS 16: Leases. HM Treasury have agreed to defer implementation until 1 April 2022.
- IFRS 17: Insurance Contracts. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 1: Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023.

- Amendment to IAS 8: Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023.
- Amendments to IAS 16: Property, Plant and Equipment proceeds before intended use. Applicable for periods beginning on or after 1 January 2022.
- Amendments to IAS 37: Onerous Contracts, cost of fulfilling a contract. Applicable for periods beginning on or after 1 January 2022.
- Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 2). Applicable for periods beginning on or after 1 January 2021.
- Annual Improvements to IFRS Standards 2018-2020 Cycle. Applicable for periods beginning on or after 1 January 2022.

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

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the FReM from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed.

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

held on the Statement of Financial Position as (i) right-of-use assets which represent the Crofting Commissions right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

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

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

### **1.15 Critical Accounting Judgements and Key Sources of Estimation**

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

#### **Estimates**

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

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

The Crofting Commission is aware of a small number of live or potential appeals to the SLC which might, depending on the Court's decisions, lead to costs being awarded against the Crofting Commission. The likelihood of appeals and the amounts of any resulting liabilities cannot be estimated with certainty. Having considered the potential for these cases to be decided against the Commission and costs to be awarded, the Crofting Commission has not disclosed a provision. However, the overall potential liability estimated by the Crofting Commission is sufficient to require a contingent liability to be recorded.

The Crofting Commission expects to receive expenses in relation to previously decided cases. The Commission has concluded that it is more likely than not that expenses will be recovered. However, the expenses to be recovered are still to be agreed through a process of negotiation with other parties. If that negotiation does not result in agreement, the auditor of the court will determine the amounts to be awarded. Given that these matters are currently under review and disclosure of these items may seriously prejudice the position of the Commission in the negotiations, the Commission has opted, as permitted by IAS 37.92, not to disclose the information required by IAS 37.84 – IAS 37.91.

The Accountable Officer does not consider there to be any other sources of estimation uncertainty requiring disclosure.

#### **Judgements**

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

## 2. Expenditure

	2021 £000	2020 £000
<b>Board Member and Staff Costs</b>		
Salaries	1,714	1,583
Social security costs	161	147
Other pension costs	445	402
Temporary Staff	41	73
<b>Total of staff costs</b>	<b>2,361</b>	<b>2,205</b>
<b>Other operating expenditure</b>		
Accommodation expenses	194	185
Information systems & telecommunications	145	101
Training	13	7
Communication	94	58
Regulatory advertising expenses	27	39
Assessors' conference & travel expenses	-	1
Travel & subsistence - staff	2	19
Travel & subsistence - Commissioners	1	32
Legal fees	16	14
External Auditor's remuneration	31	18
Internal Auditor's remuneration	25	14
Other running costs	101	64
<b>Total of other operating expenditure</b>	<b>649</b>	<b>552</b>
<b>Non-cash items</b>		
Depreciation	26	27
Amortisation	24	23
<b>Total of Non-cash items</b>	<b>50</b>	<b>50</b>
<b>Overall total</b>	<b>3,060</b>	<b>2,807</b>

### 3. Information Technology Equipment

£000

#### Cost

1 April 2019	224
Additions	19
Disposals	-
<b>31 March 2020</b>	<b>243</b>

#### Depreciation

1 April 2019	(170)
Charged in year	(27)
Disposals	-
<b>31 March 2020</b>	<b>(197)</b>

#### Net book value at

31 March 2019	54
31 March 2020	46

#### Cost

1 April 2020	243
Additions	28
Disposals	-
<b>31 March 2021</b>	<b>271</b>

#### Depreciation

1 April 2020	(197)
Charged in year	(26)
Disposals	-
<b>31 March 2021</b>	<b>(223)</b>

#### Carrying value at

31 March 2020	46
<b>31 March 2021</b>	<b>48</b>

#### Asset Financing:

Owned	48
<b>Carrying value as at 31 March 2021</b>	<b>48</b>

## 4. Intangible assets - Software

	£000
<b>Cost</b>	
1 April 2019	160
Additions	-
Disposals	(14)
<b>31 March 2020</b>	<b>146</b>
<b>Amortisation</b>	
1 April 2019	(78)
Charged in year	(23)
Disposals	14
<b>31 March 2020</b>	<b>(87)</b>
<b>Net book value at</b>	
31 March 2019	82
31 March 2020	59
<b>Cost</b>	
1 April 2020	146
Additions	7
Disposals	(10)
<b>31 March 2021</b>	<b>143</b>
<b>Amortisation</b>	
1 April 2020	(87)
Charged in year	(24)
Disposals	10
<b>31 March 2021</b>	<b>(101)</b>
<b>Carrying value at</b>	
31 March 2020	59
<b>31 March 2021</b>	<b>42</b>
<b>Asset Financing:</b>	
Owned	42
<b>Carrying value as at 31 March 2021</b>	<b>42</b>



## 5. Trade receivables, Financial and other assets

Amounts falling due within one year:

	2021 £000	2020 £000
Prepayments	17	18
<b>Total</b>	<b>17</b>	<b>18</b>

## 6. Cash and cash equivalents

	2021 £000	2020 £000
Balance at 1 April	118	103
Net change in cash & cash equivalents	98	15
<b>Balance at 31 March</b>	<b>216</b>	<b>118</b>

The following balances at 31 March were held with the Government Banking Service	216	118
<b>Balance at 31 March</b>	<b>216</b>	<b>118</b>

## 7. Trade payables and other current liabilities

Amounts falling due within one year:

	2021 £000	2020 £000
Other Tax and Social Security	79	73
Trade Payables	9	14
Accruals	206	87
<b>Total</b>	<b>294</b>	<b>174</b>

## 8. Related party transactions

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

The Scottish Government's Agriculture and Rural Economy Directorate (the Sponsor Directorate) and the Crofting Commission had significant financial transactions during the year. Financial transactions with the Directorate comprised Grant-in-Aid of £3,022,000 (2019/20 £2,758,000) as disclosed in the Changes in Taxpayers Equity statement on page 79.

There have been no other transactions with related parties.

## 9. Financial instruments

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

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

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

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

## 10. Third party assets

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

	2021 £000	2020 £000
Bank balance – Registers of Scotland	49	71
Third party funds in transit	38	26
<b>Total monetary assets</b>	<b>87</b>	<b>97</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 RoS Crofting Register is still pending determination.

## 11. Contingent liabilities


The SLC could award against the Crofting Commission expenses incurred by plaintiffs in pursuing legal address through the court. These costs are estimated at £12,000. As this potential obligation will only be confirmed by future decisions of the plaintiffs and/or the SLC which are outwith the Crofting Commissions control, this has been disclosed as a contingent liability.



**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

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

## **Accruals basis**

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

## **Amortisation**

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

## **Assets**

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

## **Capital expenditure**

Spending on non-current assets.

## **Cash Flow**

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

## **Contingent liability**

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

## **Current assets**

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

## **Current liability**

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

## **Deficit**

Where expenditure exceeds income in an accounting period.

## **Depreciation**

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

## **FReM**

Financial Reporting Manual issued by HM Treasury.

## **Going concern basis**

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

## **Grant-in-Aid**

Funding received from The Scottish Government.

## **Intangible assets**

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

## **Liability**

A debt owed by the Crofting Commission to another entity.

## **Prepayments**

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

## **Provision**

Liability of uncertain timing or amount.

## **SPFM**

The Scottish Public Finance Manual is issued by the Scottish Ministers to provide guidance on the proper handling and reporting of public funds.

## **Taxpayers' equity**

The net assets of the Crofting Commission.

## **Trade payables**

Amounts due for payment to suppliers of goods and services.

## **Trade receivables**

Amounts due from third parties.