MEDIUM TERM FINANCIAL PLAN 2026-2031

CROFTING COMMISSION
COIMISEAN NA CROITEARACHD

Presented to the Audit & Finance Committee: February 2026

Contents

1 Introduction

The Crofting Commission

The Crofting Commission (Commission) has a range of statutory functions both within the Crofting Acts and other legislation. In common with other public sector bodies, the range of statutory obligations for the organisation has increased over time. Obligations relating to matters such as Freedom of Information, public reporting, financial control and governance, have to be met by small bodies as much as by larger ones with more extensive resources.

The Commission's strategic functions are set out in the 1993 and 2010 Acts and are summarized in our organisational Purpose – "to regulate the crofting system fairly, and to protect and strengthen it for future generations" - set out in our Corporate Plan.

Our Corporate Plan 2023-2028 sets out 4 outcomes that the organisation seeks to deliver:

- Crofting is regulated in a fair, efficient and effective way
- Crofting continues to thrive and to evolve
- Crofts are occupied and used
- Our workforce is skilled and motivated, and our governance processes are best practice.

The Crofting Acts set out in considerable detail the responsibilities of the Commission for regulating crofting (the first of the above bullets). As well as responding to regulatory applications, this includes maintaining the Register of Crofts, and certain responsibilities in support of the Crofting Register, which is held by the Registers of Scotland (RoS). The greater part of the regulatory function is a demand-led service, in which the Commission responds to applications from crofters for assignation, sublet, decrofting, apportionment, or other changes.

The Commission's role in protecting and strengthening crofting for future generations (essentially, the 2nd and 3rd bullets) is less precisely defined, but no less important to the Scottish Government, the Commission's Board, and crofting stakeholders. It includes proactive regulatory activity to enforce crofters' duties, direct support for the system of common grazings committees, and advising the Scottish Government on the issues facing crofting and how it can be strengthened for the future.

Purpose of this Plan

A Medium-Term Financial Plan (MTFP) is a key component of effective financial planning in any organisation. We live in an uncertain world, and in 2025/26 we continue to contend with extraordinary levels of uncertainty caused by inflation, tensions within the UK-US 'special relationship' and conflict within the Ukraine and Middle East. The Scottish Government published an updated Medium Term Financial Strategy in June 2025 supported by a Fiscal Sustainability Delivery Plan (FSDP) which captures the key actions the Scottish Government is taking to deliver the fiscal strategy over the next five years, from now until financial year 2029-2030.

The FSDP highlights the projected demands on public spending will outstrip forecast funding over the Spending Review Period. The resource fiscal gap without mitigating action is forecast to grow to £2.6 billon by 2029-30. The FSDP set out the mitigating actions that would need to be taken forward to address the overall pressure – a combination of allocative choices, efficiency and productivity, service reform and focus on prevention. This challenge requires strategic change to reduce demand, reduce costs and improve outcomes. There is therefore an urgent focus on efficiencies to reduce the cost-of-service delivery that ensures meaningful, sustainable change, including reshaping and resizing the public sector workforce. The Commission should be aware that there is a requirement to save £1 billion in corporate function costs by 2030 across Scottish Government and public bodies and reducing the devolved public sector workforce by 0.5% per year, on average, while protecting frontline services, set out in the FSDP.

Our MTFP is a key document within a wider suite of plans and strategy documents that collectively seek to define our ambition, strategic priorities and operational plans over a common, five-year period within the context of the Scottish Government FSDP.

Our MTFP attempts to summarise, in one place, all the factors that may affect the Commission's financial position over the next five years. It brings together a range of assumptions on future income and expenditure over a five-year period which allows us to identify where, and when, we can expect to face financial pressures. In a time when resources are scarce, and becoming scarcer, we will need to adapt to new ways of working and change the way we will deliver services. This trend is already apparent as the Commission's policy on Hybrid Working continues to evolve, the transition to cloud hosting for our information systems infrastructure and the introduction of digital regulatory applications. Our MTFP provides the framework for our annual budget-setting cycle, and will help us focus our resources on the priorities we identify through the wider suite of planning documents:

- Policy Plan
- Corporate Plan & Annual Business Plans
- Workforce Plan
- Hybrid Working Policy
- Annual Budget

For ease, we have summarised our key financial planning assumptions in section 3 of this document, with further detailed information contained in annex A. In section 4, we have translated our assumptions and financial modelling into three different scenarios:

- **An optimistic, upside scenario**
- **A central, most likely scenario, and**
- **A pessimistic, downside scenario**

It is important to note that these scenarios are intended to illustrate the potential financial impact on the Commission and the scale of the challenge we may face, based on the fiscal environment in which we operate. They should not be treated as a budget, but rather as the frame of reference against which we should be aiming to demonstrate how we achieve financial sustainability.

Within 6 months of the Crofting Commissioner elections held on 18 March 2022, the Commission had to submit a Policy Plan to the Scottish Ministers for approval[1]. The plan sets out the Commission's "*policy on how they propose to exercise their functions*". The Policy Plan is probably the most important document that the Commission must agree. It informs decision making at both a micro and macro level, from casework and crofter applications to major initiatives and strategies.

This key document has a large potential financial impact as the policy plan sets out how the Commission wishes to exercise its various statutory functions. This in turn influences the Commission's Corporate Plan, which is effectively a roadmap that lays out our medium-term objectives and measures for success. The Board approved the proposal at the June 2025 Board meeting to undertake a systematic review of the policy plan over the next two years. This is to consider what areas of the policy plan could be strengthened or made clearer, and to better communicate the Commission approach with respect to regulatory processes. The review work will be used to form the basis of the 2027/28 Policy Plan, which will be examined by the new Board after the Crofting Commission elections in March 2027.

The process of updating the MTFP is as important as the document itself. As a living document, we expect our assumptions will need to change over time to reflect the latest information from the approved Policy Plan and as more clarity becomes available. To that end, we will begin to review our MTFP each autumn, in advance of our annual budgeting cycle. This will help ensure we are always looking ahead with due regard for longer term financial implications in our decision-making and budgeting processes.

There is no way to disguise the fact that there will be pressures relating to Commission financial stability over the next 5-year period, as approximately 85% of our costs are on salaries and we are solely reliant upon Scottish Government funding. This MTFP sets out the scale of the challenge that lies ahead.

[1] Approved by the Scottish Government December 2022.

2 Economic and Fiscal Outlook

To develop realistic assumptions for our MTFP, it is important to understand the wider economic and fiscal environment. The performance of the UK economy has a very significant effect on UK public finances in the short and medium-term, which will ultimately affect the core funding we receive from the Scottish Government.

The Scottish Government's Medium-Term Financial Strategy sets out the challenging financial climate for the Scottish public sector and identifies a number of Scottish Government priorities such as health, education and policing. The outlook for the economy and public finances has been upended. The Scottish Government faces the intractable challenge: to balance the competing demands of increased public spending, reduced tax income and the pressing need to support citizens and businesses. The challenges we faced pre-pandemic are also still with us: the need to tackle climate change, the desire to invest in our public services and the efforts to build a wellbeing economy.

What does this mean for us?

All of the Commission's income comes from the Scottish Government in the form of Grant-in-Aid. Given the economic challenges it cannot be assumed that the Scottish Government will increase future funding to the Commission, or for that matter retain the grant award at its current level. It is clear that the Scottish Government's focus is ensuring there is sufficient funding for front line national priorities[2].

One of the key recommendations of the Commission's wider scope audit review report of May 2021 was that "*The Commission should engage an independent review into the optimal workforce structure for the organisation*", to inform a revised Workforce Plan. The text of the report made clear that this review should analyse the workforce 'needs' of the Commission as well as 'structure'.

A business case based was submitted to the Scottish Government on 22 February 2022 which made recommendations for substantially enhanced staffing in a number of areas, especially front-line regulatory staff and the formation of an Executive Management Team. This was approved by the Cabinet Secretary for Rural Affairs and Islands on 5 April 2022.

The Commission's mainstream budget rose from £4.87m in 2025/26 to £5.675m for 2026/27 to support its revised structure. The increase reflects additional responsibilities because of new provisions in the Crofting and Scottish Land Court Bill. The increase also accounts for the pay uplift in 2026/27 and funding to assist with the replacement of our legacy Crofting Information System (CIS) with a modern, cloud-based system.[3]

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[2] The pressures placed on Scottish public finances are summarised within Audit Scotland's briefing 'Scotland's Public Finances: Challenges and Risks' published in November 2022.

[3] CIS is a critical operational platform used daily by around 75% of staff, supporting the Commission's regulatory functions, stakeholder records, document production, and the public-facing Register of Crofts (ROC).

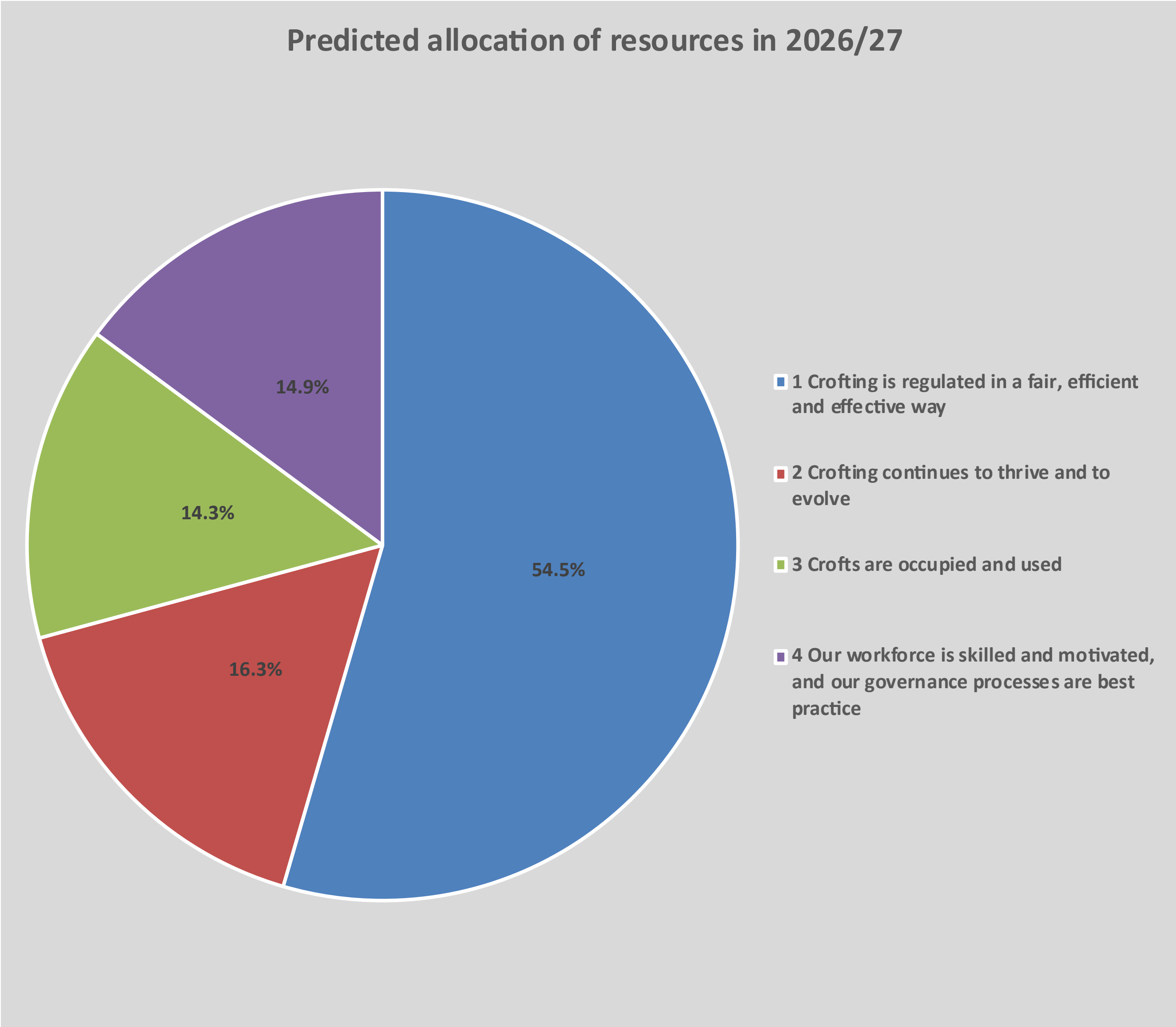
The Executive and Board's focus for 2026/27 and beyond will be to continue to focus upon good governance and effective leadership within the Commission to ensure our goals are clear, measurable and achievable. This will ensure that value for money can be clearly demonstrated to the Scottish Government and understood by the taxpayer.

The Commission's grant allocation of £5.675m for 2026/27 includes £0.496m to assist with the replacement of the Commission's Croft Information System. From the allocation of 5.179m, around 85% of the funding will be directly allocated for staff salaries, and the remainder covers costs associated with Board members and the standard running costs of the organisation.

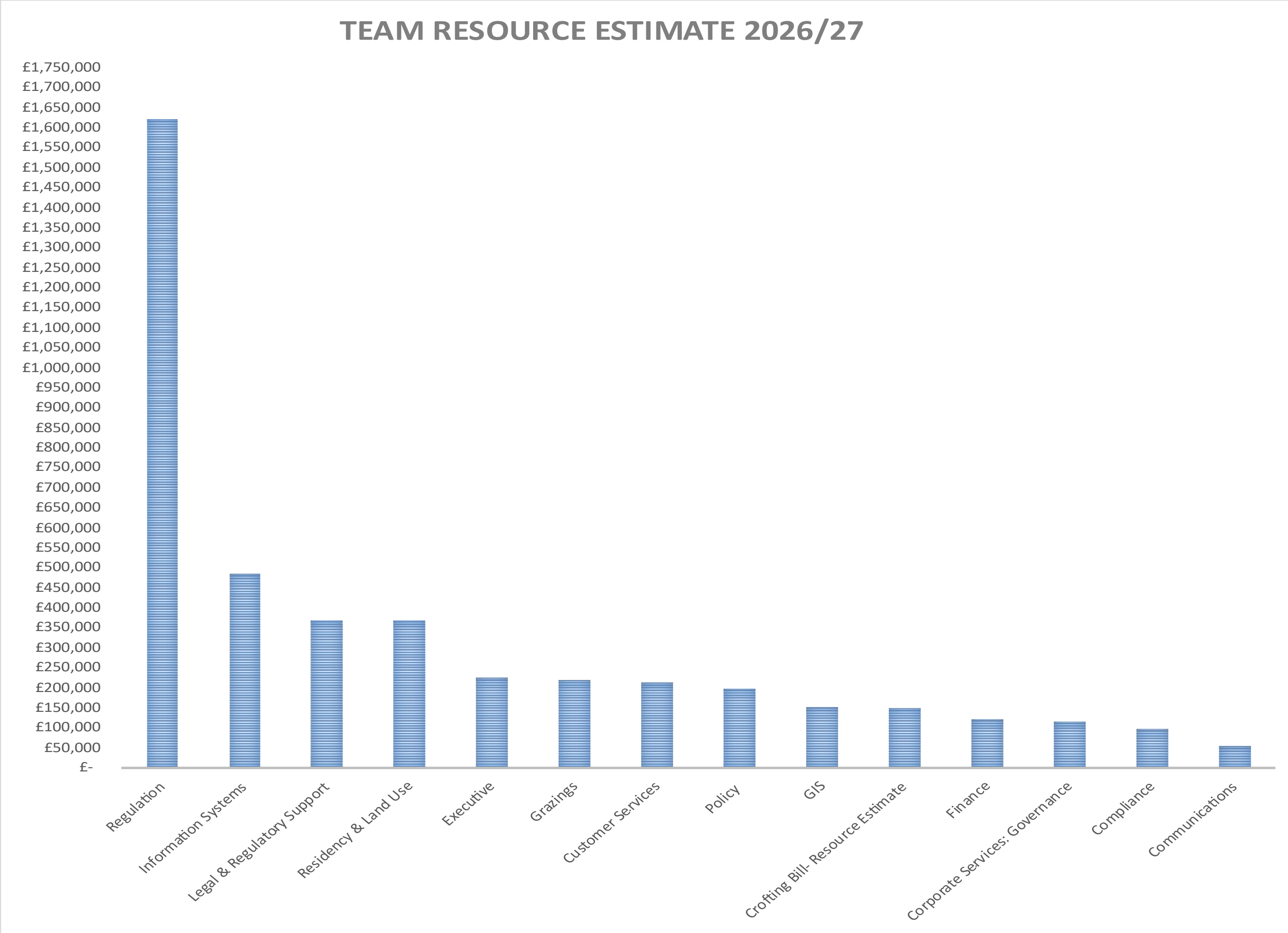
In terms of the Business Objectives for 2026/27, we can estimate the cost of delivery for each outcome which is indicated in the table below based on the associated salaries, plus any other costs (for instance for our use of Great Glen House).

Corporate Plan Outcomes during 2026/27:

			£000
1	Crofting is regulated in a fair, efficient and effective way	54.5%	£2,823
2	Crofting continues to thrive and to evolve	16.3%	£ 844
3	Crofts are occupied and used	14.3%	£ 741
4	Our workforce is skilled and motivated, and our governance processes are best practice	14.9%	£ 771


Predicted allocation of resources in 2026/27
54.5%
16.3%
14.3%
14.9%
1 Crofting is regulated in a fair, efficient and effective way
2 Crofting continues to thrive and to evolve
3 Crofts are occupied and used
4 Our workforce is skilled and motivated, and our governance processes are best practice

The following chart provides a high-level Salary Resource Analysis by Operational Area[4].



[4] It should be noted that this reflects colleagues 'home' teams and there is considerable resource overlap between teams. It is anticipated that the Commission will also deliver efficiency savings of £66k within its staffing structure.

The following table provides an analysis of the staff budget and FTE resource within the Commission Teams based upon a full complement of staff.

Team	Full Time Equivalent	% of Staff Budget
Regulation	29.94	36.88
Information Systems	6.99	11.06
Legal & Regulatory Support	4.50	8.42
Residency & Land Use	6.72	8.40
Executive	2.40	5.16
Grazings	4.00	5.00
Customer Services	4.46	4.86
Policy	3.08	4.50
GIS	2.69	3.51
Crofting Bill: Resource	3.00	3.38
Finance	1.65	2.77
Corporate Services: Governance	1.15	2.64
Compliance	2.00	2.20
Communications	1.00	1.22
Total	**73.58**	**100.00**

3 Our Financial Planning Assumptions

To help us plan for a range of possibilities in this MTFP, we have developed a set of assumptions covering different aspects of our income and expenditure. In this section, we explain the key assumptions and describe the variations to those assumptions that apply in the three different scenarios we outline – the central (most likely), upside (optimistic) and downside (pessimistic) scenarios.

Annexe A provides more detailed data that underpin the assumptions used in each scenario.

Our Income

Scottish Government funding

Our only source of funding is provided by the Scottish Government by way of a Grant-in-Aid allocation which is confirmed by our Scottish Government Sponsor Branch. Grant-in-aid is normally provided in monthly instalments to the Commission on the basis of updated actual and forecast spend profiles. Payment is not made in advance of need and the Commission (in line with the Scottish Public Finance Manual) is not authorised to build up excessive cash reserves during the financial year. Grant-in-Aid not drawn down by the end of the financial year will lapse.[5]

The budget allocation from the Scottish Government is currently awarded on an annual basis. A multi-year approach to resource budgets, with the ability to retain operating efficiencies as a reserve would greatly assist the Commission in delivering its outcomes. The current 'use it or lose it' annual budget cycle is an inefficient and an uncertain process with regard to managing relatively long lead in times for staff recruitment and investing in training.

There has been discussion within the Scottish Government to provide 3-year financial settlements to NDPBs, which would help provide more certainty, but this has not yet come to fruition, and is viewed as an unlikely outcome during this MTFP cycle.

As we have set out in the Economic Outlook section, public finances will be under pressure in the short to medium term. We have therefore based our planning on £5.179m[6] funding for 2026/27, followed by three potential funding scenarios of:

- Funding from the Scottish Government will remain flat in subsequent years
- A year-on-year increase of 2.50%
- A year-on-year increase of 5.00%

[5] Annex C provides recent trends in Grant-in-Aid awards
[6] After stripping out £0.496m to assist with the replacement of the Commission's Croft Information System

The Commission Finance Team has created a comprehensive financial data pack that can be adjusted to meet changing circumstances. It is also acknowledged that there are a range of potential cuts/increases that could be introduced by the Scottish Government over a five-year period, and financial models will be updated as information is confirmed.

Our Expenditure

Pay

As the Commission's principal functions are regulating crofting, re-organising crofting, promoting the interests of crofting and keeping under review matters relating to crofting, pay is the most significant element of our annual expenditure. We allocate approximately 85% of our budget on pay every year.

All permanent Crofting Commission staff are civil servants and Scottish Government employees and are part of the Scottish Government main collective bargaining unit for the determination of salary. Remuneration is therefore determined by the Scottish Government. In November 2025, the Scottish Government finalised a pay uprate of 4% for 2025/26 and confirmed a pay award of 3.5% for 2026/27, including pay step progression for eligible staff.

All permanent Commission staff are Scottish Government employees and are recruited to the Commission via the Scottish Government HR process. This is for largely historic reasons that pre-date the Commission's establishment as an NDPB. On its establishment, when the Crofters Commission effectively was renamed the Crofting Commission, it retained its experienced complement of staff on the same employment conditions.

The Commission considers that this arrangement is to its advantage as it avoids potential difficulties associated with a two-tier employment structure within the organisation, which could arise from staff being a mixture of those that the Commission has directly employed and Scottish Government employees. It also avoids the expense of the Commission setting up separate HR and Payroll Functions. In practice, Commission vacancies are advertised internally within the Scottish Government. Scottish Government staff working for the Commission can equally apply for other vacancies that arise in the Scottish Government.

The Commission also recruits staff on agency terms, which offers more flexibility regards short term resourcing. Agency staff pay is pegged to similar grades and responsibilities of permanent staff[7].

[7] As at 19 January 2026 the Commission has two agency contracts that are scheduled to expire by 31 March 2026.

Pay is centrally negotiated, and permanent staff are part of the Scottish Government main collective bargaining unit for the determination of salary and the pay uprate for 2026/27 has been confirmed.

The Scottish Government does not provide detailed data to assist with staff salary forecasts as it relies upon salary band averages. As a relatively small salary uprate can have a significant impact upon the Commission's budget, the Commission Finance Team calculates salary forecasts based upon an analysis of each employee's band grade and pay progression step.

There is no clarity on the direction of future pay awards. However, with recent inflationary pressures it is apparent that conditions for pay negotiations have changed and the Commission anticipates continued robust and meaningful dialogue between the trade unions and the Scottish Government regards future awards.

<u>Pensions</u>

Almost all our permanent staff are automatically enrolled in the Principal Civil Service Pension Scheme: Employer contributions are set by the scheme's respective administering authority.

Non-Pay costs

Non-pay inflation covers the impact of inflation on a variety of services that we need to purchase for us to deliver our objectives. The Commission has reviewed non-pay costs at an individual budget line level considering recent and planned efficiency savings, such as:

<u>Digital Applications</u>

The Commission has designed, planned and built a digital application system, including customer portal, which allows its customers to make applications online digitally which then transmit and open in the Croft Information System (CIS) automatically. It is anticipated this will reduce the resource and material cost of postal services in the medium to long term and paves the way for greater automation of information population in the future. The first application types went live in January 2022, with further application types rolled out throughout recent years.

<u>Digital only Annual Notice</u>

The Commission successfully planned and implemented a digital return only annual notice. This means that although the annual notice must still be posted due to legal reasons, there is no requirement for a full questionnaire generating significant savings in staff resource, production cost, and return postage. This move has also reduced the Commissions carbon footprint by introducing a paper savings equivalent to 4 A4 sheets of paper per each of our 20,000 records.

Software Licencing

Material recurring efficiency savings have been obtained within our software licencing costs in 2025/26 via an innovative in-house development of our 'Croft View' application that has reduced our reliance upon GIS mapping software, and Azure cloud software assuming functions previously undertaken by SQL licensing.

Replacement of Croft Information System (CIS)

The Crofting Commission has secured £0.496m[8] within its 2026/27 grant allocation to assist with the replacement of its legacy Crofting Information System (CIS) with a modern, cloud-based system. CIS is a critical operational platform used daily by around 75% of staff, supporting the Commission's regulatory functions, stakeholder records, document production, and the public-facing Register of Crofts (ROC).

It is envisaged that a modern cloud-based operating system will:

- Modernise and future-proof core regulatory functions
- Enable internal process automation and efficiency, and
- Improve transparency and accessibility for crofters and stakeholders.

Hybrid Working

The majority of one-off costs to move from a primarily office-based environment to hybrid working model were largely met in 2021/22. Additional costs associated with home working, have been offset by the Commission reducing its office space requirements[9].

For the last six years most Commission staff have been working wholly or predominantly from home. Surveys of staff consistently show that a strong majority would prefer to continue working from home for most if not all of the time.

The Scottish Government is encouraging hybrid working, not least as a means of reducing the carbon footprint of commuting. However, at the time of writing, all staff on SG terms and conditions (which includes all permanent Commission staff) are required to have a designated office base for contractual purposes and T&S claims. The Scottish Government has not introduced any new home-working contracts, though this position could change.

[8] At the time of writing, while funds have been secured within our grant allocation for 2026/27 (published on 13 January 2026), the Scottish Government still needs to approve the Commission Business Case to replace CIS

[9] Most recent review of office space was undertaken in December 2024, with the Commission reducing its requirements from 9.2% to 7% of the total of all exclusively occupied office space at Great Glen House, Inverness. This equates to an approximate annual efficiency saving of £35k.

The Commission has negotiated with NatureScot to reduce the size of our floorplate in Great Glen House to 22 desks, with the Commission adopting a hot-desking principle. The Board and management of the Commission are keen to see Commission staff working and living across the crofting counties, because this will contribute to the availability of secure jobs in these communities, some of which are vulnerable because of their remoteness. In addition, it will also provide the Commission with a larger 'pool of talent' to draw upon for recruitment purposes[10].

Climate Change

The potential impacts of climate change are extensive and pervasive. The Commission will continue to assess and develop processes and related controls when identifying potential risks arising from Climate Change. At the time of writing there are no identified risks that would potentially have a material effect upon the MTFP.

The Commission shares an office space (Great Glen House) with NatureScot, who carries responsibility for the building, and so the Commission is only able to address internal factors such as resource usage, travel and awareness. While the Commission can make modest steps to reduce emissions, mainly through travel, on a larger stage it has contributed to developing greater awareness of the importance of climate change and the loss of biodiversity to crofting and the potential contribution crofting can make to help reach the Scottish Government's net zero targets through collaboration with stake holder agencies.

4 Scenario Planning

We have developed a financial model that allows us to quantify the financial impact of changes in the external environment over the next five years. To illustrate the uncertainty we face, we have used scenario planning to model the impact of the key assumptions, in three different scenarios:

- **an optimistic, upside scenario,**
- **a central, most likely scenario, and,**
- **a pessimistic, downside scenario.**

We have used our 2026/27 forecast budget as the baseline starting position for developing financial forecasts for each scenario, along with the following principles that guide the development of future budgets:

- we will set balanced budgets, so we can live within our means
- we will continue to seek efficiency savings within our staff and non-pay costs and ensure value for money

[10] Crofting Commission – Policy on Hybrid Working: March 2022.

- we will continue to focus upon Best Value by ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes
- we have assumed a staff turnover (churn) rate and associated lead in recruitment time of 1.5%[11] of the overall staff budget within the MTFP
- The MTFP assumes a similar staff structure throughout the 5-year period. However, this assumption will be revisited dependent upon efficient working practices and transformation practices that are introduced by the Commission Executive Management Team, combined with the implications of the commencement of different sections of the crofting bill[12]
- The Commission Finance Team will endeavour to provide clear and concise financial monitoring reports to the Executive Management Team, Audit & Finance Committee, Board and Scottish Government Sponsor, flagging risks as appropriate
- The MTFP will identify the likely level of resources and expenditure in order for us to develop and adapt plans in line with the Commission's Policy Plan and Corporate Plan aspirations.

The scenarios outlined in this section provide an illustration of the possible financial position over the next five years.

The purpose of this is to demonstrate budgetary pressure points we are likely to face if we do not change what we do and how we do things.

The Central (most likely) Scenario

Our central scenario reflects the most probable outcome, or the mid-case estimate of our likely financial position. Excluding the effect of any major change in the Commission's Corporate Plan, this scenario anticipates an additional £138k of expenditure in 2027/28 compared to the 2026/27 baseline. The increase primarily relates to an assumed annual underpin of a 3.5% pay uprate across all staff grades, plus colleagues progressing through pay steps within their grade.

The chart on page 19 highlights the future budgetary pressures based upon three scenarios of a Grant-in-Aid award being either flat, 2.50% uprate or 5.00% uprate over consecutive years. In reality it could be a variation of scenarios.

Further detail about the planning assumptions and financial forecasts from this scenario can be found in Annex A

[11] The Executive Management Team is confident a 1.5% turnover assumption is achievable by reviewing the requirement for any post that becomes vacant and managing overall vacancies more aggressively.

[12] At the time of writing the Crofting and Scottish Land Court Bill has just gone into Stage 2 for amendments, with the deadline for amendments the end of January and the next parliament discussions early February. The commencement dates for the different provisions in the bill are going to be important to determine how much time the Commission has to implement the changes. The date of royal assent is estimated to be around July 2026.

The Upside (optimistic) Scenario

Our upside scenario reflects an optimistic, or best-case estimate of our likely financial position if these circumstances transpire. Excluding the effect of any major change in the Commission's Corporate Plan, this scenario anticipates an additional £115k of expenditure in 2027/28 compared to the 2026/27 baseline. The increase primarily relates to an assumed annual underpin of a 3.0% pay uprate across all staff grades, plus colleagues progressing through pay steps within their grade.

The chart on page 19 highlights the future budgetary pressures based upon three scenarios of a Grant-in-Aid award being either flat, 2.50% uprate or 5.00% uprate over consecutive years. In reality it could be a variation of scenarios.

Further detail about the planning assumptions and financial forecasts from this scenario can be found in Annex A.

The Downside (pessimistic) Scenario

Our downside scenario reflects a pessimistic, worst-case scenario. Excluding the effect of any major change in the Commission's Corporate Plan, this scenario anticipates an additional £170k of expenditure in 2027/28 compared to the 2026/27 baseline. The increase primarily relates to staff being in post from the start of the financial year, a minimum annual underpin of a 4.25% pay uprate across all staff grades, plus colleagues progressing through pay steps within their grade.

Hard decisions would require to be taken regards the workforce structure of the Commission as it is unlikely that the gap between funding and expenditure could be bridged by purely managing efficiency savings as years progress.[13] The chart on page 19 highlights the future budgetary pressures based upon three scenarios of a Grant-in-Aid award being either flat, 2.50% uprate or 5.00% uprate over consecutive years. In reality it could be a variation of scenarios. Further detail about the planning assumptions and financial forecasts from this scenario can be found in Annex A.

Reduced Budget

In light of the recent focus upon the Commission being adequately resourced to fulfil its functions there has been no indication from the Scottish Government that they wish the Commission to plan for a sustained downsizing, and it is hoped that if the Government did intend this, they would give ample notice so that planning could begin for the necessary management and personnel changes. A reduction of budget would run the risk of the Commission becoming unable to deliver its statutory responsibilities in any satisfactory way.

In the event of a reduced budget, or the financial unsustainability of the Commission based upon a consistent downside scenario the Commission would have to reduce its workforce. All of the Commission's teams are essential for the fulfilment of our statutory functions, whether it be our regulation team,

[13] Potential approaches are detailed within the Commission's Workforce Plan.

regulatory support, residency & land use, grazings, policy, GIS (mapping), compliance, finance, communications, or customer services. It is therefore not possible to discontinue any of these teams entirely. Instead, we would need to see reductions spread across most of the teams.

For reference purposes the annual cost to the Commission (including employer national insurance and pension contributions) of permanently contracted staff, assuming they were all at the **top** of their pay step, is as follows for 2026/27[14]:

Grade (79 posts in total)	£1,000 (Rounded)	FTE
C3	135	1.00
C2	132	1.00
C1	111	2.00
B3	84	4.83[15]
B2	65	16.71
B1	54	25.68
A4	48	17.45
A3	43	4.91

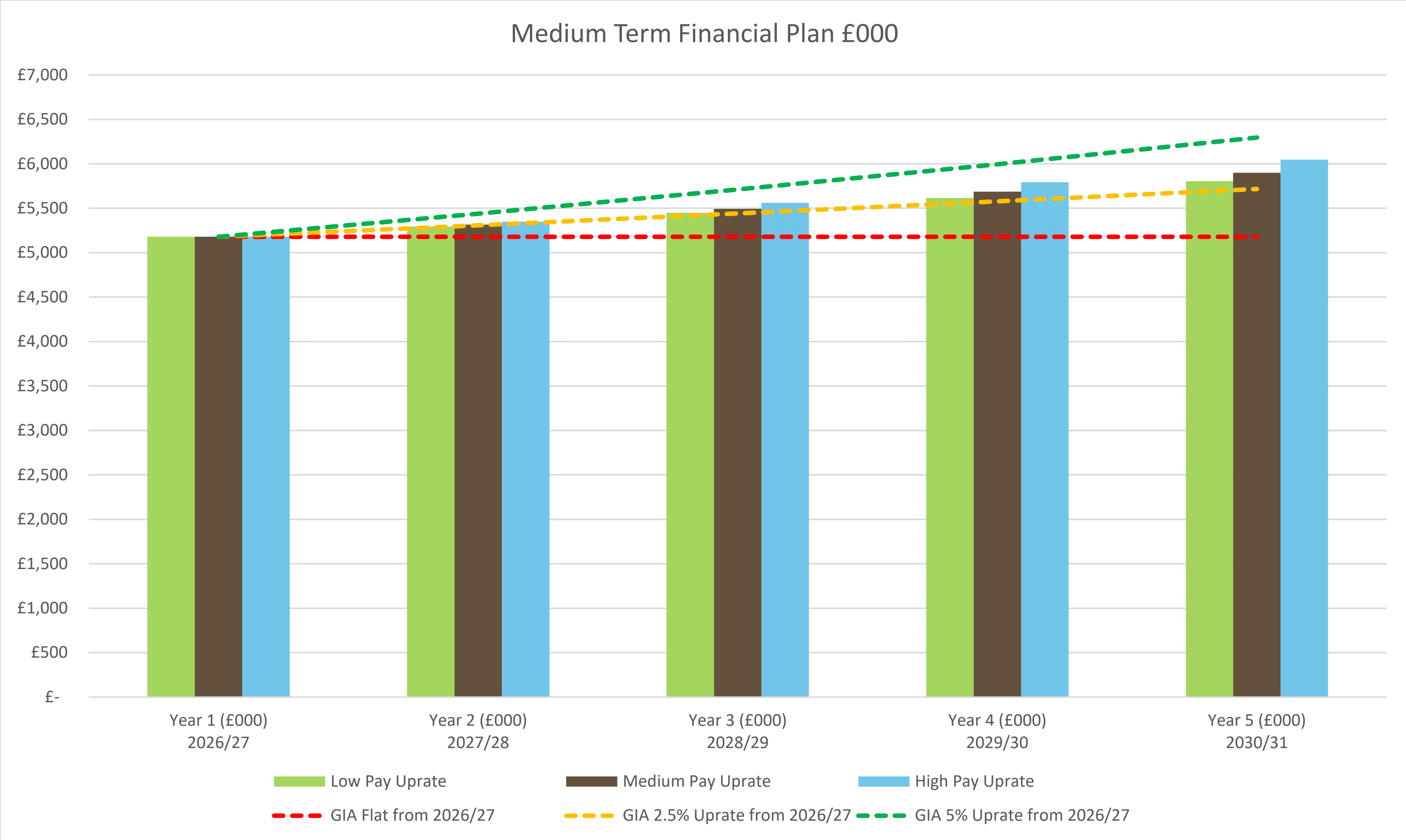
Annex B provides a snapshot of the current organisational workforce structure of the Commission as at January 2026.

The Commission is wholly dependent on the Scottish Government for its funding, and future budget levels are uncertain. The Commission therefore needs to be prepared to adapt to any eventuality, which in practice will mean adjusting the size of its workforce, up or down.

Summary of scenario planning

The scenarios are intended to illustrate a range of possible outcomes, based on an up-to-date interpretation of the external environment and how the economic and fiscal outlook will affect our likely financial position in the future. The following chart provides a summary of the range of outcomes that we have modelled under each scenario.

[14] Based upon the Scottish Government pay award policy published in January 2026.
[15] Note that the Head of Business Support & Compliance B3 Post has not been included within this FTE. The current post holder is on Temporary Promotion to cover a C1 position. Given the funding restraints for 2026/27 this post has not currently been budgeted for and the duties are being picked up by various personnel.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Year 3 (£000) 2028/29
Year 4 (£000) 2029/30
Year 5 (£000) 2030/31
Low Pay Uprate
Medium Pay Uprate
High Pay Uprate
GIA Flat from 2026/27
GIA 2.5% Uprate from 2026/27
GIA 5% Uprate from 2026/27

Effective public financial management cannot be achieved in a vacuum, and as mentioned in the introduction, this MTFP forms part of a wider suite of documents that collectively define what we seek to achieve over the next five years and how we will go about it. This suite of planning documents include:

- **Policy Plan**: Sets out the Commission policy on how we propose to exercise our functions. The Policy Plan informs decision making at both a micro and macro level, from casework and crofter applications to major initiatives and strategies.
- **Corporate Plan** 'Our Ambition': Lays out where we will focus our work over the next five years. The Commission's current Corporate Plan sets out how the Commission's work contributes to the Scottish Government's objectives as set out in the National Performance Framework.
- **Annual Business Plans**: Sets out the Commission's key objectives for the coming year and is a tool for monitoring our progress and to assist in managing our staff, finances and other resources, to achieve the desired outcomes.
- **Workforce Plan**: describes our current workforce structure and how we want this to develop over the next 5 years. It also describes how we will support, develop and deploy our workforce to deliver the commitments we make in our Corporate Plan.
- **Hybrid Working Policy**: This is part of a Scottish-Government-wide decision that the current period should be seen as a time for piloting hybrid working rather than hurrying to new norms.
- **Annual Budgets**: Is the tactical financial plan that sets out our spending priorities for the forthcoming financial year.

The suite of strategies and plans will enable us to consider our priorities from a range of different perspectives and should facilitate a holistic approach regards regulating the crofting system fairly, and to protect and strengthen it for future generations.

Bridging Funding Gaps

Scenario		Year 1[16] 2026/27 £000	Year 2 2027/28 £000	Year 3 2028/29 £000	Year 4 2029/30 £000	Year 5 2030/31 £000
Budgetary deficit/(surplus)	UPSIDE: 3% uprate (5% increase on Grant Award Year on Year)	-	(144)	(261)	(378)	(492)
	UPSIDE: 3% uprate (2,5% increase on Grant Award Year on Year)	-	(14)	8	40	86
	UPSIDE: 3% uprate (0% increase on Grant Award Year on Year)	-	115	270	438	624
	LIKELY 3.5% uprate (5% increase on Grant Award Year on Year)	-	(121)	(217)	(308)	(396)
	LIKELY 3.5% uprate (2.5% increase on Grant Award Year on Year)	-	8	52	110	183
	LIKELY 3.5% uprate (0% increase on Grant Award Year on Year)	-	138	314	508	720
	Downside: 4.25% uprate (5% increase on Grant Award Year on Year)	-	(88)	(149)	(203)	(248)
	Downside: 4.25% uprate (2.5% increase on Grant Award Year on Year)	-	41	120	215	331
	Downside: 4.25% uprate (0% increase on Grant Award Year on Year)	-	170	382	613	868

[16] Grant Award for 2026/27 has been published.

The above table demonstrates the various scenarios predictions regards Deficit/(Surplus) over a 5-year period. **In practice there will not be such straight-line extremes as pay policy and grant award are likely to fluctuate dependent upon circumstances year to year. What the table does demonstrate is how sensitive the Commission's financial stability is with regard to minor changes in salary uprates.**

Options

1.Grant-in-Aid

A reduction in Grant-in-Aid, or an award that does not keep pace with salary inflation would have an impact on the achievement of outcomes. This could range from:

a. Scale back certain areas where this is possible

b. Achieve less within the existing outcomes/priorities

c. Reduce the number of outcomes/priorities targeted

Tactical Opportunities

The relationship between the Commission and the Scottish Government is actively managed on an ongoing basis with the Commission ensuring that it focuses upon the National Performance Framework across a number of outcomes. If it is apparent that current funding was insufficient this would have to be flagged within the Commission's Strategic Risk Register, along the following lines:

As a result of on-going reductions in public expenditure there is a risk we may receive significant reductions in our Grant-in-Aid settlement. This could result in an inability to adequately resource delivery of agreed priorities, leading to failed outcomes and reputational damage.

Ensuring the continued support of the Cabinet Secretary for Rural Affairs and Islands will be critical. As the largest risk and opportunity for the Commission outlined in this plan, Grant-in-Aid funding is being actively managed by the Chief Executive and Chair of the Commission, involving regular, open, and transparent discussion with the Scottish Government. While the Commission's core mission – to support and promote thriving crofting communities - remains unchanged, the way the Commission achieves this is evolving. The Commission's focus is on a commitment to foster a more collaborative and proactive approach, one that empowers crofters and ensures their voices are heard. The Commission recognises the vital role crofting plays in the Scottish economy, and during 2024/25 commissioned a report on the Value of Crofting[17] which underscores the importance of continued Scottish Government support for crofting.

[17] The Value of Crofting

2.Income Generation: Fees and Charges

Following discussion with the Scottish Government and the Commission Audit & Finance Committee in Autumn 2019, it was concluded that there was no advantage to be gained by instituting charging to applicants for the processing of regulatory applications.

The chief reason for this is that most crofting regulatory requirements are placed on crofters for the common good and for the good of the community, rather than for the benefit of the crofter themselves. For example, the requirement to apply to the Commission to assign or sublet one's croft place a legal financial burden on crofters which are not shared by other tenants or property owners. It would therefore be inappropriate to ask crofters to pay for these processes and if we were to do so, there might be widespread resentment.

There are some application types, such as decrofting and apportionment, in which the applicant stands to gain financially if the application is approved, and in theory a charging system could be introduced for these types of applications. However, the numbers of such applications are small in any given year, especially if we omit decroftings of house sites and garden ground, which are a crofting right. Unless the charges imposed were very substantial, it is likely that the costs incurred in administering the system would outweigh the cost recovery.

A factor in this decision is the existing charges imposed on crofters, specifically for Registers of Scotland registration, but also the unknown but often significant additional costs resulting from the requirements of crofting law. In the Commission's judgement, the great majority of crofters are already bearing a reasonable share of the costs of maintaining the crofting system for the public good[18].

Tactical Opportunities

None.

3.Transformation

Transformation in relation to organisational development and the workplace are two areas that have a significant bearing on the financial forecast over the term of this MTFP. The 2021/22 independent structural review's remit was:

• to understand and summarise the key operational requirements for the Commission based on the Board's vision for the future in line with the National Development Plan for Crofting, looking ahead as far as possible;

• to build a model of the workforce needed to meet the future operational requirements and to address the current throughput of work;- and

[18] The Commission may revisit this issue should there be a Best Value benefit for doing so.

• to provide a phased and costed outline plan for the transition from the current staffing and management structure to the new structure.

A business case, subsequently approved by the Scottish Government, sets out the findings from the review along with conclusions, recommendations and a phased and costed outline plan for the transition to the new workforce structure.

A continual review whether business outcomes can be achieved within the revised headcount and changing working practices could represent an opportunity (in financial terms) for the Commission.

Payroll costs are a particular focus as the Commission's largest area of expenditure. The central (most likely) scenario assumes an annual underpin of a 3.5% pay uprate for all staff from 2027/28, plus colleagues progressing through pay steps within their grade. Delivering on the outcomes for the Commission within these projected costs will therefore be a key financial priority.

Tactical Opportunities

The current MTFP model has a 1.5% turnover of staff built into the projections.

Natural turnover of staff can provide opportunities for redeployment and for efficiency savings. When staff do leave, the Commission's management will continue to consider whether this provides opportunities for changes that would secure an overall increase in the efficiency of how we deliver our functions, with the objective of creating as much budget headroom as possible. The option of not replacing the member of staff should always considered as part of such a review.

A key priority for the Executive Management Team will include identifying more simplified workflows that still adhere to statutory requirements.

As a worst-case scenario, the Commission would have to explore redeployment options if there was an insurmountable gap in funding. This would require dialogue with the Scottish Government. This is viewed as a last resort given that the complexity of the legislation and the range of regulatory applications which the Commission must handle mean that training new staff takes considerable time. Staff dealing with casework have not only to know the legal requirements but to be able to apply them to the specific circumstances of each application, including following up with applicants where information provided is incomplete or raises questions.

It takes around 6/12 months for a new member of staff to reach a good level of competence to handle most of the more common types of application, and staff will continue to learn and build confidence for another year or even longer, particularly in relation to the less common types of application.

The transition to hybrid working reflecting the increase in colleagues working from home may continue to reflect efficiencies in office accommodation and travel and subsistence. This is already apparent with the Commission relinquishing over half of its office space since 2023. Non-Pay efficiency savings will be factored into the MTFP as these are identified.

4 Highlight Archaic Practices Within Existing Legislation for Scottish Government

The changes to the way the Commission conducts its business are largely about how effectively the Commission can operate on a digital basis, with staff dispersed and working remotely. Accordingly, the lessons to be learnt from the coronavirus pandemic are applicable across a wide variety of different situations as the Commission moves to a digital operation.

The business of the Commission could operate on a largely (but not exclusively) digital basis if primary legislation were to be amended.

Tactical Opportunities

The Commission has grasped the opportunity to engage closely and collaboratively with the Scottish Government regards the development of the Crofting and Scottish Land Court Bill which is currently at Stage 2[19] within the Scottish Parliamentary process at the time of writing. The bill seeks to amend existing crofting legislation to make crofting law more coherent and accessible.

The Commission has ensured, where possible, that the implications of proposed reforms are realistically costed to assist with defining future resource requirements should they be implemented. The Commission has supported various potential changes to regulation that would make it easier for us to deliver our tasks efficiently and more quickly. The Board have also considered what changes could make life easier/simpler for the crofter as well as for the Commission.

The impacts on the Commission will be significant and the Commission is currently considering the bill's various implications. The aim is to ensure that the Commission is prepared to implement the changes brought about by the Crofting Bill when it becomes an Act.

[19] At Stage 2, MSPs can propose changes to a Bill.

5 Risk Management

Having reviewed the Operational and Strategic risk registers, there are a number of risks and opportunities not raised to corporate level that would have a direct bearing on the MTFP:

The Commission Finance Team underestimate the Employer NI and Pension Contributions relating to a pay award. While the Head of Finance is confident of the calculations adopted by the Commission, they are based upon uprate assumptions. The Commission Finance Team has had to estimate Employer NI and Pension contribution costs as the Scottish Government Finance Pay Policy Team does not have the data at this time.

Grant-in-Aid award does not keep pace with inflationary pressures. As the Commission's salary costs account for approximately 85% of the budget an above inflation pay uprate would immediately place the Commission in an unsustainable financial position without securing additional Grant-in-Aid.

Recruitment[20]

The Commission needs to move swiftly on recruitment to ensure that key personnel with the correct skill sets are in place to deliver the aspirations outlined within its Corporate Plan. Experience has shown that recruitment via Scottish Government is a protracted process. Delay may result in potential underspend scenarios and associated reputational issues.

Workforce Plan

We are perhaps shielded to a degree by the Scottish Government's relatively recent approval of an enhanced staffing business for the Commission, but it is by no means certain that funding will continue at the levels that the Commission would require to support the current organisational structure in future years. A section of the Workforce Plan refers to 'Options for a Reduced Budget' regards how we adjust staffing levels in the event of a funding deficit. There are also currently a number of unknowns relating to the Crofting Reform Bill, which will impact workforce planning. Until this picture is clearer, the Commission cannot predict the number of posts required to fulfil an expanded remit when the Bill is enacted. The Executive Team have advised that the Workforce Plan will be reviewed in Quarter 3 2026/27.

Sustainability

In due course, it would be a useful exercise within the Workforce Plan to consider and identify potential medium term resource efficiencies as the Crofting Reform Bill implications become clearer and the Commission introduces other improved working practices.

[20] At the time of writing the Commission is entering 2026/27 with a near full complement of staff and additional resource (equivalent to 3 FTE B1 grades) to be deployed by the Executive Team regards the recruitment of staff relating to the Crofting Reform Bill implications.

6 Next Steps

The Commission has to deliver its Corporate Plan for 2023-2028 based upon its policy plan that was approved by the Scottish Government in the latter part of 2022.

<u>Budget-setting 2027/28 and beyond</u>

Engagement

It is crucial that the Commission engages at the earliest opportunity with Scottish Government Sponsor Branch to ensure that the budget award keeps pace with a significantly expanded workforce.

Link to the Crofting Commission Workforce Plan

This MTFP is, by its nature, heavily focused on the financial resources that we are likely to have at our disposal over the medium term. Our finances are not the only precious resource we have available. We would not be able to function without significant human resources – our staff. The Workforce Plan is effectively the MTFP equivalent for our people and is focused on making sure that we have the right people in the right the place to deliver our key priorities.

The Workforce Plan was reviewed in January 2025 considering Board discussions, audit recommendations and the Glen Shuraig independent workforce review report. The Executive Team have advised that the Workforce Plan will be reviewed in Quarter 3 2026/27.

The workforce plans will help inform the assumptions used to estimate overall pay costs in future iterations of this MTFP.

Keeping this MTFP up to date

Having an MTFP in place to inform future budgeting and to guide decision-making is an important component of effective financial management. But keeping the MTFP updated is just as important as the MTFP itself. This ensures the Commission remains forward-looking and is aware of potential changes in the external environment or what may be lurking over the horizon.

We intend to review the financial planning assumptions and financial modelling contained in this MTFP on an annual basis, to help inform the development of future budgets. We will present an updated MTFP to the Audit & Finance Committee at its scheduled Q4 meeting at the end of the annual budget-setting cycle. This will mean we can always be looking five years ahead, and to develop future budgets that consider any progress, or lack of, towards achieving financial sustainability.

Conclusion

The MTFP highlights significant potential financial risks at an early stage and outlines options to mitigate these. With the increase in staff resource as a result of the 2022 workforce restructuring proposals, we have the tools to enable us to meet the challenges ahead, with a full suite of planning and strategy documents that set out our priorities. The Commission will continue to keep the MTFP under review given the high degree of uncertainty surrounding future funding and inflationary pressures on public sector pay policy.

Annex A: Illustrative Budget Requirements

All Figures in £000s

		Pay Inflation Low	Pay Inflation Medium	Pay Inflation at High
Year 1	**2026/27**			
Salaries/Remuneration		4394	4394	4394
Commissioner Salaries		157	157	157
Former Commissioner Pensioners		10	10	10
Non-Staff Operational Costs		684	684	684
EFFICIENCY SAVINGS: STAFF TURNOVER/LEAD IN TO RECRUITMENT 1.5% of Staff Budget		(66)	(66)	(66)
Total		**5179**	**5179**	**5179**
Year 2	**2027/28**			
Salaries/Remuneration		4554	4577	4610
Commissioner Salaries		165	165	165
Former Commissioner Pensioners		10	10	10
Non-Staff Operational Costs		634	634	634
EFFICIENCY SAVINGS: STAFF TURNOVER/LEAD IN TO RECRUITMENT 1.5% of Staff Budget		(68)	(69)	(69)
Total		**5294**	**5317**	**5349**

Year 3	**2028/29**			
Salaries/Remuneration		4685	4730	4799
Commissioner Salaries		175	175	175
Former Commissioner Pensioners		10	10	10
Non-Staff Operational Costs		649	649	649
EFFICIENCY SAVINGS: STAFF TURNOVER/LEAD IN TO RECRUITMENT 1.5% of Staff Budget		(70)	(71)	(72)
Total		**5449**	**5493**	**5561**

Year 4	**2029/30**			
Salaries/Remuneration		4834	4905	5012
Commissioner Salaries		180	180	180
Former Commissioner Pensioners		10	10	10
Non-Staff Operational Costs		666	666	666
EFFICIENCY SAVINGS: STAFF TURNOVER/LEAD IN TO RECRUITMENT 1.5% of Staff Budget		(73)	(74)	(75)
Total		**5617**	**5687**	**5792**

Year 5	**2030/31**			
Salaries/Remuneration		5003	5101	5251
Commissioner Salaries		185	185	185
Former Commissioner Pensioners		10	10	10
Non-Staff Operational Costs		680	680	680

EFFICIENCY SAVINGS: STAFF TURNOVER/LEAD IN TO RECRUITMENT 1.5% of Staff Budget	(75)	(77)	(79)		
Total	**5803**	**5899**	**6047**		

	2026/27	2027/28	2028/29	2029/30	2030/31
Core Running costs: Non Staff Detail					
"Fixed" costs					
Great Glen House - cost of occupation	126	131	136	142	147
Great Glen House - supplies & services	33	37	38	40	41
Information systems	175	181	187	192	198
Training	21	21	23	23	23
Communication	17	18	18	19	19
Statutory Regulatory Advertising	36	37	37	37	37
Legal Fees	20	20	20	20	20
Travel & subsistence - staff	27	27	27	27	27
Travel & subsistence - Commissioners	33	33	33	33	33
Audit fees & bank charges	45	47	49	50	52
Other running costs	41	41	41	41	41
Subtotal	574	593	608	625	639
"Discretionary" costs					
	0	0	0	0	0
Subtotal	0	0	0	0	0

Annual Notice & RoS direct costs					
Annual Notice Hard Cost of Delivery	26	29	29	29	29
Commission Service Link to RoS	0	0	0	0	0
Subtotal	26	29	29	29	29
Electoral Services: Statutory Requirement					
Provision of Returning Officer Electoral Services	72	0	0	0	0
Capital expenditure					
Hardware	12	12	12	12	12
Software	0	0	0	0	0
	12	12	12	12	12
Total Non-Staff Detail	**684**	**634**	**649**	**666**	**680**

Annex B: Current Workforce Structure: January 2026

Available at the following link.

Annex C: Grant-in-Aid Trends

The Commission draws all of its funding from Grant-in-Aid from the Scottish Government, and its budget is set annually by the Scottish Government with the agreement of the Scottish Parliament. The recent history of the Commission's main budget is shown in the following table:

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Core budget (£m)	2.447 (initial) +0.335(added)[21] **=2.782**	2.397 (initial) +0.410(added)[22] **=2.807**	**2.797**[23]	2.697 (initial) +0.061(added)[24] =**2.758**	2.697 (initial) +0.325(added)[25] =**3.022**	**3.250**[26]	**3,900**	**4,170**	**4,500**	**4,870**	**5.675**[27]

[21] 2016/17Additional £0.335m consists of authorization to draw down £0.310m in pressure funding provided to help deliver the additional functions the Crofting Commission gained under the crofting legislation that was passed in 2010 and £0.025m to assist with resourcing requirements arising from the delivery of the 2017 Crofting Elections.

[22] 2017/18 Additional £0.410m consists of authorization to draw down £0.310m in pressure funding provided to help deliver the additional functions the Crofting Commission gained under the crofting legislation that was passed in 2010 and £0.100m to assist with resourcing requirements regards specific records management project.

[23] The former 'pressure funding' was incorporated into the Commission's core budget from 2018/19 onwards.

[24] 2019/20 Additional £0.061m represents pressure funding to meet some of the additional employer pension costs resulting from an actuarial valuation of the civil service pension scheme. Although an ongoing resource commitment, the Scottish Government could not guarantee additional funding for future years.

[25] 2020/21 Additional funding of £0.325m with respect to the Scottish Government's expectation regards the delivery of additional and enhanced crofting development activities.

[26] £50k related to additional in-year funding provided by Scottish Government to meet Crofting Election costs.

[27] Represents a 15% uprate on prior year. However, increase includes £75k towards statutory board elections, £496k towards the replacement of the legacy Croft Information System and £150k towards resourcing implications of the Crofting Reform Bill.

Links to Current References

Scottish Government Medium Term Financial Strategy

Scottish Government Fiscal Sustainability Delivery Plan

Crofting Commission Governance Documents

Policy Plan

Corporate Plan

Business Plan

Available on request from Chief Executive

Budget 2026/27

Independent Workforce Review 2021

Enhanced Staffing Business Case to Scottish Government 2022

Workforce Plan (February 2025)