



**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**



CROFTING COMMISSION

**Annual Report & Accounts
2021/22**

Crofting Commission Annual Report and Accounts 2021/22

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 tenth Annual Report and Accounts of the Crofting Commission covering the year 2021/22.

Yours sincerely



Malcolm Mathieson, Convener



Bill Barron, Chief Executive

SG/2022/143



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**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**

Performance Report

This section provides a review of the work of the Crofting Commission in 2021/22, including analysis of our delivery and performance and our position at the end of the year.

Convener's Foreword

2021/22 has been a challenging year for the Crofting Commission, not only in terms of managing a backlog of regulatory casework, but also following on from our Wider Scope Governance Audit by our external auditor and subsequent Section 22 Report¹.



As an organisation we have worked hard to address both the concerns and recommendations raised by our external auditor and Audit Scotland and have designed processes and actions to ensure that clear improvements can be seen and maintained in the future.

Staffing has been another challenge which we've encountered over the last 12 months; we have lost several key and experienced members of staff. During the course of the year we commissioned an independent staffing review, which emphasised to us the need for additional staff in many of our teams. Additional funding from The Scottish Government has enabled us to expand our staffing complement considerably; new staff currently undergoing training will make a tangible impact on the casework backlog in the coming months.

There have been many success stories within the reporting year for the Commission and for the Crofting Community as a whole. We've seen the creation of new crofts, including our first in Moray. The newly reformed Development team has also made great progress with a variety of projects and initiatives supporting Crofters.

During 2021/22 we also took the time to evaluate the systems and processes that we use to manage our workload within the Commission. We have identified key areas that we needed to invest time and resources in to ensure that they continue to serve us well into the future. We are confident

that the changes and processes that we have put in place will provide us with a better system to deal with our caseload.

There is little doubt that the next 12 months will be difficult for many across the Crofting Counties; we recognise that the rising cost of living, problems with the supply chain of many key items and the implications of climate change will inevitably be difficult for individuals and communities to deal with. The Commission will continue to support Crofting and will look to work with our partners to ensure that we are ready and able to help Crofters address the additional challenges that the current socio-economic climate has brought to us.

As a public body we are duty bound to consider the environmental impact of our organisation and have a part to play to tackle climate change. We are closely examining our practices for the future to ensure that we can balance our obligations to the environment, while covering such a large, and at times remote area within the Crofting Counties of Scotland. Technology will help us to meet this challenge, but we must have a balanced and sensible approach to interacting and working with the Crofting Community we serve.



Malcolm Mathieson
Convener

¹ Further detail is contained within our Governance Report on page 51.

Chief Executive's Overview

2021/22 was a difficult year for the Crofting Commission and, more importantly, for customers who rely on our services.



Bill Barron

From the summer onwards we experienced abnormally high losses of staff, as some chose to retire, and others obtained promotion opportunities elsewhere. The loss of experienced staff increased our backlog of casework and left us unable to maintain our normal standards of customer service. However, the year finished on an optimistic note, with new Commissioners elected to the Board in the 2022 elections, and a substantial budget increase confirmed by The Scottish Government for 2022/23.

Throughout the year, the top priority was managing the backlog in regulatory casework. Staff across the organisation have been working diligently throughout the year, and I am extremely grateful to them for their hard work and professionalism.

We have firm plans to bring casework times back on track. Central to this is the recruitment of additional regulatory staff, which started in February 2022. We have also overhauled and improved our methods of training new staff, so that they can get to grips with casework as quickly as possible. The Commission has extended its delegation of decision-making, including allowing staff to refuse certain applications when they are clearly out of line with policy and precedent. All of this helps to make our decision-making more efficient.

A further, major improvement initiative has been the development of our on-line applications system. This has been under development throughout the year, and by March 2022 we were able to open our digital doors to online applications for assignations and sublets. Many more application types will be rolled out during the coming year. Online applications will eliminate many errors in application forms which have been

a source of delays in the past. Crofters and agents who have used the system already, report that it is straight forward to use. We want to see the system widely used for applications of all types, to boost the speed and accuracy of the regulatory process.

For most of the year we had a skeleton staff in the office, with the vast majority of staff working from home. We have developed a policy on hybrid working, which we will implement cautiously over the coming year, in consultation with staff. As Covid-19 conditions eased, we were pleased to be able to hold a public meeting in Lairg and a public Board meeting in Edderton.

In March 2022, we oversaw the third crofting elections, following those of 2012 and 2017, and I was delighted that there was a contest in each of the six constituencies. Congratulations and welcome (or welcome back) to all those who were elected, and our thanks – and commiserations – to those who were unsuccessful on this occasion. It is always encouraging when people show an interest in crofting and put themselves forward as candidates. My thanks also to Mi-Voice who very efficiently undertook the role of Returning Officer for us, when no local authority was able to do so.

Very sadly, I have to note the passing of a serving Crofting Commission officer during the year. Jane Calder had only been with us for a few years but had quickly become a very popular and respected member of our Regulatory team. We all miss her.

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 (hereafter referred to as 'the Commission', 'us' or 'we'), 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 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 66² 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.

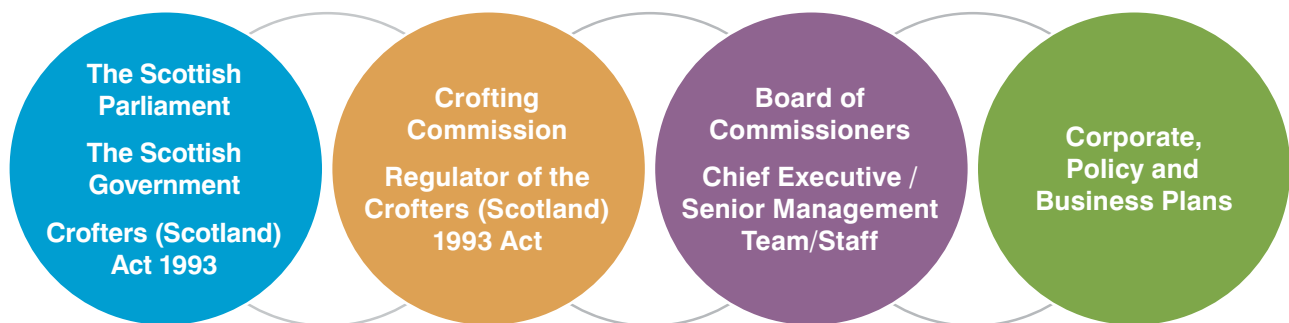
- Caring for crofting communities and the environment
- Positive teamwork
- Commitment to service quality and improvement
- Encourage staff and Commissioner development
- Being fair and impartial.

2 Further detail is available within the Gender Note on page 69.

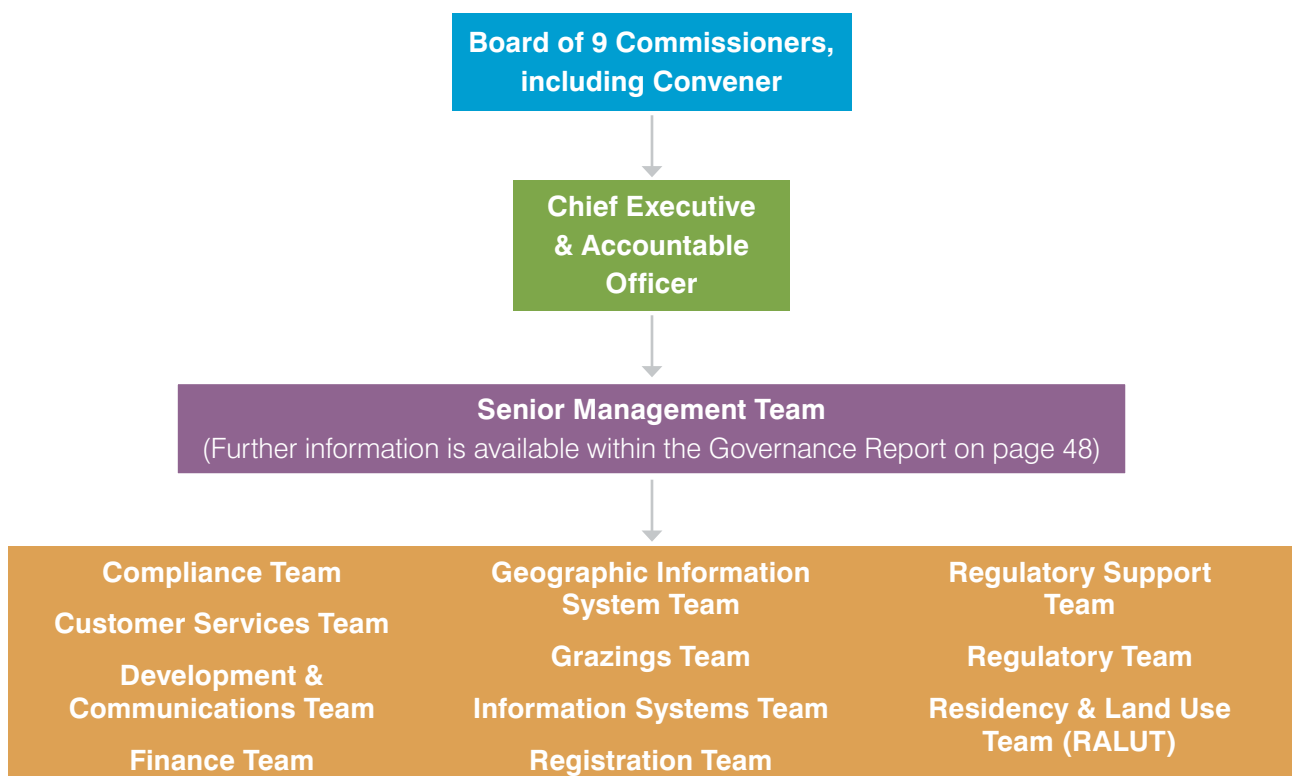
Business Model

The principal functions of the 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



Crofting Commission Elections 2022

Elections to nominate members to the Commission's Board were held in March 2022. The Commission engaged in publicity events in the pre-election period to engage directly with potential candidates by holding five online roadshow events, one of which was purely focussed upon encouraging women to consider standing as Board members.

Elections were contested in all six of the Crofting Counties and the results were counted and announced on the 18th of March from the Town House in Inverness. In previous years the Commission elections were administered by one of the Local Authorities from within the Crofting Counties, however, due to timing issues, this was not possible for 2022.

The Commission therefore contracted the services of Mi-Voice, a democratic services company, to fulfil the independent role of returning officer.

The following table provides high level statistics for the electoral turnout by constituency.

Constituency	Total electorate	Total ballot papers verified	Percentage turnout
East Highlands	866	288	33.3%
Orkney & Caithness	639	226	35.4%
Shetland	1,370	499	36.4%
South West Highlands	1,008	341	33.8%
West Highlands	3,600	957	26.6%
Western Isles	4,863	1,249	25.7%
Totals	12,346	3,560	28.8%

Further information and statistics in relation to the election can be found on our website www.crofting.scotland.gov.uk

Objectives and Strategies

The Outcomes in the 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



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 2021/22, we worked to maintain the number of actively managed common grazings, and engaged with numerous Grazings Committees to clarify or resolve a variety of issues. Board discussions recognised the importance of peatland restoration on common grazings, and tree planting on common grazings and crofts.

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 2021/22, as a result of our work, 17 crofters returned to take up residence on or near their crofts, while a further 20 who were not able to do so, chose to assign or let the croft to someone else. Our new Development team published guidance for crofters about the importance of succession. We encouraged voluntary succession, but where a crofter continues in breach of their residency duty or duty to make use of the croft, the Commission can take direct action to terminate crofting tenancies so that the crofts can be re-let to those who will comply with the duties.

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 £2,000 per annum, but there had been an increase in the number of crofters reporting incomes much higher than this average. The report also noted evidence that crofters are diversifying their activities – with, for example, an increase in the number of crofters providing holiday accommodation. Of course, very many crofters also have other employment in their communities and beyond, in addition to their crofting activities. We supported the economic resilience of the crofting communities by taking transparent decisions on regulatory applications, for example, approving decrofting applications where there was a clear and beneficial purpose but often refusing them when there was not. We also established an online portal signposting to a range of websites to help crofters access information about the support available for their crofting businesses.

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 2021/22, some of which required a careful balance between the divergent interests of different parties and against the general interest of the crofting community.

Summary of Key Risks and Issues We Face

The Commission maintains two risk registers: a Strategic Risk Register focusing on the risks to achievement of our main outcomes; and an Operational Risk Register which covers a range of other risks to the day to day running of the business. Both Risk Registers have been redesigned and repopulated over the course of 2021/22, as recommended by our external auditor.

In recent years, the highest risks 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. While both will remain significant challenges in 2022/23, the expansion of staffing will put the Commission in a stronger position both to manage casework volumes and to enhance our support for active crofting.

From Spring 2021, the Strategic Risk Register has also focussed on the governance issues highlighted within the Wider Scope Audit Report of May 2021³, and the reputational risks arising from it. While good progress has been made with implementing the recommendations from that report, this remains a priority focus for Board and Management.

Also in Spring 2021, an internal audit report highlighted deficiencies in the governance and control of our in-house development of the Croft Information System (CIS), which will require increased Commission resources and/or a partly outsourced solution, to ensure resilience. Implementation of these recommendations is in progress, but this remains a focus of our Operational Risk Register.

Other major themes of the Operational Risk Register are the potential for individual teams to be impacted by the loss of key staff, and risks relating to information management. 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 developed an operational continuity annex to the 2022 revision of our Workforce Plan. On information management, the Commission has a strong record, but further mitigation of risks depends on progress with IT developments.

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

³ The background and context of the Wider Scope Audit Report can be found within the Commission's Governance Statement on page 57.

Financial Summary

The 2021/22 annual report and accounts were audited by Deloitte LLP who were appointed by the Auditor General for Scotland as auditors to the 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 93. They were prepared on a going concern basis, which means the Commission intends to continue its business for the foreseeable future and is able to do so.

Although the Commission's Statement of Financial Position detailed on page 81 reflects a net liability position, this is primarily due to an accrual of £127k (2020/21: £146k, 2019/20: £72k) which relates to placing a monetary value on Commission staff untaken holiday and flexitime leave as at the end of the reporting year. Due to the impact of Covid-19, staff have been allowed to carry forward up to twenty days leave for 2020/21 and 2021/22 respectively. This arrangement reverts back to ten days for 2022/23 and it is anticipated that the accrual position should decrease accordingly.

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 £3.316M (2020/21 £3.060M) which was solely funded by The Scottish Government. Further detail on financial performance is provided within our Performance Analysis on page 40.



Performance Summary








The Commission measured its performance for the year 2021/22 against the strategic objectives in the 2019 – 2022 Corporate Plan. The strategic objectives reflect the outcomes that matter most to the Commission and its stakeholders and cover the major areas of the 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 let	Increase	
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 Commission's Corporate Plan are delivered through actions in the Business Plan.

In our Business Plan 2021/22 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 www.crofting.scotland.gov.uk


Performance improvement measures and targets have been set which are reported on below.



Operational Performance


Key  Achieved  Partially Achieved  Not Achieved

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

Measure	Target	Result
Number of formerly vacant crofts let by the landlord or the Commission following the Commission initiating action under the unresolved succession (section 11) or vacant croft (section 23) provisions of the 1993 Act.	15	


Result:

- The Commission have issued **4** section 11(4) notices proposing to terminate the tenancy of 2 crofts in Kilmallie, 1 croft in Applecross and 1 in Stoer which will result in terminations and lets if they progress to the section 11(8) termination order stages.
- The Commission have issued **4** section 11(8) terminations: 1 in Shetland which resulted in proposals to let to a new entrant to crofting being submitted by the landlord and approved by the Commission, 2 in Kilmallie to existing crofters which have been approved, and 1 in Applecross to a new entrant to crofting.
- 1** section 23(5) notice was issued to a landlord in Sutherland which resulted in proposals to let to a new entrant to crofting being submitted by the landlord and approved by the Commission.
- The Commission have been working with a landlord in Skye to let **3** long term (over 10 years) vacant crofts constituted as “New Crofts” under section 3A. 2 of the 3 crofts have been let to new entrants to crofting, an application has been submitted to let the other croft which is currently being processed.

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

Result:

The Commission commenced correspondence with **140** crofters. **125** as a result of the 2020 Census returns (this includes the pilot in the Western Isles writing to resident non-cultivating tenants), **3** as the result of receipt of reports of suspected breach of duty, and **12** as a result of a report from a Grazings Committee in Skye under section 49A. We met with the latter and identified **31** cases in total, a mixture of breach of the residence duty, failure to cultivate, and cases where both duties are reported as being breached. We agreed a strategy for prioritising and commencing a rolling programme of enforcement action in these cases.

Measure	Target	Result
Initiate correspondence with landlords (owners of vacant croft) who are failing to reside on and/or cultivate their vacant crofts.	Initiate correspondence with 30 cases.	

Result:


The workflow has been designed and completed. We are now at the stage of creating the template letters to be associated with the relevant parts of the workflow. We will then be in a position to deal with reports relating to landlords who are not residing on or cultivating their crofts.

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

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 (17) in 2020/21.	

Result:

8 crofters have resolved their breach of duty by taking up residence.

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 (20) in 2020/21.	


Result:

14 crofters resolved their breach of duty by assigning the tenancy of their crofts.

Measure	Target	Result
Number of RALU breaches resolved by the Commission giving consent to the sublet of a tenanted croft, the short-term lease of an owner-occupied croft, or by a consent to be absent being given to a tenant or an owner-occupier crofter.	No target for 2021/22 (this is not a priority in its own right).	No target

Result:

During the course of the year, **12** crofters were given consent to sub-let their crofts. **22** crofters were given either consent to be absent or an extension of consent to be absent.

Measure	Target	Result
Number of RALU breaches escalated to the issue of a Notice of suspected breach of duty (section 26C), or a Notice providing an Undertaking (section 26D).	Maintain or increase the baseline number (26) in 2020/21.	

Result:

The Commission issued **15** Notices under section 26C(1); Made **18** decisions under section 26C(5) that a duty was not being complied with, and issued **8** Notices providing an undertaking under section 26D(1).

Measure	Target	Result
Number of RALU breaches concluded by tenancy terminations orders (section 26H), or approval of letting proposals submitted by owner-occupier crofters following a direction to do so (section 26J).	Maintain or increase the baseline number (4) in 2020/21.	

Result:

There have been no termination orders or notice requiring letting proposals under these statutory provisions.


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: 500 Grazings Committees in office on 31 March 2021.	

Result:

There are currently **497** Grazings Committees in office. However, as a further 10 are only out of office because they have slightly delayed the planned meeting to elect a new committee (due to Covid-19), the target has for all practical purposes been met.

Covid-19 Effect: There were obvious difficulties in expanding the numbers in office beyond the Commission appointment of committees demitting office.


Measure	Target	Result
Increase in number of Grazings Committees who have adopted the new template regulations.	Increase by at least 10 Commission approvals of new regulations submitted by committees based on the template.	

Result:

3 new sets of regulations have been approved and others are in process.

1 amendment of common grazings regulations has been completed, where the committee were not willing to adopt the new grazings template.

Covid-19 Effect: The difficulties experienced by Grazings Committees in holding meetings made this difficult and is not generally a priority for most committees. This also hampers a more pro-active approach by the Grazings team itself, as does the fact that its staff resources have been reduced through provision of support to other parts of the organisation. **7** other cases are at various stages, to be progressed when resources allow.

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 (12) in 2020/21.	

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


Result:

To date there have been **16** significant engagements with Grazings Committees and shareholders of which **9** have been closed and we are continuing to interact with those involved in the open cases.

It might be considered an indicator of success in dealing at an early stage with the variety of issues arising, which do not progress to the more serious official complaint route provided for within the Act – Sections 47(8) or 52(1).


The team have also responded to **436** other general queries from various stakeholders where there is a common grazings involvement.

Covid-19 Effect: It has not been possible to attend meetings in person, but some meetings with members of Grazings Committees have been held electronically via 'Microsoft Teams' and this has proven beneficial.

Measure	Target	Result
Establish correct shareholdings on common grazings by researching and updating records of shareholder situations.	Number of townships researched. Baseline (15) in 2020/21. 10 more townships researched in 2021/22.	

Result:

There have been **24** cases where establishment of the correct shareholding position for all shares has researched. **36** single-share investigations have also been undertaken.

Measure	Target	Result
Develop and assist with training and other events for Grazings Committees and the management of common grazings.	Maintain or increase the baseline number (5) in 2020/21.	

Result:


The Grazings team have continued to work with the Farm Advisory Service to deliver training events.

As physical meetings were still being discouraged, training has been delivered electronically via 'Zoom' meetings.

6 sessions have been delivered on how to form a Grazing Committee, carrying out the duties and functions of a committee and correctly using best practice. These sessions have had an average of **19** people attending.

A session was also delivered on the subject of mediation to **8** attendees, and a Pilot session to **12** attendees as a surgery for Grazings Clerks.

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:

For the second year running, turnaround times were slower than normal, and the backlog of casework increased throughout the year.

In 2021/22, while the consequences of Covid-19 continued to disrupt some of our processes, especially around the handling of post, the main reason for our continued operational difficulties was the loss of several experienced staff, mostly on promotion to posts elsewhere within the civil service, or through retirement. It takes 12-18 months for new staff to become proficient with the complexities of regulatory casework.


The Board and Management monitored the position throughout the year and took remedial action wherever possible, borrowing resource from other teams to assist with casework processing, and advising crofters and their agents of our longer processing times.

Towards the end of the reporting year, we were able to commence the recruitment and training of several new staff, following an independent review of our staffing needs and an indication of more resources from The Scottish Government. The expansion of our workforce, combined with continued work to improve our IT systems and processes and to expand our delegation parameters, should result in a reduction of the backlog in 2022/23. This will in turn lead to a reduction in turnaround times.

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

www.crofting.scotland.gov.uk

	Approx. Number of cases per year	Median weeks (2020/21)	Median weeks (2021/22)
Assigination	c125	10.7	12.9
Decrofting Croft House Site	c50	13.0	13.9
Decrofting Part Croft	c100	22.6	25.3


Measure	Target	Result
Decrease in number of live regulatory cases at a point in time.	Baseline 807 on 31 March 2021.	

Result:

The number of cases outstanding (which have not yet reached decision) has increased to **1,087**. The continued increase in outstanding cases is due to pressures within the team, in particular to knock on effects of staff turnover and subsequent recruitment. The long training period means that the team has effectively been working at a reduced capacity over the reporting period.


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 number of regulatory cases outstanding after 12 months.	Reduce to 140. Baseline 159 on 31 March 2021.	

Result:

Due to the level of outstanding cases, work on this has slowed and the number of outstanding cases over 12 months has increased to **206**.

Measure	Target	Result
Customer satisfaction rates.	At least 80% of responses positive.	

Result:

A limited number of customer feedback forms have been received during the reporting year. Higher than usual numbers of emails chasing up cases indicate that customer satisfaction is a concern.

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


Measure	Target	Result
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
Increase in staff engagement rating.	Maintain or increase the baseline (57%) in 2020/21	

Result:

The Commission staff survey took place in April 2021. The staff engagement rating increased to 65%.


Measure	Target	Result
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 0.30 tCO2e (Based upon Actual travel data)
- 2021/22 Data unavailable at this time

The latest measure demonstrates a sharp decrease in emissions from 2019/20. Directly due to Covid-19 restrictions on travel.

Measure	Target	Result
Redeploy efficiency savings within £3.25m core budget.	3% target. Baseline 3.4% (£95,000) 2020/21.	

Result:

4.5% or approximately £146,000 of efficiency savings during 2021/22. Further information on efficiency savings is available at page 40.

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

The 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 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 2020/21 and which will be carried over to 2022/23.

Application/Notification Type	Received	Approved/ Notified	Refused	Invalid	Withdrawn
Apportionment	47	25	1	5	6
Assignment Share	9	0	0	1	2
Assignment Croft	353	235	2	27	9
Consent to be Absent – Extension	4	3	0	1	0
Consent to be absent- initial application	37	19	5	6	2
Create a new croft	24	3	0	1	1
Decrofting – Croft House Site and Garden Ground	144	96	0	23	5
Decrofting – Part Croft	319	213	10	29	18
Decrofting – S17 & S18 Feu	8	2	0	0	0
Decrofting – Whole Croft	6	3	1	0	5
Decrofting – Whole Croft – House Site Only	2	3	0	0	0
Division – Owner-Occupier Crofter	23	8	1	6	3
Division – Tenant	20	14	0	1	0
Exchange of croft land	6	1	0	2	0
Letting – Landlord of a vacant croft	40	20	0	2	1
Letting – Owner-Occupier Crofter	26	7	0	4	1
Short-Term Letting	16	8	0	1	2
Subletting	81	56	1	7	3
Intestate Succession (Notification)	86	51	0	1	2
Testate Succession – Bequest of Croft Tenancy (Notification)	137	70	0	13	0
Totals 2021/22	1,388	837	21	130	60
Totals 2020/21	1,145	857	22	106	48
Totals 2019/20	1,494	1,260	23	189	61
Totals 2018/19	1,511	1,265	25	171	38
Totals 2017/18	1,366	925	21	132	36

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 Commission and the number of cases considered at each level.

Level of Decision Making	No of Cases Decided 2021/22	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)	570	630	859	735	678 *
Tier 2 (Senior Officials)	130	132	203	211	186
Tier 3 (3 Commissioners)	37	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 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 **8** appeals carried over from 2020/21:

- **4** appeals were withdrawn
- **2** appeals resulted in the appeals being refused (an appeal against the terms of a Commission letting and an apportionment application)
- In **1** appeal the Commission decision was not upheld by the SLC (an apportionment application)
- **1** case was conceded by the Commission (where it failed to consider a competent objection).

A further **5** appeals were received during 2021/22:

- **1** appeal was subsequently withdrawn by applicant
- **1** appeal was sustained and remitted back to the Commission for a new decision, which was subsequently approved
- **1** appeal was refused by the SLC
- The outcome of **2** appeals is currently unknown but is currently the subject of discussion between the parties.



Analysis of Key Risks and Issues We Face

Corporate Plan Outcome	Risk Description	Action Taken
Crofts are occupied and managed.	The Commission is seen as ineffective in tackling breaches of duty.	<p>New suite of RALU policies agreed by the Board. RALU team being expanded to deliver these policies in priority order.</p> <p>Enforcement action now includes owner-occupier crofters as well as tenant crofters if they are in breach of their duties and will expand to cover non-resident landlords of vacant crofts and non-returners of the Annual Notice (census).</p> <p>Phone calls made to crofters who have not returned their census form for the last three years, with over 40% of this group then returning their form in Spring 2022.</p>
Common grazings are regulated and shared management practices are encouraged.	Active use of common grazings declines.	<p>Support and guidance, coupled with online training courses are being provided to members of Grazing Committees.</p> <p>Reminders are being sent out to committees whose term of office will expire guiding them on the process of appointing a new committee.</p> <p>The Development team are contacting every new committee which goes into office to promote activity/development and diversification opportunities.</p>
Crofting is regulated in a fair, efficient, and effective way.	The regulatory backlog becomes unmanageable and continues to grow.	The Regulatory team is being significantly expanded and training substantially enhanced through designated training officers. During 2021/22, staff were loaned from other Commission teams and overtime was offered. The outstanding casework is proactively managed and monitored. Extra step to acknowledge receipt of applications and apologise for the anticipated delay. Online applications facility launched in March 2022 and will continue to expand.

Corporate Plan Outcome	Risk Description	Action Taken
The future of active crofting is supported by well-informed engagement with stakeholders.	It gets even harder for young people to access crofts.	<p>Website highlights the options available for those no longer wishing or able to use their crofts.</p> <p>RALU work expanded to tackle more breaches. For those crofts which do become available for the Commission to let, we adopt a proactive policy to prioritise new entrants. Building links between Grazings and Development teams to increase the interest in and availability of crofts for new entrants. Development team initiatives to promote 'living succession'.</p> <p>However, the pricing of crofts is not something that the Commission can directly control.</p>

Our workforce has the right skills and motivation to perform well, and our governance processes are best practice.	The Commission loses credibility because of Governance issues outlined in our external auditor's Wider Scope Audit Report.	Of 41 recommendations made in the Wider Scope audit of May 2021, 38 had been implemented by March 2022 and the remainder by June 2022. These included detailed revisions to our Framework Document to clarify our governance; joint training between Board, Management and our Scottish Government Sponsor; revisions to our Medium-Term Financial Plan and Workforce Plan; and an independent review of our staffing needs which recommended a substantial expansion of our front-line Regulatory team and an introduction of two new senior management posts. These changes are now being implemented with enhanced Government funding for 2022/23.
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Governance	Risk Description	Action Taken/Planned
Croft Information System	Poor planning and delivery of system enhancements results in weaknesses in functionality and effectiveness.	<p>CIS Steering Group established. Further information available within our Governance Statement on page 58.</p> <p>New post of 'Improvements Manager/System Product Owner' created, and a second System Coder is being recruited. Governance documentation for system developments is being created.</p>

Register of Crofts (ROC)

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

We made minor amendments to the ROC as a result of approximately **1,300** individuals providing us with additional information which was missing or inaccurate as part of their 2021 Census return.

Number of Crofts recorded in the ROC

Number of Crofts recorded in the ROC = 21,394
(2020/21: 21,292)

Na h-Eileanan Siar	
Tenanted	6,123
Owned	281

Argyll & Bute	
Tenanted	622
Owned	505

North Ayrshire	
Tenanted	0
Owned	1



Shetland	
Tenanted	2,128
Owned	1,221

Orkney	
Tenanted	68
Owned	395

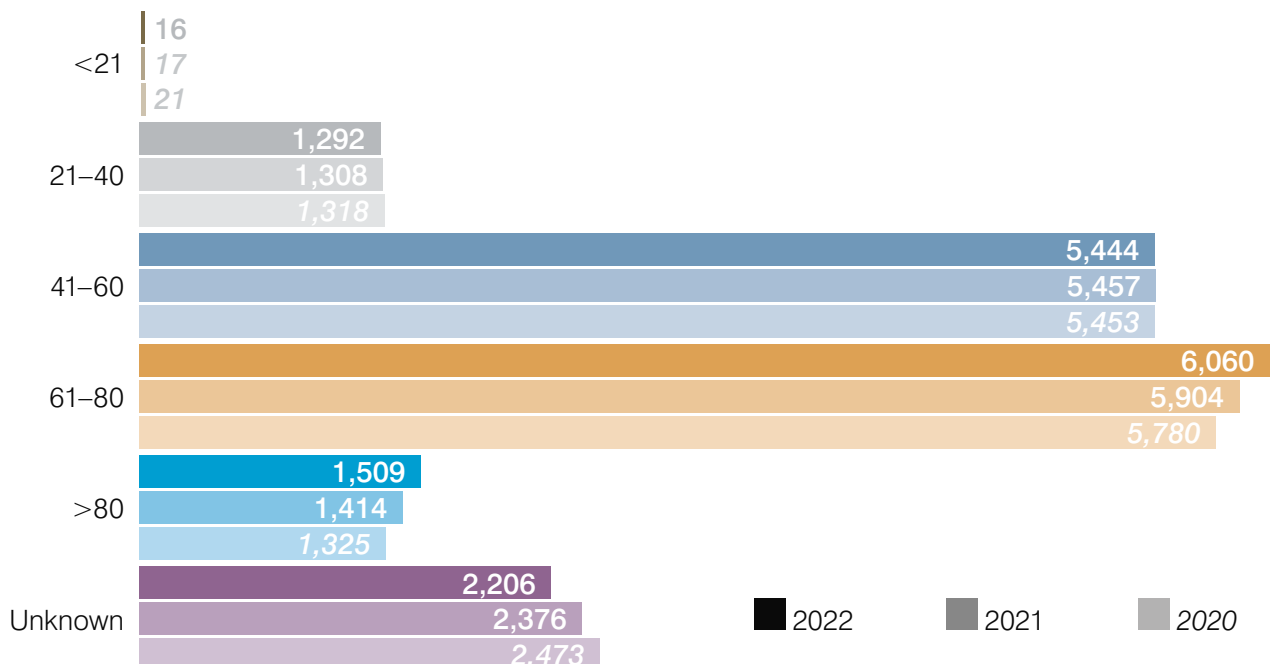
Highland	
Tenanted	6,262
Owned	3,788

Moray*	
Tenanted	0
Owned	0

* No crofts were recorded in Moray as at 31 March 2022. One croft was recorded in April 2022.

Crofters by age

Number of Crofters recorded in the ROC = 16,527 (2020/21 16,476; 2019/20 16,370)

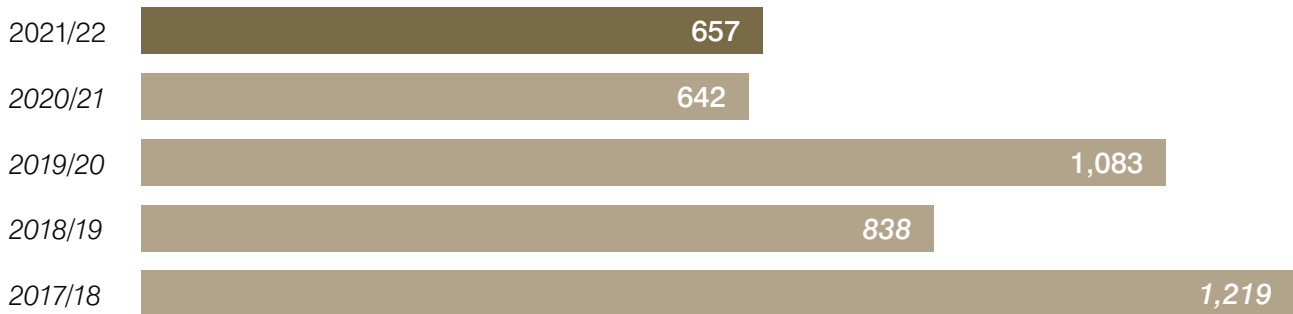


Crofting Register

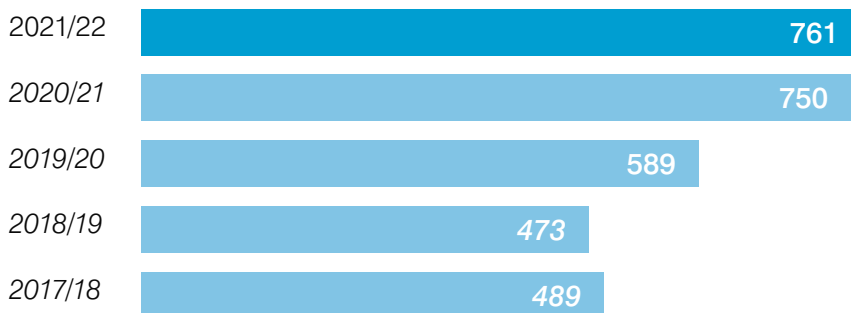
In addition to processing regulatory applications, we also assess the competency of Croft Registration applications for the Keeper of the Registers of Scotland (RoS).

Croft Registration applications

First Registrations



Subsequent Event affecting a registered croft



There were also 35 (2020/21: 30) non-trigger updates and 184 (2020/21: 113) rectifications processed. An overall total of **8,138** (2020/21: 7,481 crofts) are now entered in the RoS Crofting Register.



Further information on the RoS Crofting Register can be found on our website www.crofting.scotland.gov.uk

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.

7 (2020/21:10) cases of suspected breaches of duty were reported to the Commission over the year.

1 invalid (croft not held by tenant or owner-occupier crofter)



1 case where duty is being complied with



1 case where ownership of croft is being transferred



2 cases where tenant crofter is deceased



2 cases are still being investigated.



Consent to be Absent Applications

35 (2020/21: 21) applications received.

21 approved



5 refused



8 invalid



1 withdrawn.



Consent to be Absent – Extension

In addition, RALUT processed and approved 3 (2020/21: 2) applications for extensions of consent for absence.

Crofting Census 2020 – Duties

The Commission commenced engagement with **127** individuals as a result of them indicating on the 2020 Crofting Census Return to be in breach of one or more of their crofting duties.

1st Tranche of Census cases (non-resident, non-cultivating tenants)

34 individuals were written to, giving them the opportunity to either resolve their breach or for the case to progress to the issuing of a Notice of suspected breach of duty under the enforcement provisions of Section 26C(1) of the Crofters (Scotland) Act 1993 [“the 1993 Act”].

Of those **34** written to – **5** crofters have, to date, resolved their breaches as follows:

- **1** crofter took up residence
- **3** crofters applied for and received Consent to be Absent
- **1** crofter applied for and received consent to assign the tenancy of their croft.

There was also one case closed as the crofter is now deceased.

In addition to the above:

- **5** crofters have submitted applications for the Commission's consent to sublet their crofts which are pending decisions
- **1** crofter has submitted an application for the Commission's consent to assign the tenancy of their croft which is pending a decision.

The remaining **22** cases are progressing through the Duties enforcement action.

2nd Tranche of Census cases (non-resident, owner-occupier crofters)

38 individuals were written to, giving them the opportunity to either resolve their breach or for the case to progress to the issuing of a Notice of suspected breach of duty under the enforcement provisions of Section 26C(1) of the 1993 Act.

Of those **38** written to – **5** owner-occupier crofters have, to date, resolved their breaches as follows:

- **1** owner-occupier crofter took up residence
- **2** owner-occupier crofters applied for and received Consent to be Absent
- **2** owner-occupier crofters have transferred ownership of their crofts.

In addition to the above:

- **2** owner-occupier crofters have submitted applications for the Commission's consent to let their crofts which are pending decisions
- **2** owner-occupier crofters have submitted applications for the Commission's consent to short term let their crofts which are pending decisions
- **1** owner-occupier crofter has submitted an application for the Commission's Consent to be Absent which is pending a decision
- **2** cases 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
- **1** case where the owner-occupier crofter was written to in error, as the croft comprised solely of a residual house site and an area of garden ground.

The remaining **25** cases are progressing through the Duties enforcement action.

3rd Tranche of Census cases (non-resident tenants)

25 individuals were written to, giving them the opportunity to either resolve their breach or for the case to progress to the issuing of a Notice of suspected breach of duty under the enforcement provisions of Section 26C(1) of the 1993 Act.

Of those **25** written to – **2** crofters have, to date, resolved their breaches by applying for and receiving Consent to be Absent.

In addition to the above:

- **1** crofter has submitted an application for the Commission's consent to sublet their croft which is pending a decision
- **1** crofter has submitted an application for the Commission's Consent to be Absent which is pending a decision.

The remaining **21** cases are progressing through the Duties enforcement action.

4th Tranche of Census cases (resident, non-cultivating tenants)

30 individuals were written to, giving them the opportunity to resolve their breach, offering support and advice on the options available to remedy the non-cultivation. These options included the crofter cultivating the croft or choosing to either sublet the croft or assigning it to someone else.

Of those **30** written to – **8** crofters advised that they misunderstood the Census. They thought that 'cultivation' was restricted to ploughing and cropping activity, whereas they are actually cultivating and maintaining their crofts by keeping livestock. In addition to this, **1** crofter advised that since completing the Census they have stocked their croft with sheep and poultry.

The remaining **21** cases are progressing through the Duties enforcement action.

Crofting Census 2017, 2018 & 2019 – Duties

- **6** crofters resolved their breach by taking up residence on their croft
- **11** crofters resolved their breach by assigning their tenancies with the consent of the Commission
- **12** crofters resolved their breach by subletting their croft with the consent of the Commission
- **2** crofters resolved their breach by applying for and receiving Consent to be Absent.

In addition to the above there were **2** cases where it was decided that there was a good reason not to take enforcement action in terms of section 26C(1) of the 1993 Act.

At the end of the reporting year, there were **51** cases which remained under consideration. These cases are being dealt with under the duties enforcement provisions (from the point 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).

26C(1), 26C(5) and 26D Notices issued by the Commission:

- **15** section 26C(1) notices of suspected breach of duty – **10** as a result of census returns and **5** following a section 26A reported breach of duty
- **18** section 26C(5) decisions that duties were not being complied with, **13** as a result of census returns and **5** following a section 26A reported breach of duty
- **9** section 26D(1) Notices issued providing the crofters with an opportunity to give an undertaking to comply with their breach of duty, **6** as a result of census returns and **3** following a section 26A reported breach of duty.

Letting of vacant crofts

The Commission approved one letting proposal from a landlord under Section 23(5) of the 1993 Act to let a vacant croft to a new entrant to crofting.

The Commission also approved a letting application from a landlord in Skye to a new entrant to crofting. This is the last of three long standing vacant crofts which have now all been let to new entrants to crofting.

Unresolved succession

The Commission issued **4** Section 11(4) notices proposing to terminate the tenancy of **2** crofts in Kilmallie, **1** croft in Applecross and **1** in Stoer, which will result in terminations and lets if they progress to the section 11(8) termination order stage.

The Commission issued **4** Section 11(8) notices terminating croft tenancies: **1** in Shetland which resulted in proposals to let to a new entrant to crofting being submitted by the landlord and approved by the Commission, **2** in Kilmallie to existing crofters which have been approved, and **1** in Applecross to a new entrant to crofting.

Report received under section 49A of the 1993 Act

A report was received from a Grazings Committee in Skye, under section 49A of the Crofters (Scotland) Act 1993. identifying **31** potential breaches of duty located within townships served by the Committee. A programme for prioritising and commencing a rolling programme of enforcement action was agreed with the Committee.

The Commission has commenced work on **14** cases and:

- are in the process of issuing **2** Section 26(1) Notices of suspected breach of duty
- has accepted **1** Undertaking following a section 26D Notice that a crofter will comply with the duty within a reasonable timescale
- are awaiting **6** reports from Scottish Government Rural Payments and Inspections Directorate (SGRPID) into breach of duties cases
- has closed **1** case due to a change of occupier
- has closed **1** case as the crofter is now complying with the duty
- are currently processing **2** assignation applications and **1** subletting application from crofters in breach of one or more of their statutory duties.

The Commission will commence work on the next tranche of cases in a timescale agreed with the Grazings Committee.

General Enquiries

During the course of the year RALUT responded to **67** general enquiries.

Crofting Census 2021

Crofters have a legal obligation to complete and return an annual Crofting Census for each of their crofts and grazing shares.

2021 saw the annual Census moving to a fully digital submission. This new method of collating returns allows the Commission to carry out analysis and present the results in a more detailed format. In addition, the transition to a digital return has allowed us to carry out more accurate analysis of the data available within certain categories of respondent.

Requests for Census completion were issued on **19,810** (2020/21: 19,636) Register of Croft entries, consisting of **17,656** (2020/21: 17,645) general crofts and **2,154** (2020/21: 1,991) grazing shares (deemed crofts).

Overall, **15,195** (2020/21: 14,297) submissions were received by the Commission. This is equivalent to a **76.7%** (2020/21: 72.8%) return rate.



Ordinarily Resident on, or within 32km of their Croft:
94% (2020/21: 94%)

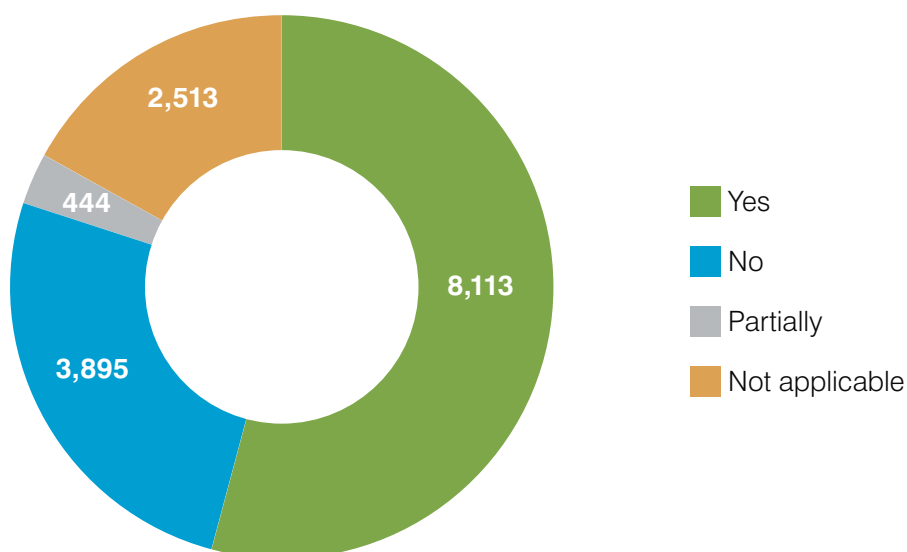


Not Neglected/ Misused:
99% (2020/21: 89%)



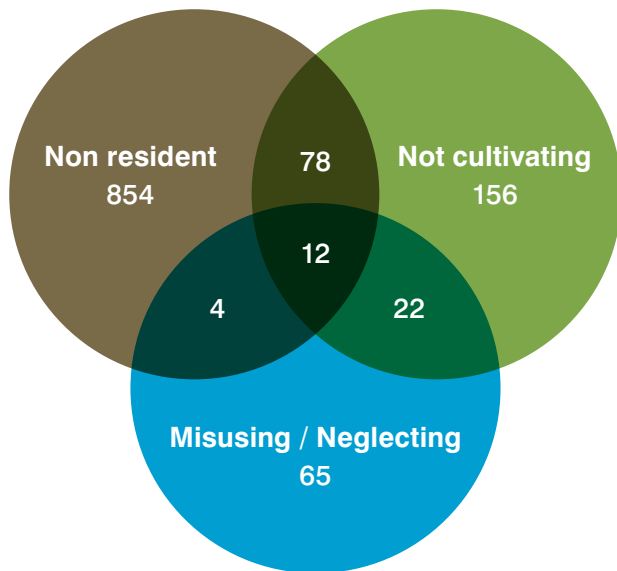
Croft is Cultivated/Maintained/ Put to Purposeful Use:
98% (2020/21: 89%)

This year we also asked crofters to advise if they were using their grazing shares. The responses were: Yes: 8,113, No: 3,895 and Partially: 444. There were 2,513 who responded, 'Not applicable' (this is where a croft did not have a grazing share).

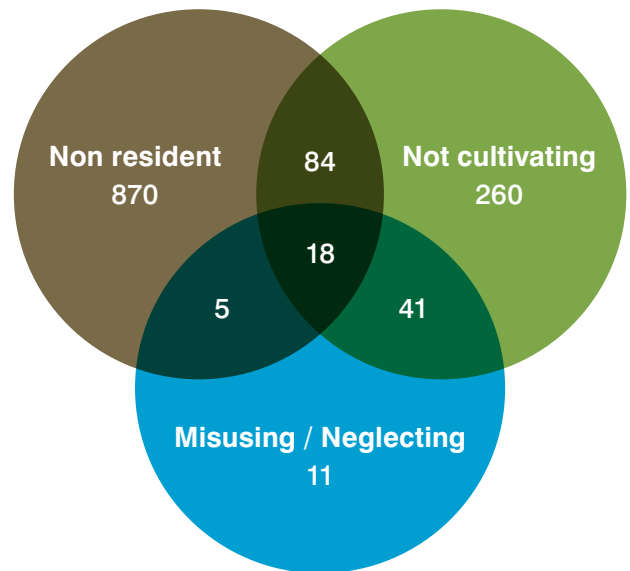


Number of crofters not complying with their Duties as notified to the Commission
TOTAL: 1,191 (2020/21: 1,289).

2021 Census Returns



2020 Census Returns



The numbers represent crofts only and are the numbers of crofts that fall solely into each category.



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, and continue to be critical to crofting livestock systems. Additionally, they are also becoming increasingly recognized for the environmental and ecological benefits they provide. There is exciting potential through the likes of peatland restoration, carbon capture, renewable energy, woodland creation, and woodland management to assist in the countering of climate change, and through its extensive and managed agricultural practices, there is capacity to both increase and enhance biodiversity.

There are over 1,000 common grazings covering an area in excess of 500,000ha across the Crofting Counties of Scotland.



Grazings Committees appointed by the crofters sharing in the common grazings are fundamentally important to the on-going management and maintenance of these valuable communal assets and delivery of the potential benefits detailed above. The ongoing Covid-19 pandemic presented difficulties in that the statutory requirement to hold a public meeting to appoint such Grazings Committees was discouraged to prevent the spread of Covid-19 within our crofting communities.

To ensure continuity of business and maintaining the previous increased numbers of Grazings Committees, an element of crofting legislation was used to counter the extenuating circumstances created by the public health situation which allowed the Commission to offer existing Grazings Committees whose term of office finished, a further 3-year term. In addition, in situations where there was no recent Grazings Committee in office, the Commission ensured there was general consensus between those sharing in the common grazings prior to any appointment of any new proposed 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 remained in place wherever possible.

Our aspiration to provide onsite interactive training for both old and new Grazing Committee members, delivered through partnership working with the Farm Advisory Service and the Scottish Rural College, was prevented by the ongoing public health situation. This training operates best with a face-to-face interaction between the trainers and the participants. However online digital events were both created and delivered to attendees covering subjects such as the proper formation of a Committee, the roles and responsibilities and guidance on the financial aspects of a Grazings Committee.

	2021/22	2020/21	2019/20	2018/19
No of Grazings Committees in Office	497*	500	495	418

* A further 10 committees are only out of office because they have slightly delayed the planned meeting to elect a new committee due to Covid-19.

Freedom of Information/ Environmental Regulations/ Data Protection

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

Further information can be found at www.crofting.scotland.gov.uk

Complaints

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

During 2021/22 we received **52 complaints** (2020/21: 39).



Frontline Resolution	2021/22	2020/21	2019/20	2018/19	2017/18
Upheld	23	15	4	16	10
Partially Upheld	4	2	3	-	1
Not Upheld	9	11	17	16	2
Investigation in Progress	2	-	-	-	-
Escalated	-	-	-	23	7
Totals	38	28	24	55	20

Investigation Stage	2021/22	2020/21	2019/20	2018/19	2017/18
Upheld	2	3	2	5	2
Partially Upheld	4	3	6	8	4
Not Upheld	3	4	3	4	5
Invalid	2	1	1	1	3
Withdrawn	1	-	-	-	-
Investigation in Progress	2	-	-	1	-
Totals	14	11	12	19	14










Further information can be located on our website. www.crofting.scotland.gov.uk

Communications

There are several different ways in which the Commission communicates with our stakeholders. Social Media is used primarily to convey regulatory and operational messages, whereas print media is used to promote news stories and comment on Crofting matters.

We also use direct methods of communication to engage with key stakeholders by creating short newsletters.

Since our Communications Officer began reporting on social media it is clear that there has been a significant increase in the number of people who are following the Commission's pages, engagement and reach has also improved since October 2021.

Platform	Total Followers March 2022	Total Followers October 2021
	 2,192	 2,092
	 3,307	 3,112
	 554	 434

Human Rights

Equality, diversity and inclusiveness

The 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 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 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 Commission's Equality and Diversity Plan on our website. www.crofting.scotland.gov.uk

Environmental Matters

The Scottish Government has ambitious carbon reduction targets for the public sector and, following the declaration by the government of a climate emergency, there has been a renewed focus on the public sector leading the way in reducing carbon emissions.

As tenants within a shared office space, (Great Glen House), Nature Scot carry responsibility for the building, so the Commission is only able to address internal factors such as resource usage, travel and awareness. One of the outcomes recorded in our Corporate Plan is to reduce our impact upon the environment. Whilst the Commission currently has no environmental targets set by The Scottish Government, we are focused on progress to become carbon-neutral and intend to consider our Climate Emergency Charter and Action Plan during the coming year. A consequence of Covid-19 has been to reduce our travel significantly, which is reflected in a considerable reduction in travel emissions from 18.45 tCO₂e in 2017 to 0.30tCO₂e in 2020.

We are reviewing our home working and travel policies to ensure best practice developed over the last year on how we work is captured and the benefits realized in the long term. As well as focusing upon travel emissions, the Commission will continue to review its day-to-day operations with a view to reducing the use of resources. An example within the reporting year related to how the Commission conducted its statutory Annual Notice (crofting census).

Historically the census has been conducted by posting out a questionnaire to all known crofters for all crofts and deemed crofts, which includes prepaid return postage. This year the Commission took the decision to move to a solely digital return for the census, utilising the technology that the Commission had established over the preceding two years. This has reduced both use of paper and associated postal travel relating to the 15,195 returns completed.

Work has also continued during 2021/22 to move towards and promote online regulatory application forms. As at the end of the reporting year an initial tranche of digital applications were launched online.

The Commission is also reducing its office space requirements at Great Glen House by approximately 33% with effect from 2022/23 as it continues to develop a policy on hybrid working, in conjunction with Scottish Government guidance. This will also have a positive impact upon reducing the use of resources and associated carbon emissions.

The Commission seeks to use its influence more generally within the crofting sector and works with other government agencies and stakeholders to encourage more sustainable land uses that reduce carbon emissions, enhance natural capital and promote biodiversity. However, the Commission has no power to require crofters to reduce emissions or carry out certain land uses.

Financial Performance

The Scottish Government allocated the Commission a budget of £3.250M (£3.022M 2020/21). An allocation of £0.065M (£0.065M 2020/21) was also provided for non-cash costs such as depreciation and amortisation.

Payment Practice Code

In line with The Scottish Government policy, the Commission requires that all suppliers' invoices not in dispute are paid within 10 working days of receipt. The 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 2022, the Commission paid 93% (100% in 30 days) of its invoices within these terms (92% 10 days, 100% 30 days in 2020/21).

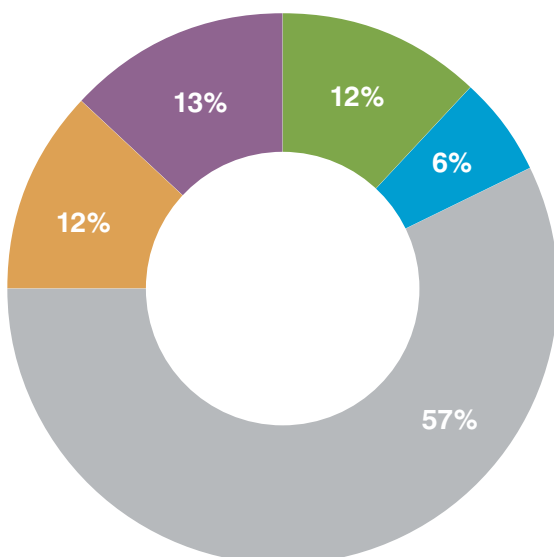
Strategic Outcomes

Reducing our costs to maximise funding for our regulatory work continues to be a priority. During the year, the 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 digital crofting census, reducing our office space requirements, 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 2021/22 baseline budget of £3.250M. Overall, we recorded 4.5% or approximately £146,000 of efficiency savings during 2021/22 (3.4%, £95,000 2020/21). The trend in accommodation efficiency savings is forecast to continue in 2022/23 as we reduce our existing office space requirements at Great Glen House, Inverness by one third. In line with Scottish Government principles, we expect to have a substantial element of hybrid working for the indefinite future.

Additional financial analysis is provided within the Accountability Report on page 49.

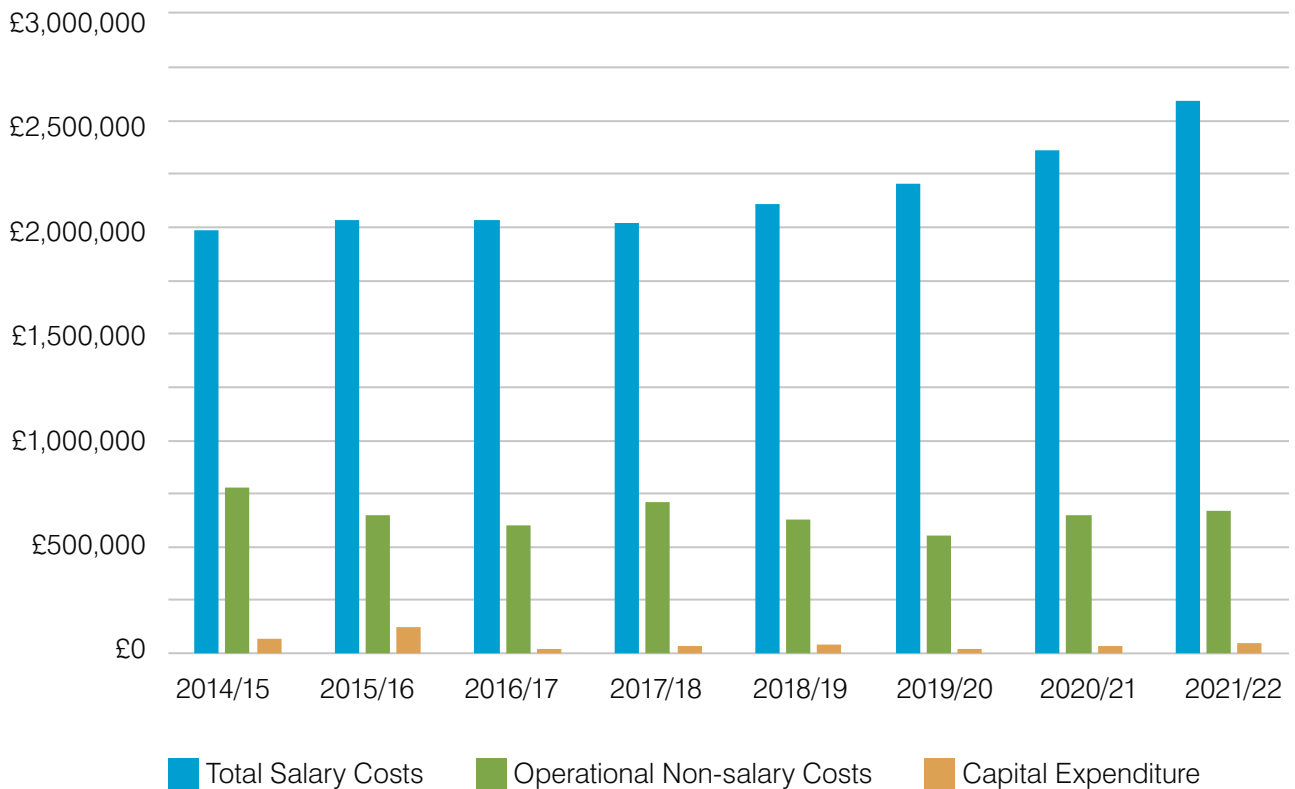
How we allocated resources in 2021/22

We are funded by The Scottish Government and as a regulatory body approximately 78% of our overall expenditure was staff related.



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

Resource Allocation Trend Analysis



Planning Ahead

The Commission has been allocated a 2022/23 resource budget of £3.900M which has been approved by The Scottish Parliament.

Anti-Corruption and Anti-Bribery Matters

The 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 2021/22.

Bill Barron
Chief Executive and Accountable Officer
18 August 2022

Case Studies

Over the course of 2021/22 the Commission has made a positive impact on many remote rural communities across the Crofting Counties. The following are a few examples.

First croft in Moray

In Moray, a new woodland croft has been created, a first croft for the county approved by the Commission since the possibility of creating new crofts was enacted in legislation. The woodland croft will support a family to operate a forestry business in addition to other woodland activities

Warehouses for the Harris distillery

In June 2021, the Commission considered an application submitted by an owner-occupier crofter in Harris to decroft part of their land.

The reason for this decrofting application was to enable the owner-occupier crofter to sell the site to a local distillery to enable the building of additional bonded warehousing. The application was supported by planning consent for the construction of 3 new storage warehouses, an increase in floor area and realignment of access road and hardstanding.

In reaching the decision to grant the decrofting direction, the Commission took into consideration the fact that the distillery employs over 30 local people, having become an

important employer in the area. The Commission considered it will allow for the sustainable growth of the company, which in turn may facilitate increased employment opportunities thereby having a positive effect on both the local crofting community and the wider public.

Croft lets in Skye

Commissioner Mairi Renwick Mackenzie supported by Commission staff visited the Clan Donald Land Trust Offices in Armadale, Isle of Skye to discuss, amongst other things, three crofts on their Estate which had lain vacant for a number of years since they were created. Following discussions, it was agreed to take active steps to advertise the croft tenancies for let.

This has resulted in the Commission approving applications from the landlord to let the three vacant crofts to new entrants to crofting who the Commission consider will comply with the statutory duties to be ordinarily resident and to cultivate the crofts and/or put them to purposeful use.





Meeting for landlords in the Western Isles

In early 2022 the Commission Development team hosted an event for landlords in the Galson Trust building in Lewis. The event, which we plan to repeat in other areas, was well attended by landlords both in person and online and gave landlords the opportunity to ask questions and discuss crofting matters with members of staff from across the Commission.

The Development team were also able to fully explain their role within the Commission and their plans for future work. This was complemented by a session on the evolution of crofting legislation and the role of the landlords over the years. In the second session projects on common grazings were discussed and the different regulatory options available to crofters and landlords to take these

forward. The Development team plan to create supporting documentation for landlords to help them develop crofting policies to put into practice on their estates.

Further information on the Commission's Development team can be found on our website. **www.crofting.scotland.gov.uk**





**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**










Accountability Report 2021/22





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 2021/22	Attendance at Audit and Finance Committee Meetings during 2021/22
 Duncan Gray ^{*2}	Elected	1/1*	-
 Colin Kennedy ^{*2}	Elected	1/1*	-
 Donald MacDonald ^{*2}	Elected	1/1*	-
 Iain Maciver ^{*2}	Elected	12/12*	6/8*
 Rod Mackenzie ^{*1 & 2}	Elected	5/5*	-
 Mairi Renwick Mackenzie ^{*2 & 8}	Elected	12/12*	-
 Cyril Anna ^{*3}	Elected	11/11*	-
 Andy Holt ^{*3}	Elected	11/11*	1/1*
 Archie MacNab ^{*4}	Elected	6/6*	-

Commissioner	Method of Appointment	Attendance at Board Meetings during 2021/22	Attendance at Audit and Finance Committee Meetings during 2021/22
 Billy Neilson ^{*3}	Elected	10/11*	2/2*
 David Campbell ^{*5}	Appointed by Cabinet Secretary	12/12*	6/6*
 Malcolm Mathieson ^{*6 & 9}	Appointed by Cabinet Secretary	12/12*	4/4*
 James Scott ^{*7}	Appointed by Cabinet Secretary	10/12*	2/3*

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

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

2 = Elected (or re-elected) to the Crofting Commission on a 5-year term with effect from 18 March 2022.

3 = Elected to the Crofting Commission on a 5-year term from 17 March 2017 until 18 March 2022.

4 = Elected to the Crofting Commission (following resignation of Commissioner Rod Mackenzie) from 9 August 2021 until 18 March 2022.

5 = 12-week extension of appointment by The Scottish Government from 1 June 2022 until 19 August 2022.

6 = 3-year re-appointment by The Scottish Government from 1 January 2020.

7 = 3-year re-appointment by The Scottish Government from 1 February 2020.

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

9 = Appointed Convener of the Crofting Commission with effect from 9 July 2021.

The Commission also convened two Strategy Meetings, which were held in private and not minuted on 11 August 2021 and 8 December 2021.

Full details of the Commissioners' Register of Interests can be found on our website.

www.crofting.scotland.gov.uk/meet-the-commissioners

Senior Management Team (SMT) 2021/22



Bill Barron, Chief Executive Officer and Accountable Officer

– Overall responsibility for strategy, operations, finance, and

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



Finlay Beaton*, Head of Grazings and Planning

– Responsible for overseeing the delivery of guidance and support to Commissioners, staff

and customers on matters relating to common grazings, as well as leading on the Commission's common grazings casework. Also responsible for fulfilling the Commission's Statutory Consultee role, when developments are proposed on land subject to crofting tenure, to ensure the crofting perspective is taken into consideration when a planning application is before a planning authority.

*Joined SMT from 1 January 2022.



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



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.



Neil Macdonald, Head of Finance

– Responsible for ensuring that the 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.



Heather Mack⁺, Head of Crofting Development

– Responsible for crofting development including leading the development posts in

the Western Isles.

+Until 31 August 2021.



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 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 Commission.



Mary Ross*/ Heather Mack, Head of Operations: Regulation**

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.

*Until 31 August 2021.

**From 1 September 2021.



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 Commission. Also responsible for the Corporate & Customer Services team and provides secretariat support to the SMT and Board.



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.

*Retired 31 December 2021.

Financial Performance

Summary of Deficit/(Surplus) for the year	2021/22 £000	2020/21 £000
Total Operating Expenditure	3,316	3,060
Grant-in-Aid Drawn Down	(3,250)	(3,022)
Deficit/(Surplus)	66	38
Reconciliation of operational expenditure on an accrual basis to Grant-in-Aid drawn down	2021/22 £000	2020/21 £000
Deficit/(Surplus)	66	38
Exclude non-cash:		
Depreciation and Amortisation	(55)	(50)
Working capital adjustments involving:		
Debtors	4	(1)
Creditors	29	(120)
Movement in provisions	-	-
Investing activities	49	35
Grant-in-Aid drawn down in deficit/(excess) of Cash expenditure	93	(98)

On an income and expenditure accrual basis, the financial outcome for the year on normal business activities reports a deficit of £0.066M (2020/21 Deficit £0.038M). 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 Commission spent £0.093M (2020/21 £0.098M Surplus) in excess of its Grant-in-Aid draw down for the year. This does not represent a cash deficit and relates to planned expenditure regards projects committed to during 2020/21 but not commenced until 2021/22. The expenditure was met from funding drawn down in 2020/21 for this purpose.

Total operating expenditure for 2021/22 was £3.316M (2020/21 £3.060M). This expenditure is met solely from Grant-in-Aid. The Commission operated within its Grant-in-Aid allocation for year 2021/22.

Further details of the Commission's employee, Commissioner and operational expenditure to 31 March 2022 are disclosed in note 2 (Page 88) to the accounts.

Pensions

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 Commission's SMT are given in the Remuneration Report (Page 65) and note 1.5 (Page 85) 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 2022 are disclosed in note 2 (Page 88) 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 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 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 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 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 Commission's external auditor is unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the Commission's external 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 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

External Audit: Report on Governance and Transparency

In Spring 2021 our external auditor concluded it would be appropriate to widen the scope of their annual audit to specifically consider the 'governance and transparency' audit dimension. The report was finalized on 28 May 2021 and can be found via the website link noted above.

Wider Scope Report: Governance & Transparency (www.audit-scotland.gov.uk)

The report highlighted a number of areas which required improvement in order to ensure that the system of internal control remained fit for purpose.

This was considered by Audit Scotland and in October 2021 a Section 22¹ report was issued by the Auditor General for Scotland to draw The Scottish Parliament's attention to significant weaknesses in the Commission's leadership and governance arrangements. The report can be found here:

The 2020/21 Audit of the Crofting Commission (www.audit-scotland.gov.uk)

The Public Audit Committee within The Scottish Parliament subsequently issued a report in February 2022 setting out the Committee's key observations, recommendations and conclusions on the issues identified in the Section 22 report. The report can be found here:

The 2020/21 Audit of the Crofting Commission (www.parliament.scot)

The Commission's Board, Audit & Finance Committee (AFC) and SMT has taken a proactive approach to implementing the recommendations within our external auditor's report. Further detail and a link to our Improvement Plan is detailed within the 'Update on Significant Governance Issues' section of the Governance Statement.

¹ Section 22 reports are prepared by the Auditor General if any specific concerns or issues have been raised in the audit of one of the public bodies for which he is responsible. This is done under Section 22 of the Public Finance and Accountability (Scotland) Act 2000.

Governance Framework

The Board

The Convener leads the Board, and the Chief Executive leads the SMT of the 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 46 to 47.

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

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

- Monitored closely the growing backlog in processing regulatory applications, which worsened as a result of a high level of staff turnover; and instructed management to prioritise service to customers
- Met twice with the recently appointed Cabinet Secretary for Rural Affairs and Islands, first to discuss concerns about the governance and leadership of the Commission, and latterly to present their vision for the future of crofting and its regulation
- Coordinated a response to the May 2021 external audit recommendations on the governance of the Commission, with 38 of the 41 recommendations implemented by March 2022, including Board approval of revisions to the Framework Document and the Commission Standing Orders
- Undertook two training days on governance, with management and members of the Sponsor team

- Approved policies on the development of the Commission's in-house Croft Information System, in response to the Azets internal audit report of March 2021
- Approved the specification for an independent review of the staffing of the Commission; considered its findings; developed a Business Case for enhanced staffing in the light of this review and other considerations; and submitted this Business Case to The Scottish Government
- Oversaw progress on the development of an online applications system throughout the year, culminating in the first application types going live in March 2022
- Decided to conduct the 2021 Annual Notice (census) online, and to add a supplementary questionnaire to obtain more information about the use of crofts
- Considered a consultancy report on an improved communications strategy for the Commission
- Enhanced the delegation of decision-making to officials, including the first delegation of refusals within defined parameters
- Following the election of March 2022, had an initial discussion of a renewed Policy Plan, within the same month.

During March 2022, 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 2022/23 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 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. During 2021/22 the Board undertook joint workshop training sessions with Scottish Government Sponsor Branch and the Commission SMT which focussed upon specific areas of perceived ambiguity in the 'On Board' guidance, Framework Document and other key governance documents within the Commission. The conclusions were subsequently captured within a refreshed Framework Document that was published in January 2022.

The Board's Code of Conduct can be obtained from the Commission's website.

www.crofting.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 46 to 47.

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 Commission has appointed a Vice Chair of the Committee and the Convener does not attend meetings of the Committee. The Commission's Scottish Government Sponsor Branch has confirmed its approval of this arrangement.

The external and internal auditors are invited to attend all 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.

The AFC terms of reference can be obtained from the Commission's website.

www.crofting.scotland.gov.uk

The Convener of the Crofting Commission

The Convener is responsible to The Scottish Ministers on behalf of the Commission for ensuring that the Commission's policies and actions support delivery of the statutory functions and the wider strategic policies of The Scottish Ministers; and that the 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 Commission fulfils the aims and objectives set by Scottish Ministers.

More information on the Convener can be found on pages 46 to 47.

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 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 Commission's key aims.

Following on from our external audit regards governance and transparency, the structure of the SMT has been reviewed and will be streamlined, comprising of a Director of Operations and Policy, a Director of Corporate Services, the Commission Solicitor and the Chief Executive Officer. 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. This is now a standing monthly agenda item for SMT continual professional development.

More information on the SMT can be found on page 48.

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 Commission's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The 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 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 identified the need for further development in assessing risk and this was actioned within the reporting year with bespoke training delivered at Board and SMT level which facilitated a comprehensive review of the risk registers.

The 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 2022 can be found on page 11.

The 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 Commission accord with guidance given in the SPFM and have been in place for the year ended 31 March 2022 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 the SMT 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 Commission's AFC (this includes their independent and objective opinion on the adequacy and effectiveness of the Commission's systems of internal control together with recommendations for improvement)
- 3) Comments made by external audit in their audit reports
- 4) The annual report provided by the Vice Chair of the AFC to the Board, detailing the work of that committee during the year
- 5) The Governance Improvement Plan introduced during the reporting year
- 6) 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

- 7) Letters of assurance from NatureScot and The Scottish Government who provide shared finance and payroll/HR services respectively to the Commission.

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

- We received and responded to an external audit of governance and transparency and associated Section 22 report (see below)
- We instituted improved governance processes for in-house development of the CIS, in response to an internal audit of March 2021 (see below)
- In addition to these two major initiatives, other governance improvements included:
 - We agreed an interim policy on hybrid working with our HR department in Scottish Government and with staff representatives including Trade Unions
 - We migrated the CIS and other key systems to the cloud, and introduced Virtual Desktops to support remote working more efficiently and reliably
 - We developed a new electronic tracker system to coordinate legal and regulatory support input to casework
 - We improved our regular performance management information to better monitor the backlog of casework
 - We renewed our training plans for Commissioners, ahead of the refreshment of the Board membership in the elections of March 2022.

The 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.

COVID-19

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

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 during very uncertain times. We have also adapted procedures and controls to allow us to continue operating in an effective and safe way.

Key assets in the event of a cyber emergency (attack, ransomware) have been identified, and disaster recovery scenarios planned out at two tiers of severity. These have been tested and shown to be fully effective. The Commission has a formal agreement with a disaster recovery partner in the event of a cyber emergency.

Regular team meetings take place on a remote basis at CEO/SMT/Line Management and team levels. Colleagues are actively encouraged to keep in contact with each other and this has been greatly facilitated by 'Microsoft Teams' online meetings. As and when allowed within Scottish Government lockdown rules, a number of staff met up for physical meetings.

Trends in Outstanding Casework

We started the year with a modest backlog of regulatory applications still awaiting a decision. From summer 2021 we experienced a significantly higher turnover of caseworkers than usual, and as a result the backlog got steadily worse throughout the year, making it impossible to maintain our normal standards of service to customers and generating a higher level of complaints. Board and management were clear that containing and eventually reducing the backlog needed to be the top priority, and we responded by loaning staff time from other teams, investing in recruitment, training of new staff, and simplifying procedures where possible. By the end of the year the rate of clearing cases had returned to normal, but the backlog was still high.

During this period, Glen Shuraig Consulting were engaged by the Commission to review the organisation's staffing needs. Their report, received in November 2021, highlighted that the Commission's casework is exceptionally vulnerable to staff turnover, because it takes 12-18 months to train replacements in the complexities of crofting regulatory processes. The review recommended that the size of the Regulatory team needed to be increased in the long term, to provide resilience against future staff losses; and subject to an *additional* increase in the short term to provide capacity to reduce the backlog. They further recommended greater investment in the improvement of processes to streamline the regulatory task where possible. The Commission has now secured funding from The Scottish Government and is pursuing this 3-pronged strategy to eliminate casework backlogs in the coming year.

Assurance

We will continue this process of governance and business continuity planning review throughout 2022/23. 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 2022/23, just as we will continue to explore and adapt new technologies and practices to aid our response to the pandemic and the cultural shift to hybrid working practices.

Based on the above assurances, and established internal controls, I am content that the overall operation of governance requirements at the Commission was satisfactory for the financial year 2021/22, notwithstanding the issues raised in the governance and transparency audit which were addressed during the reporting year.

Conflicts of Interest Procedures

The Commission operates strict and comprehensive procedures to deal with potential conflicts of interest. The 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 on our website. www.crofting.scotland.gov.uk

Commissioners record any potential conflicts of interest at the start of every 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 Commission's external auditor for the five-year period from 1 April 2016. The audit appointment was 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. The auditor of the Commission for the financial years 2022/23 to 2026/27 is Audit Scotland.

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 was reappointed as the internal auditor of the Commission for the four-year period 2019-2023. An internal audit strategy and plan for 2021/22 was prepared for consideration and approved by the AFC at its meeting on 28 April 2021.

Levels of assurance provided in internal audit report opinions

The following two internal audit reviews were undertaken during 2021/22:

Internal audit review	Report classification
Financial Planning & Scrutiny	Limited risk
Home Working	Moderate risk

The internal audit findings were 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.

Each year the Internal Audit provider issues an annual report which includes an opinion on the system of internal control. The opinion for year 2021/22 is that:

"In our opinion the Crofting Commission has a framework of controls in place that provides reasonable assurance regarding the organisation's internal controls, effective and efficient achievement of objectives, and the management of key risks within the areas reviewed.

However, in May 2021 the Crofting Commission was subject to formal review of its governance arrangements by the external auditors, appointed by Audit Scotland, and issues were identified with the leadership and governance of the Commission. Therefore, until such time as a full follow up of the external audit recommendations has been completed, we cannot provide reasonable assurance over the entire governance framework of the organisation".

Update on Significant Governance Issues

• Governance and Transparency

In March 2021, our external auditor determined that it was appropriate to widen 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. The Commission accepted the recommendations in full for this report and the subsequent Section 22 report and adopted an Improvement Plan focussed on implementing them.

By March 2022, the Commission had implemented 38 of the 41 recommendations of the external audit report, the exceptions being 3 recommendations which necessarily had to follow behind some of the others. Among the more important recommendations that have been successfully implemented are:

- Communications between Scottish Government and the Commission's management should include the Convener, unless they are purely routine
- The Commission CEO should have a formal accountability to the Board, notwithstanding his/her reporting arrangements within The Scottish Government
- Commissioners should be clear about their role being strategic, not operational
- To underpin all the above, clarifications have been included in a revised Framework Document and revised Standing Orders; and joint training has been undertaken by Commissioners, SMT and our Scottish Government Sponsor Branch
- A system of appraisals of Commissioners

- Clarity on which matters go to the AFC and which go directly to the Board
- Training plans for Commissioners and for SMT
- Training for Board and SMT on risk, and a revision of the format and content of the risk registers
- A review of the staffing needs of the Commission
- Within the above, a review of the structure of the SMT.

A copy of the Improvement Plan can be viewed on our website.

www.crofting.scotland.gov.uk

- **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 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.

A Steering Group was established with immediate effect to mitigate the risks identified, which had the full support of SMT. On advice from the Steering Group, the Board agreed that the Commission should not seek to replace CIS, at least in the short term, but that arrangements whereby it can be developed and improved, needed to be strengthened.

The Board has also overseen progress with the key recommendations of the audit report, which by March 2022 had reached the following position:

- The appointment of key governance positions, product owner, product sponsor and scrum master, had been completed
- The training of these officers and of User Acceptance Testers had been undertaken
- The documentation of governance processes, including processes for scoping, specifying, testing, debugging and releasing new versions of CIS, was in progress.

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 on-going Covid-19 public health risk. They will involve:

Governance Issue	Action Planned
Crofting Commission Policy Plan	By law, this must be published by September 2022
Wider Scope Audit of Governance and Transparency	Implementation of the remaining recommendations in 2022
Recovery of Trend of outstanding casework	With an expanded team in place, the backlog should be substantially reduced during 2022/23
Audit of Development of CIS	The Commission has invited Azets back in 2022/23 to repeat the audit undertaken in 2021 and will measure progress made
Home working, location and use of offices, and costs of office accommodation	Trialling of different patterns of hybrid working and refinement of the hybrid working policy, during 2022/23
Health, Safety and Wellbeing	Continued adaptation of the policies that are in place
Global Climate Emergency	The Commission plans to develop a Climate Emergency Charter and Action Plan to clarify our aspirations
Use of Management information	The AFC has approved an Internal Audit Plan for 2022/23 as part of the independent and objective assurance process that will support the 2022/23 Governance Statement. The programme of work includes an internal audit relating to the 'Use of Management information'.

Information and Data Security

The Commission has in place a range of systems and measures which ensure that information held by the organisation and held by third parties on behalf of the organisation, is secure. The Commission's Compliance Hub monitors compliance concerning the release of data from the organisation. In addition, the 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 2021/22, 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.

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.

No data breach incidents were reported to the Information Commissioner's Office in 2021/22.

Whistleblowing

The Commission is committed to dealing responsibly, openly and professionally with any genuine concern held by staff and Commissioners. The Commission encourages staff and Commissioners to report any concerns about wrongdoing or malpractice within the 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 are circulated to staff to ascertain their confidence in the arrangements.

Remuneration Report and Staff Report

Unaudited

Remuneration policy

Board Members

The Commission Board comprises up to 9 Commissioners. Commissioners' remuneration is approved by Scottish Ministers and is determined according to the "Public Sector Pay Policy for Senior Appointment" (see www.scotland.gov.scot/publications for further detail).

Current Board Member appointments are non-pensionable. Current Elected Board Members appointments are for 5 years commencing 18 March 2022. 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 pages 46 to 47.

Staff

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

Service contracts

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

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

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

Audited

Board remuneration

Commissioners were due remuneration as follows:

	2021/22 £000	2020/21 £000
Commissioners who held office during 2021/22		
Rod Mackenzie*	5-10	20-25
Malcolm Mathieson** (Full year equivalent for Convener)	15-20 (20-25)	5-10 (20-25)
Cyril Annal	5-10	5-10
David Campbell	5-10	5-10
Duncan Gray***	0-5	-
Andy Holt	5-10	5-10
Colin Kennedy***	0-5	-
Donald MacDonald***	0-5	-
Iain Maciver	5-10	5-10
Mairi Renwick Mackenzie	5-10	5-10
Archie MacNab	5-10	-
Billy Neilson	5-10	5-10
James Scott (Full year equivalent)	5-10 (5-10)	5-10 (5-10)

* Resigned as Convener with effect from 21 June 2021 and resigned as a Commissioner with effect from 1 July 2021. Re-elected as a Commissioner 18 March 2022.

** Appointed as Convener with effect from 9 July 2021.

*** Elected to the Crofting Commission Board with effect from 18 March 2022.

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 Commission:

	Salary		Pension benefits (see note 1 below)		Total	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Chief Executive						
Bill Barron	75-80	75-80	0	37	75-80	110-115
Senior Management Team						
David Findlay	75-80	70-75	29	29	100-105	100-105
Aaron Ramsay	40-45	35-40	18	16	60-65	55-60
Jane Thomas	45-50	45-50	7	17	50-55	60-65
Joseph Kerr	45-50	45-50	2	21	45-50	65-70
John Toal*	35-40	45-50	6	18	40-45	60-65
Heather Mack**	30-35	30-35	14	10	45-50	40-45
Mary Ross***	15-20	35-40	5	21	20-25	55-60
Neil Macdonald	35-40	20-25	27	11	65-70	30-35
Finlay Beaton****	10-15	N/A	3	N/A	10-15	N/A

* John Toal retired 31 December 2021. FYE salary banding was £45k to £50k.

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

*** Mary Ross temporary promotion to SMT completed on 31 August 2021. FYE salary banding was £35k-£40k.

**** Finlay Beaton was promoted to the SMT on a temporary basis from 1 January 2022. His salary banding is calculated from this date. His FYE salary banding was £35k-£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 Commission.

Benefits in kind

2021/22 £nil (2020/21 £nil).

Bonuses

There were no bonuses within 2021/22 (2020/21: £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 Commission aims to be one of the best places to work in Scotland and holds Living Wage Employer accreditation.



The 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 £19,048 and the lowest salary across The Scottish Government as at 31 March 2022 was £21,045. 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 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 25th percentile pay ratio, median pay ratio, and 75th percentile pay ratio of the organisation's workforce. We have also disclosed the average percentage change from the previous financial year in respect of the employees of the Commission taken as a whole*.

	2021/22	2020/21
Banded remuneration of highest-paid staff member and actual % change in remuneration from the previous financial year	£75k-£80k (0% increase)	£75k-£80k (7% increase)
75th percentile pay ratio of workforce	£32,287 (Ratio 2.4)	£34,534 (Ratio 2.2)
Median pay ratio of work-force	£29,824 (Ratio 2.6)	£29,192 (Ratio 2.7)
25th percentile pay ratio of workforce	£21,048 (Ratio 3.7)	£22,232 (Ratio 3.5)
Average % change from the previous financial year in respect of the employees of the Commission taken as a whole.	£34,935 (4% increase)	£33,750 (7% increase)

* The calculation is based upon the total salaries for all employees on an annualised basis, excluding the highest paid director, divided by the WTE number of employees (also excluding the highest paid director).

Minor movement within the ratios between the financial years are primarily attributable to the turnover of experienced staff during 2021/22 and the Commission subsequently recruiting staff starting at the entry level within pay grades. The Commission has also recruited an additional 7 regulatory administrators during 2021/22 as part of its enhanced staffing strategy. Staff turnover was negligible in 2020/21, primarily due to uncertainties caused by the Covid-19 pandemic.

In 2021/22 £Nil (2020/21 £Nil) employees received remuneration in excess of the Chief Executive. Remuneration (including the Chief Executive) ranged from £21,045 to £77,340 (2020/21: £20,064 to £76,574).

Pension Benefits

	Accrued pension at pension age as at 31/03/22 and related lump sum		Real increase in pension and related lump sum at pension age		CETV at 31/03/22	CETV at 31/03/21	Real increase in CETV as funded by employer
	£000		£000		£000	£000	£000
	Pension	Lump sum	Pension	Lump sum			
Chief Executive							
Bill Barron	35-40	115-120	0-2.5	0-2.5	916	904	0
Other senior staff							
David Findlay	10-15	N/A	0-2.5	N/A	126	104	14
Aaron Ramsay	0-5	N/A	0-2.5	N/A	30	20	7
Jane Thomas	15-20	N/A	0-2.5	N/A	280	271	6
Joseph Kerr	15-20	55-60	0-2.5	0-2.5	443	434	2
John Toal*	10-15	40-45	0-2.5	0-2.5	313	306	5
Heather Mack	0-5	N/A	0-2.5	N/A	40	33	5
Mary Ross*	15-20	35-40	0-2.5	0	323	309	2
Neil Macdonald	10-15	15-20	0-2.5	0-2.5	204	174	19
Finlay Beaton*	10-15	25-30	0-2.5	0	258	255	1

* Financial Year valuation. A specific calculation from the date of being appointed or leaving the SMT is unavailable.

Unaudited

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is 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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued

are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Audited Staff Report

Staff Costs and Numbers

	Permanently employed staff £000	Board Members £000	Others £000	Total 2021/22 £000	Total 2020/21 £000
Salaries	1,678	101	-	1,779	1,714
Social security costs	164	2	-	166	161
Other pension costs	448	-	13*	461	445
Temporary staff	-	-	185	185	41
Total	2,290	103	198	2,591	2,361

	2021/22 £000	2020/21 £000
* Pensions paid to former Commissioners under "other pension costs"	13	13

There were no off-payroll arrangements for staff during 2021/22 (£nil 2020/21).

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

	2021/22		2020/21	
	Directly employed staff	Agency	Directly employed staff	Agency
Directly employed: Permanent contract	50.94		46.74	
Directly employed: Fixed Term contract	1.42		4.17	
Temporary staff contract		4.5		1.1
Total	52.36	4.5	50.91	1.1

Unaudited

Gender Note

	Males 31 March 2022	Females 31 March 2022	Males 31 March 2021	Females 31 March 2021
Commissioners	8	1	8	1
Chief Executive	1	-	1	-
Employees	28	38	19	39

Employee numbers include part time staff.

The figures above are the total numbers of staff as at 31 March 2022 (including agency) not full-time equivalents.

Sickness Absence*

	2021/22 Crofting Commission	2020/21 Crofting Commission	2021/22 Scottish Government Comparative	2020/21 Scottish Government Comparative
Average working days lost per member of staff	7.8	6.7	7.3	5.4
Due to short-term absence	3.1	3.1	3.8	2.2
Due to long-term absence (periods of \geq 21 days)	4.7	3.6	3.5	3.2

* Relates to staff on permanent and fixed-term contracts.

Our overall staff sickness levels have increased by an average of 1.1 days per person in comparison to the previous year. This relates to several members of staff who have been on long-term sick leave during the reporting year, which has a disproportionate effect within a small organisation. Individual line managers liaised with those affected and identified whether there were any work-related issues arising from any particular individual's sick leave. This was reported back to the SMT who identified whether it was necessary to make any changes to working practices.

Staff Turnover

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Average Whole Time Equivalent (WTE) Directly Employed Staff in Post	48.71	48.75	46.92	44.95	48.34	50.91	52.36
Turnover as a % of Average Whole Time Equivalent Directly Employed Staff	14%	16%	13%	13%	10%	2%	23%
Leavers	7	8	6	6	5	1	12

Analysis of Staff Turnover

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	7 Year Trend
Securing Promotion within Scottish Government	1	3	4	2	3	-	7	20 (44%)
Resigned	3	1	2	4	2	-	-	12 (27%)
Contract expired	1	2	-	-	-	1	-	4 (9%)
Retired	2	1	-	-	-	-	4	7 (16%)
Other	-	1	-	-	-	-	1	2 (4%)

37 Leavers (82%) of 7-year trend analysis relates to administrative posts (21) and junior management posts (16). 22 (59%) of these leavers left to secure promotion within The Scottish Government or left in order to relocate for family reasons.

Having experienced zero staff turnover during the first year of the pandemic 2020/21, in 2021/22 we experienced exceptionally high levels of turnover as 4 staff chose to retire, and several others secured promotion to opportunities within The Scottish Government. As recommended by the Glen Shuraig report, we are now taking steps to counter the risk of future staff turnover including both an expansion of our staffing and a review of the grading structure in key areas.

Policies in Relation to Disabled Persons

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

Focus Upon Staff Wellbeing

The 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 health and wellbeing of staff has continued to be a high priority for the Board and SMT. A Health and Safety committee has regularly reviewed precautions against Covid-19 infection, and line managers and senior managers have prioritised communications with staff who are working from home.

Staff Training

During the year we continued to adapt 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 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 (SEG)

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

Employee Involvement

The 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%).

In recent years we have also conducted our own staff survey in the spring. The original reason for doing this was to include questions about the Commission's own leadership – in place of The Scottish Government Survey questions regards 'Scottish Government Directors and Deputy Directors'. As The Scottish Government has now made leadership questions more flexible it has been agreed to discontinue our own survey going forwards.

An analysis of the detailed responses reflects that the survey trends in recent years have generally moved in the right direction. However, there are clear areas where the Commission needs to improve. An action plan has been created highlighting 9 specific areas for improvement:

	2021/22	2020/21	2021/22 Civil Service Benchmark
The Scottish Government People Survey			
Staff Engagement Score	62% (27 responses)	64% (26 responses)	66% (327,388 participants from 101 organisations)
Crofting Commission Staff Survey			
Staff Engagement Score	-	65% (45 responses)	-

- Bullying and Discrimination
- Internal Communications
- Post Lockdown Working Arrangements
- 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.

The Trade Union (Facility Time Publication Requirements) Regulations 2017

The Commission continues to work constructively with the recognised trades unions. The SMT ensure that Public Commercial Services Union representatives who work within the 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.

Relevant trade union officials	2021/22	2020/21
Number of employees who were relevant union officials during the relevant period	1	1
Full-time equivalent employee number	1.00	0.86

Percentage of time spent on facility time	2021/22 (Number of employees)	2020/21 (Number of employees)
0%	-	-
1%-50%	1	1
51%-99%	-	-
100%	-	-

Percentage of pay bill spent on facility time	2021/22	2020/21
Total cost of facility time	£16	£1,082
Total pay bill	£2.591 million	£2.361 million
Percentage of total pay bill spent on facility time	0.0006%	0.046%

Paid trade union activities	2021/22	2020/21
Time spent on paid trade union activities as a percentage of total paid facility time	100%	87%

Further information can be obtained from the Commission's website. www.crofting.scotland.gov.uk

Equal Opportunities and Diversity Policies

The 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

Audited

Losses and special payments


In accordance with the SPFM, we are required to disclose losses and special payments above £300,000. During 2021/22 there were no losses or special payments within these criteria (2020/21: £nil).

Gifts and Charitable Donations

2021/22 £nil. (2020/21: £250).

Remote Contingent Liabilities

The 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. (2020/21: £nil).



Bill Barron

Chief Executive and Accountable Officer

Date 18 August 2022

Independent Auditor's Report

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

Reporting 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 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 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 2022 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the

2021/22 FReM; and

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

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 6 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.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the **Audit Scotland website**.

Risks of material misstatement

We report in our separate Annual Audit Report 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 there is an intention to discontinue the body's operations.

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 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**. 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 body's control environment and reviewing the body'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 body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- 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.
- 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 the 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 its 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 external 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 body'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 in respect of irregularities explained in the audit of the financial statements section of our report, 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.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 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 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.

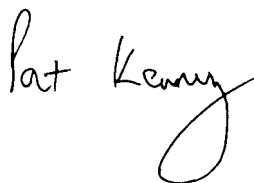
We have nothing to report in respect of these matters.

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
18 August 2022



**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**

Financial Statements 2021/22

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

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2022

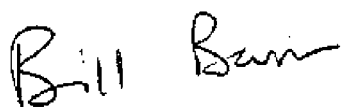
	Note	2022 £000	2021 £000
Staff costs	2	2,591	2,361
Depreciation and Amortisation	2,3,4	55	50
Other operating expenditure	2	670	649
Total operating expenditure		3,316	3,060
Net operating expenditure		3,316	3,060

The notes on pages 84 to 92 form an integral part of these accounts.

Statement of Financial Position

as at 31 March 2022

	Note	2022 £000	2021 £000
Non-current assets:			
Information Technology Equipment	3	64	48
Intangible assets (Software)	4	20	42
Total non-current assets		84	90
Current assets			
Trade and other receivables	5	21	17
Cash and cash equivalents	6	123	216
Total current assets		144	233
Total assets		228	323
Current liabilities			
Trade and other payables	7	179	215
Other liabilities	7	86	79
Total current liabilities		265	294
Total assets less current liabilities		(37)	29
Taxpayers' equity			
General fund		(37)	29
Total equity		(37)	29



Bill Barron
Chief Executive and Accountable Officer
Date 18 August 2022

The Crofting Commission Board authorised these financial statements for issue on 18 August 2022.

The notes on pages 84 to 92 form an integral part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(3,316)	(3,060)
Adjustment for non-cash transactions			
Depreciation and Amortisation	2,3,4	55	50
Movements in working capital			
(Increase)/decrease in trade and other receivables	5	(4)	1
(Decrease)/increase in trade and other payables	7	(29)	120
Net cash outflow from operating activities		(3,294)	(2,889)
Cash flows from investing activities			
Purchase of information technology equipment	3	(49)	(28)
Purchase of intangible assets	4	-	(7)
Net cash flow from investing activities		(49)	(35)
Total cash outflows		(3,343)	(2,924)
Cash flows from financing activities			
Grant-in-Aid		3,250	3,022
Net (decrease)/increase in cash and cash equivalents		(93)	98
Cash & cash equivalents at the beginning of the period		216	118
Cash & cash equivalents at the end of the period		123	216

The notes on pages 84 to 92 form an integral part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2022

	General Fund £000
Balance at 1 April 2020	67
Grant-in-Aid	3,022
	3,089
Comprehensive net expenditure for the year	(3,060)
Balance at 31 March 2021	29
Balance at 1 April 2021	29
Grant-in-Aid	3,250
	3,279
Comprehensive net expenditure for the year	(3,316)
Balance at 31 March 2022	(37)

The notes on pages 84 to 92 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 93) issued by The Scottish Ministers and the 2021/22 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 Commission for the purposes of giving a true and fair view has been selected. The particular policies adopted by the 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 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 type 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

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 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. The Commission makes payments of superannuation contributions to PCSPS at rates set by the Government Actuary. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk)

Further pension details can be found in the remuneration report on pages 66 to 67.

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 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 Commission is charged to this fund.

1.10 Provisions

The 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 recognised in respect of possible obligations arising from past events whose existence will be confirmed by the occurrence of uncertain future events outwith the 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 disclosed in respect of possible assets arising from past events whose existence will be confirmed by the occurrence of uncertain future events outwith the 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 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 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 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- **Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9:** Interest Rate Benchmark Reform (Phase 2)
- **Amendments to IFRS 4:** Insurance contracts – deferral of IFRS 9
- **Covid-19 Related Rent Concessions beyond 30 June 2021:** (Amendment to IFRS 16).

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 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
- **Annual Improvements to IFRS Standards 2018-2020 Cycle.** Applicable for periods beginning on or after 1 January 2022.

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

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 Commission have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. The Commission expects that its existing finance leases will continue to be classified as leases. No 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, and so the Commission does not expect the implementation of this standard to have any impact on the financial statements. 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 Commission's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

1.15 Critical Accounting Judgements and Key Sources of Estimation

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

Estimates

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

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

The Commission is aware of a small number of live or potential appeals to the SLC which might, depending on the Court's decisions, lead to costs being awarded against the 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 Commission has not disclosed a provision. However, the overall potential liability estimated by the Commission is sufficient to require a contingent liability to be recorded.

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

	2022 £000	2021 £000
Board Member and Staff Costs		
Salaries	1,779	1,714
Social security costs	166	161
Other pension costs	461	445
Temporary Staff	185	41
Total of staff costs	2,591	2,361
Other operating expenditure		
Accommodation expenses	178	194
Information systems & telecommunications	214	145
Training	26	13
Communication	54	94
Crofting elections	58	-
Regulatory advertising expenses	29	27
Travel & subsistence - staff	3	2
Travel & subsistence - Commissioners	7	1
Legal fees*	(16)	16
External Auditor's remuneration**	25	31
Internal Auditor's remuneration	11	25
Other running costs	81	101
Total of other operating expenditure	670	649
Non-cash items		
Depreciation	33	26
Amortisation	22	24
Total of Non-cash items	55	50
Overall total	3,316	3,060

* Legal fees include the recovery of legal expenses incurred by the Commission as a result of plaintiffs pursuing legal address through the court, that have subsequently been dismissed by the Land Court and Inner House of the Court of Session.

** The 2021/22 external auditor's remuneration includes £4,800 for work relating to 2020/21.

3. Information Technology Equipment

£000

Cost

1 April 2020	243
Additions	28
Disposals	-
31 March 2021	271

Depreciation

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

Net book value at

31 March 2020	46
31 March 2021	48

Cost

1 April 2021	271
Additions	49
Disposals	(56)
31 March 2022	264

Depreciation

1 April 2021	(223)
Charged in year	(33)
Disposals	56
31 March 2022	(200)

Carrying value at

31 March 2021	48
31 March 2022	64

Asset Financing:

Owned	64
Carrying value as at 31 March 2022	64

4. Intangible assets - Software

	£000
Cost	
1 April 2020	146
Additions	7
Disposals	(10)
31 March 2021	143
Amortisation	
1 April 2020	(87)
Charged in year	(24)
Disposals	10
31 March 2021	(101)
Net book value at	
31 March 2020	59
31 March 2021	42
Cost	
1 April 2021	143
Additions	-
Disposals	-
31 March 2022	143
Amortisation	
1 April 2021	(101)
Charged in year	(22)
Disposals	-
31 March 2022	(123)
Carrying value at	
31 March 2021	42
31 March 2022	20
Asset Financing:	
Owned	20
Carrying value as at 31 March 2022	20

5. Trade receivables, Financial and other assets

Amounts falling due within one year:

	2022 £000	2021 £000
Prepayments	21	17
Total	21	17

6. Cash and cash equivalents

	2022 £000	2021 £000
Balance at 1 April	216	118
Net change in cash & cash equivalents	(93)	98
Balance at 31 March	123	216

The following balances at 31 March were held with the Government Banking Service	123	216
Balance at 31 March	123	216

7. Trade payables and other current liabilities

Amounts falling due within one year:

	2022 £000	2021 £000
Other Taxation and Social Security	86	79
Trade Payables	15	9
Accruals	164	206
Total	265	294

8. Related party transactions

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

The Scottish Government's Agriculture and Rural Economy Directorate (the Sponsor Directorate) and the Commission had significant financial transactions during the year. Financial transactions with the Directorate comprised Grant-in-Aid of £3,250,000 (2020/21 £3,022,000) as disclosed in the Changes in Taxpayers Equity statement on page 83.

The Board and SMT influence the Commission's financial and operating policies. The total remuneration paid to Board Members and SMT Officials is shown within the Remuneration Report (pages 62 to 63). The Board and SMT have the responsibility to adhere to a Code of Conduct which requires them to declare an interest in matters that directly or indirectly may influence or be thought to influence their judgement or decisions taken during the course of their work. There were no related party transactions with Board Members or SMT Officials.

9. Financial instruments

Financial assets and financial liabilities are recognised when the 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 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 Commission holds no cash or cash-equivalent balances other than those required to pay current creditors –

salaries and trade creditors. The 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 Commission is not therefore exposed to liquidity risks.

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

10. Third party assets

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

	2022 £000	2021 £000
Bank balance – Registers of Scotland	56	49
Third party funds in transit	50	38
Total monetary assets	106	87

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 Commission expenses incurred by plaintiffs in pursuing legal address through the court. These costs are estimated at £17,000. As this potential obligation will only be confirmed by future decisions of the plaintiffs and/or the SLC which are outwith the Commission's 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 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 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 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 Commission will continue operating into the foreseeable future.

Grant-in-Aid

Funding received from The Scottish Government.

Intangible assets

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

Liability

A debt owed by the Commission to another entity.

Prepayments

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

Provision

Liability of uncertain timing or amount.

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 Commission.

Trade payables

Amounts due for payment to suppliers of goods and services.

Trade receivables

Amounts due from third parties.