



CROFTING COMMISSION
COIMISEAN NA CROITEARACHD



CROFTING COMMISSION

Annual Report & Accounts
2022/23

Crofting Commission Annual Report and Accounts 2022/23

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 Humza Yousaf
His Majesty's First Minister.

Dear First Minister

We have the honour to present the eleventh Annual Report and Accounts of the Crofting Commission covering the year 2022/23.

Yours sincerely

Malcolm Mathieson

Malcolm Mathieson, Convener
06 December 2023

Bill Barron

Bill Barron, Chief Executive
06 December 2023
SG/2023/166



Crofting Commission
Great Glen House, Leachkin Road, Inverness, IV3 8NW
T:01463 663439
E: info@crofting.gov.scot

Contents

3 PERFORMANCE REPORT

A review of the work of the Crofting Commission in 2022/23, including an analysis of our delivery and performance and our position at the end of the year.

4 OVERVIEW

A Summary of Who We Are, What We Do, Key Risks we face and how we performed over the last year.

- 4 Convener's Foreword
- 5 Chief Executive's Overview
- 6 Selection of Case Studies
- 8 Who We Are
- 9 Business Model
- 9 Organisational Structure
- 10 Objectives and Strategies
- 12 Summary of Key Risks and Issues We Face
- 13 Financial Summary
- 14 Performance Summary and Indicators

15 PERFORMANCE Analysis

An assessment of the extent to which our annual Business Plan objectives, linked to our 5-year Corporate Plan Outcomes have been achieved.

- 16 Operational Performance
- 21 To regulate the crofting system fairly, and to protect and strengthen it for future generations
- 22 Delegated Decision Making
- 23 Appeals to the Scottish Land Court (SLC)
- 24 Analysis of Key Risks and Issues We Face
- 26 Register of Crofts (ROC)
- 28 Crofting Register
- 29 Crofters Duties
- 30 Crofting Census 2021 – Duties
- 33 Crofting Census Previous Years – Duties
- 35 Crofting Census 2022
- 37 Common Grazings
- 38 Freedom of Information/Environmental Regulations/Data Protection
- 38 Complaints
- 39 Communications
- 39 Human Rights

- 40 Community & Charity Work
- 40 Environmental Matters
- 42 Financial Performance
- 43 Anti-Corruption and Anti-Bribery Matters
- 44 Selection of Case Studies

47 ACCOUNTABILITY REPORT 2022/23

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

48 Corporate Governance Report

An explanation of the composition of our governance structures and how they support the achievement of our aims and objectives.

- 48 Directors' Report
- 51 Statement of Accountable Officer's Responsibilities
- 52 Governance Statement

60 Remuneration Report and Staff Report

Our remuneration policy contains details of the remuneration and pension interests of Board Members, the Executive and Senior Management Team, fair play disclosure and a report on our staffing.

- 60 Remuneration Policy
- 67 Staff Report
- 72 Parliamentary Accountability Disclosures

73 Independent Auditor's Report

77 FINANCIAL STATEMENTS 2022/23

The financial statements for the Crofting Commission, alongside supporting and explanatory notes.

- 78 Statement of Comprehensive Net Expenditure
- 79 Statement of Financial Position
- 80 Statement of Cash Flows
- 81 Statement of Changes in Taxpayers' Equity
- 82 Notes to the Financial Statements
- 91 Direction by the Scottish Ministers

92 Glossary of Financial Terms





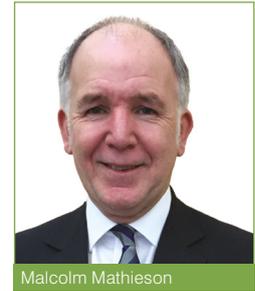
**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**

Performance Report

This section provides a review of the work of the Crofting Commission in 2022/23, including analysis of our delivery and performance and our position at the end of the year.

Convener's Foreword

2022/23 has been another year of change for the Crofting Commission. In particular, the Board itself has changed, with only three of the Commissioners in post at the start of March 2022 still present six months later.



I offer my thanks to Commissioners who left the Board in 2022, while welcoming the four new or returning Commissioners who joined after the elections in March 2022 and the two who were appointed by the Scottish Government in September 2022. The new Board has set its mark by publishing a new **Policy Plan** in 2022 (as required by statute) and a new **Corporate Plan for 2023-2028**. The Board has benefited from an extensive programme of structured training to help Commissioners get to grips with the role quickly and securely.

I should also like to thank those who served as volunteer assessors for the Commission during the last five years, taking a close interest in the Commission's work, supporting the development of our policies and practices, and assisting with communication between the Commission and the crofting communities. In 2023 we welcome a new panel of volunteers, now called "Crofting Commission Area Representatives", who will support us in similar ways, working closely with our newly established Policy, Development and Grazings Team.

The year has also seen a significant expansion of our staffing, as reported by the Chief Executive in his Overview. The Board has been particularly pleased by the recruitment of several staff from around the crofting counties, as management has taken advantage of the flexibilities offered by hybrid working to recruit on a wider geographic basis. Before the Covid-19 pandemic, all our staff worked out of our head office in Inverness, but we now have many staff based in other parts of the crofting counties (some of them practising crofters), including Orkney, Caithness, Sutherland, Ross-shire and five staff in the Western Isles. The Board welcomes this as a direct way that the Commission can support remote communities in crofting areas.

The Board's priorities in the past year have been focussed upon improvement in our customer services, both by overcoming the backlog of regulatory casework, and by rolling out comprehensive facilities for crofters, solicitors, and agents to submit regulatory applications digitally. Our online applications system has been warmly welcomed, with users reporting how much easier it is to submit applications this way. The full system is being rolled out during 2023, and I look forward to its widespread use.

We were delighted by the **2022 report** from our Auditor, which noted that substantial progress had been made in implementing all the recommendations of the previous year's review. This conclusion was later endorsed and welcomed by the **Auditor General for Scotland**. Our governance processes and documentation are now in much better shape, enabling the Commission Board, Management, and the Scottish Government Sponsor Team, to work together in a more efficient and collaborative basis.

Later this year I will be supporting the Scottish Government in the recruitment of a new Chief Executive for the Crofting Commission, to lead the staff in the next stage of the Commission's journey. I would like to thank our outgoing Chief Executive, Bill Barron, for his seven years in the role. He leaves the Commission with a stronger workforce and a clear set of forward plans for the efficient regulation of, and positive support for, crofting across the Highlands and Islands.

Malcolm Mathieson

Malcolm Mathieson
Convener
06 December 2023

Chief Executive's Overview

Without underestimating the continuing challenges, I am pleased to report on a year of progress at the Crofting Commission.



At the start of the reporting year, in April 2022, the Scottish Government confirmed a significant budget increase in the light of an independent review of our staffing which had reported its findings the previous autumn. As a result, 2022/23 has been a year in which there has been significant recruitment of staff to new positions within the Commission, and a strong focus on training of staff in their new roles. Recruitment and training are themselves resource-intensive, but the progress made this year puts us in good shape for the future.

I am particularly pleased that this recruitment has given us an expanded regulatory workforce, an Executive Team to put our senior structure on a par with other Public Bodies of similar size, and two additional posts to support development of our in-house IT systems. Development of bespoke IT systems is a challenge for any small organisation. A small number of specialist staff have devotedly kept the Commission's IT working securely over recent years, but it is gratifying now to have a more correctly resourced team, better able to take forward current and future enhancements.

In 2022/23 the Executive Team's key focus, in line with the Board's and the Scottish Government's priority, has been addressing the delays in regulatory casework that have caused problems for crofters and would-be crofters since 2021. We know that our service has fallen short of the expected standard during this difficult period, and I offer my apology to all service users caught up in this. I must also acknowledge our front-line staff, our training officers, and regulatory managers, who have all worked diligently over an extended period, and have begun to turn the tide. We now have, and are continuing to develop, a comprehensive improvement programme based on training our expanded casework team, simplification of processes where possible, IT enhancements and, in the near future, legislative change.

While the chief focus has been on casework, I should also note the expanding and proactive work by other Commission teams. In particular, as noted in our Performance Report (pages 29 to 34), our Residency and Land Use Team (RALUT) is now addressing breaches of both residency and land use duties by both tenant and owner-occupier crofters, as well as intervening to resolve intestate successions. They have also now put in place systems to address absenteeism by croft owners where there is no tenant in place. All of this is skilled work and is vital for maintaining the health of crofting communities across the Highlands and Islands.

The staff of our Policy, Development and Grazings Team are increasingly visible in crofting areas, researching how crofting works best, and offering support to crofters and crofting communities. They continue to support Grazings Committees with all kinds of practical issues and have delivered bespoke training sessions on the role of a Grazings Committee. In addition, this year the team has been undertaking new work on two vital issues for crofting: promoting croft succession; and seeking to clarify how crofters can play their part in Scotland's environmental challenges of biodiversity and carbon sequestration.

This will be my last Overview to an annual report. Over the last seven years it has been my privilege to serve successive Boards and to do what I can to support crofting and crofters in communities across the region. I gratefully acknowledge the commitment and skill shown by all my colleagues who have worked for the Commission throughout my time here.

Bill Barron

Bill Barron
Chief Executive & Accountable Officer
06 December 2023

Case Studies

Over the course of 2022/23 the Commission has made a positive impact on many remote rural communities across the Crofting Counties. The following are a few examples.

Shetland Grazings Workshop

The Commission worked in Partnership with the Farm Advisory Service (FAS) to deliver 10 common grazings workshops to 139 attendees, at locations throughout the crofting counties.

The workshop programme included a 2-day trip to Shetland where Commission staff delivered two workshops firstly in the main town of Lerwick and then travelled by ferry to the Northern Isle of Yell. The 29 attendees who participated in both workshops were either currently serving on a grazings committee or were hoping to establish a new committee to actively manage their own common grazings.

The workshops are facilitated using an interactive board game approach with various scenarios presented to participants to demonstrate the legislative requirements and also provide an element of good practice.

Workshops primarily look at the process of forming a new grazings committee, the roles of the different office bearers, the actual management of the grazings, and finally focusing on the committee's finances. The common grazing board is altered to show how the financial responsibilities and liabilities change over time and conversely how the different situations that can arise will affect the distribution of monies to the individual shareholders.

The feedback from these workshops has been hugely positive, which has justified a further tranche of FAS funding for further workshop delivery within 2023/24.

Agricultural Shows 2022

With public health restrictions now lifted and the agricultural show circuit thankfully back into full swing, the Crofting Commission's Policy, Development and Grazings Team ensured a presence at an Agricultural show in every Crofting County.

The team along with Commissioners attended the Black Isle Show and the North Uist Show and using our brand-new Marquee as a central point, engaged with both the general public to raise the profile of the crofting system and secondly to meet with crofters themselves where there was a variety of topics discussed.

Our main themes this year were: the importance of having an active Grazings Committee in office to manage the common grazings; and for crofters to consider the importance of **living succession** to ensure their crofts are passed on in an appropriate and timely fashion.



Delivering an evening Grazings Workshop at Brora



Commissioner Rod Mackenzie meeting crofters at the Granttown Show.

Commissioners also undertook a walkabout, with staff support, to speak directly to crofters at the Lerwick, Lochaber, Granttown, Caithness and Sutherland Shows, obtaining feedback on the local crofting situation and advising crofters on regulatory matters.

Assessors Event October 2022

The Crofters (Scotland) Act 1955 provided the Crofters Commission with the powers to appoint a panel of assessors to assist with its work, with the first assessors being appointed in 1956. The role of Assessors has developed over these 68 years, most significantly in the last 10-15 years when the decision was made by the Commission to no longer involve Assessors in

the regulatory decision-making process.

With the term for the current Assessors ending in February 2023 a meeting was held in Inverness in October 2022 to which all current Assessors were invited to discuss the future of the panel and how it could best assist the work of the Commission. The daylong event included a morning session in Great Glen House with an overview of the Commission and its structure by the Development Team. The Information Systems Team then provided Assessors with a run through of the recently launched online application system and its associated benefits. The last of the morning sessions was facilitated by the

Regulatory Support Team who explained how the Commission reaches decisions on cases via the **Tier system** and triaging.

The afternoon session began with discussion on the proposed future role for Assessors. It was agreed to give the role a new working title of Crofting Commission Area Representative (CCAR's) and a new role description focusing more on the representatives acting as a communication link between the Commission and Crofting Communities.

The Commission was very pleased to have Ian Davidson (**Scottish Land Matching Service**), and Jim Booth (**Scottish Agricultural Organisation Society**) as guest speakers at the event.



Ian Davidson

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 Scottish 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 72¹ 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.

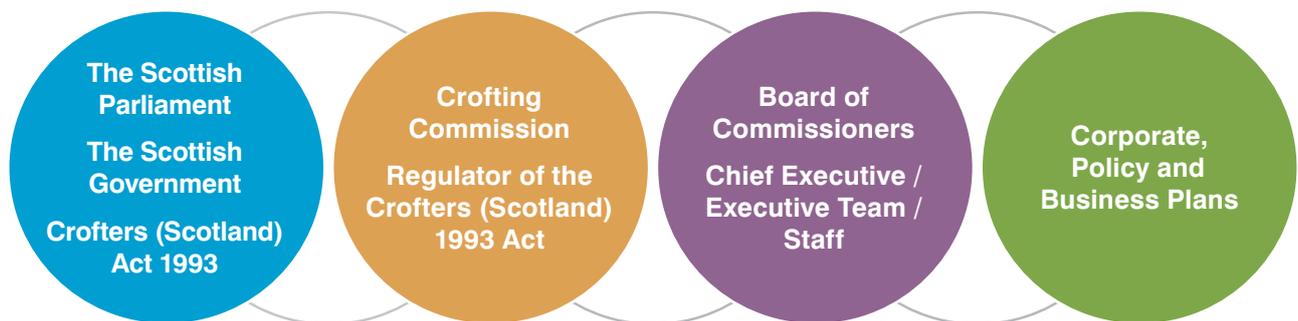
- Caring for crofting communities and the environment
- Positive teamwork
- Commitment to service quality and improvement
- Encourage staff and Commissioner development
- Being fair and impartial.

¹ As at 31 March 2023. Further information is available within the Commission's Staff Report on page 67.

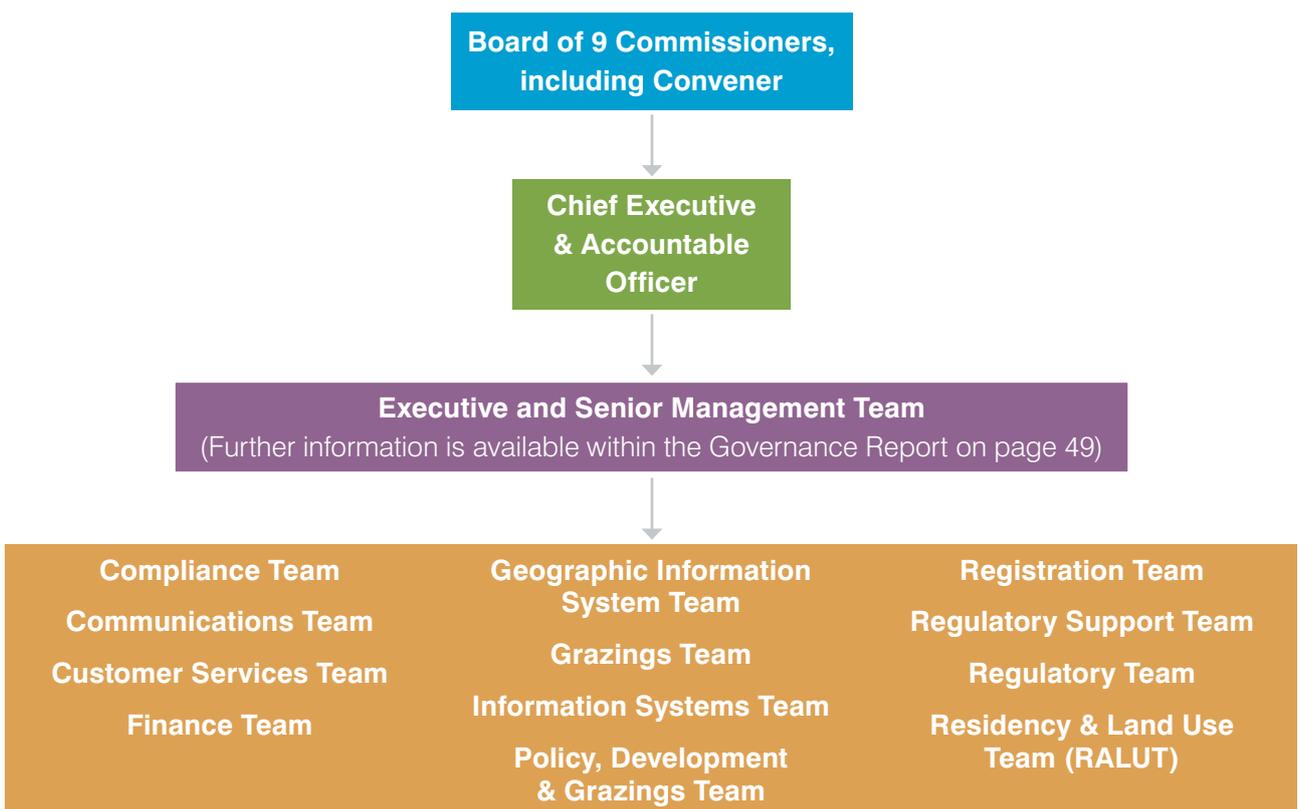
Business Model

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



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

<p>National Performance Framework </p> <p>We value, enjoy, protect and enhance our environment</p>	<p>Our Corporate Plan 1 2 3</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------

How we contribute: We recognise the potential that lies within crofts and common grazings and we believe that by ensuring crofts are well managed and by facilitating development of crofts and common grazings through our decision making, we can enable an increase in productive use of croft land for a diverse range of activities. We acknowledge the detrimental impact that unworked crofts have on the well-being and productiveness of crofting communities and the land they occupy. By working with crofters to ensure they are fulfilling their duties in relation to cultivating and maintaining the land and working to increase the number of grazings committees in office, we contribute to better land management across the crofting counties.

<p>National Performance Framework </p> <p>We live in communities that are inclusive, empowered, resilient and safe</p>	<p>Our Corporate Plan 2 3</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------

How we contribute: We understand that crofts without a resident crofter or crofter family can create holes in communities which can have far-reaching impacts. Our action to promote and enforce residency makes a direct contribution to maintaining sustainable communities. In addition, we work with communities to help them understand the value of croft land as an asset and encourage more grazings committees into office to help fulfil the land's potential through better management of shared assets.

<p>National Performance Framework </p> <p>We have a globally competitive entrepreneurial, inclusive and sustainable economy</p>	<p>Our Corporate Plan 2 3 4</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------

How we contribute: We recognise the potential within croft land to support local food and drink production, and also within common grazings to support renewable energy and carbon reduction and we are mindful of this through our decision making, enabling use of crofting assets to support these industries. Within the organisation, we are ensuring that our working practices are mindful of our carbon footprint and energy consumption and are working to progress changes to reduce these.

<p>National Performance Framework </p> <p>We respect, protect and fulfil human rights and live free from discrimination</p>	<p>Our Corporate Plan 1 2 4</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------

How we contribute: By providing evidence-based information to Scottish Ministers and working with other crofting stakeholders, the Commission has a vital role in ensuring that the legislation and policies regarding crofting are fit for purpose both now and in the future. Further, by ensuring that our workforce is high performing and that the organisation operates in a straightforward and transparent way through process review and change, we can deliver significant improvements in service to the people of Scotland.

Summary of Key Risks and Issues We Face

The two biggest challenges currently facing the Commission are to improve the pace of our regulatory casework and to support the present and future strength of the crofting system. Our major strategic risks focus on the possibility that progress in either or both objectives could be inadequate.

In respect of casework, the Commission experienced a worsening backlog of cases from 2021 through to 2022, and although the problem appears to have peaked in summer 2022, with a downward trend by March 2023, much remains to be done. Key risks outwith our direct control are the possibility of losses of key staff, and the number and complexity of applications received. The complexity of applications has tended to increase with the growth of the number of registered crofts, as many mapping uncertainties only come to light when an application is made to register a second or subsequent croft alongside an already registered one.

The Commission has a substantial programme of improvement activity to enhance our capacity for processing cases, including expansion of the number of trained caseworkers and measures to simplify the processes.

For crofting itself, the challenge is to ensure that most crofts are in the hands of crofters who are able and keen to put the land to productive use. Economic factors, such as the price of many crofts, and social factors, make this harder to achieve. The Commission has expanded its Residency and Land Use work to tackle breaches of duty, and its Policy, Development and Grazings Team which aims to support active crofters and encourage the appropriate turnover of crofts.

From Spring 2021, our Strategic Risk Register has focussed on the governance issues highlighted by our external Auditor and the reputational risks arising from it. However, good progress has been made with implementing the recommendations from that report, which were detailed within the **2021/22 external auditors report**.

As with all public bodies, whether our operational budget increases in line with future pay inflation is a key risk at this present time of financial restraint. The Scottish Government determines both the Commission's budget and the pay settlement for our staff each year, but the Commission mitigates this risk by dialogue with the Scottish Government, by being clear about our priorities, and by seeking efficiency improvements wherever possible. However, as 82%² of our annual expenditure is on pay, this remains a key area of risk.

Other major risks captured in our risk registers 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 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 24.

2 Further information is available within the Notes to the Financial Statements on page 86.

Financial Summary

The 2022/23 annual report and accounts were audited by Audit Scotland who were appointed by the Auditor General for Scotland as external auditors to the Commission from 1 April 2022.

For this period, the Commission has received an unmodified external audit report.

These accounts were prepared under the Accounts Direction issued by the Scottish Ministers detailed on page 91. They were prepared on a going concern basis, which means the Commission intends to continue its business for the foreseeable future and is able to do so.

The Commission operated within its Grant-in-Aid budget for the reporting year. The financial position of the Commission for the reporting year reflected total expenditure of £3.781M (£3.316M 2021/22) which was solely funded by the Scottish Government. Further detail on financial performance is provided within our Performance Analysis on page 42.



Visit to Uist: Baleshare Reorganisation Consultation.

Performance Summary

The Commission measured its performance for the year 2022/23 against the strategic objectives in the **Corporate Plan for 2019-2022**. 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	Stop Increasing and Start to 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 and sets out the Commission's key objectives for the reporting year.

The Commission published its revised **Corporate Plan for 2023-2028** in March 2023. The Business Plan 2022/23 therefore represents a transitional year. It is based on the **Corporate Plan for 2019-2022** and the five Corporate Outcomes within it, while also incorporating some elements of a new and emerging agenda, not least around the Commission's role in delivering aspects of the National Development Plan for Crofting.

In our **Business Plan 2022/23** 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:

During the course of the year, the Commission issued:

Unresolved succession (section 11):

- **3** notices under section 11(8) was issued due to failure to resolve a succession, terminating the tenancy, declaring the croft vacant and requiring the landlord to submit letting proposals
- **3** crofts were let following the Commission's approval of the landlord's letting proposal. **1** of the tenants is a new entrant to crofting, the other **2** are existing crofters.

Vacant croft (section 23):

- **1** notice under section 23(5) was issued following the renunciation by a tenant, requiring the landlord to submit letting proposals
- **3** notices under section 23(5) were issued following the Commission's termination of the tenancy of a croft under breach of duties enforcement action, requiring the landlord to submit letting proposals
- **4** crofts were let following the Commission's approval of the landlord's letting proposal. **3** of the tenants are new entrants to crofting, the other tenant is an existing crofter.

Measure	Target	Result
Number of RALU breaches resolved by a crofter or an owner-occupier crofter in breach of their residency duty taking up residence on their croft.	17	

Result:

In the course of the year, **5** Crofters resolved their breach by taking up residence on or within 32 Km of their crofts.

Measure	Target	Result
Number of RALU breaches resolved by the assignation of the croft, or the letting or sale of an owner-occupied croft.	20	

Result:

In the course of the year:

- **19** tenant crofters resolved their breach by assigning the tenancy of their crofts
- **3** Croft tenancies were renounced, and are now available for let
- **4** owner-occupier crofters resolved their breach by transferring ownership of their owner-occupied croft
- **2** owner-occupier crofters resolved their breach by letting the tenancy of the croft.

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

Measure	Target	Result
Number of RALU breaches resolved by a crofter or an owner-occupier crofter in breach of their residency duty 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 (this is not a priority in its own right).	No target

Result:

In the course of the year:

- **12** Crofters resolved their breach by subletting their crofts
- **2** Owner-occupier crofter resolved their breach by obtaining consent to a short term let of their owner-occupied croft
- **21** Crofters obtained consent to be absent from their crofts.

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).	No target (this is an intermediate phase enroute to KPI 1.6).	No target

Result:

In the course of the year, the Commission:

- Issued **57** notices of suspected breach of duty under section 26C(1)
- Considered in **3** cases that there was a good reason not to issue a notice of suspected breach of duty under section 26C(1)
- Made **40** decisions that a crofter was in breach of duty under section 26C(5)
- Issued **16** notices providing crofters with the opportunity to comply with the duty within a timescale the Commission consider reasonable under section 26D(1)
- Made **11** decisions accepting undertakings to comply with the duty under section 26D(5).

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).	4	

Result:

In the course of the year, the Commission were satisfied that it was in the general interest of the crofting community to issue **5** Orders terminating the crofter's tenancy due to a breach of duty (one was initiated by a report of a suspected breach of duty under section 26A; **4** were initiated by the crofter reporting in their Crofting Census that they were in breach of duty).

In **2** of the **5** cases, prior to termination, the Commission were satisfied it was fair to divide the tenanted crofts under section 26G as in both cases there was a dwelling house on the croft which had not been decrofted.

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

Measure	Target	Result
Maintain or increase in number of common grazings with a Committee in office.	Maintain at 500 or above.	

Result:

On 31st March 2023 there were **500** Grazings Committees in office as per the Register of Crofts.

Measure	Target	Result
Increase in the 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:

This target remains a challenge for the team due to the increasing workload and the Grazings Team being at a reduced level for the majority of the 2022/23 period. There are a growing number of Grazings Committees who are keen to update their regulations with much of this interest coming from new Grazings Committees and from promotion of the template at our Grazings workshops.

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.	No numerical target as this is in large part demand led.	No target

Result:

The Grazings Team have responded to **373** queries on various common grazing subjects from several different sources (shareholders, committee members, landlords, developers, internal, and other public bodies) in the last 12 months. A total of **10** workshops with **139** participants have been delivered at various locations across the crofting counties along with several online surgeries. The Grazings Team have also been involved with **15** significant cases where there is a high volume of disharmony amongst the committee and shareholders. These cases generally involve a high volume of staff resource to deal with the issues raised.

Measure	Target	Result
Establish correct shareholdings on common grazings by researching and updating records of shareholder situations.	Number of townships researched. Baseline on 2021/22 (24). 20 more townships researched in 2022/23.	

Result:

There have been **36** shareholding investigations carried out within the year which either focused on single shares or multiple shareholdings. These cases generally arise either through a request by the shareholder or in connection with a regulatory case. The team have also dealt with **47** requests for a list of all shareholdings within a common grazings with these requests coming from multiple sources such as Landlords, Scottish Government Rural Payments and Inspections Division and Grazings Clerks. These lists are checked prior to issue for items such as active sublets.

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

Measure	Target	Result
Stability or decrease in median turnaround times (registered crofts, Tier 1 approvals).	Clear evidence that turnaround times are falling, by the final quarter of 2022/23.	

Result:

Average turnaround times for the indicator cases has shown some variability throughout the year and has shown reductions in the final quarter of the year. As the times have improved for the final quarter this means the target is achieved.

(Statistics are available on the Commission's website).

Measure	Target	Result
Decrease in number of live regulatory cases at a point in time.	Baseline 1,087 on 31 March 2022. Reduce to 850.	

Result:

The number of outstanding cases in the monthly report to management and the Board is **1,052** for the end of March 2023. The case numbers are lower than the previous year (**1,087**) but they are significantly off the target of **850**.

Measure	Target	Result
Number of staff in the Regulatory Team that are trained in 13 of the key application types.	Increase to 10 casework administrator and 9 casework officers.	

Result:

The training has progressed to the point where there are **20** staff trained in at least 13 of the main application types, exceeding the target of **19** staff.

Measure	Target	Result
Substantial increase in number of regulatory cases discharged in the year.	Baseline: 1,517 in 2021/22. Target: 2,000 (500 a quarter).	

Result:

Cases discharged for 2022/23 total **1,866**, which is below the target of **2,000**. Despite not meeting the target significant progress has been made over the year, with the number of cases discharged increasing by **23%** (compared to the target increase of **32%**).

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

Result:

Responses to the customer feedback form for the year to date has given an average score of customer satisfaction of **56.8%**. This is some way from the target indicator of **80%** positive responses.

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

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

Measure	Target	Result
---------	--------	--------

There is no Performance Measures for this Outcome but key Milestone information is available for review at www.crofting.scotland.gov.uk

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.

Baseline (62%) in October 2021.
Target: Increase to 64%.



Result:

The engagement index in the October 2022 survey had risen to **67%**.

Measure	Target	Result
---------	--------	--------

Corporate carbon emissions.

Below 5 tCO₂e.



Result:

The Commission has published a '**Climate Emergency Charter**' that was approved in principle by the Board on 27 September 2022.

Actuals = 2.1 tCO₂e against actual emissions from business travel which was the basis of the original target.

Measure	Target	Result
---------	--------	--------

Redeploy efficiency savings within £3.9m core budget.

3% target.



Result:

The Commission has invested efficiency savings of £64k in a high specification file scanner in Quarter 4, which will allow the Commission to scan its historic files that are currently stored externally, while providing longer term efficiency savings via reduced storage costs and external scanning costs. Overall, 3% target met. Further information on efficiency savings is available at page 42.

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 2021/22 and which will be carried over to 2023/24.

Application/Notification Type	Received	Approved/ Notified	Refused	Invalid	Withdrawn
Apportionment	40	30	6	4	6
Assignment Share	9	0	0	3	1
Assignment Croft	309	286	3	31	13
Consent to be Absent – Extension	5	3	0	2	0
Consent to be absent- initial application	36	21	5	8	2
Create a new croft	12	15	0	0	1
Decrofting – Croft House Site and Garden Ground	136	100	1	11	5
Decrofting – Part Croft	316	248	4	19	17
Decrofting – S17 & S18 Feu	17	5	0	14	2
Decrofting – Whole Croft	6	0	1	1	0
Decrofting – Whole Croft – House Site Only	1	1	0	0	0
Division – Owner-Occupier Crofter	23	9	0	3	3
Division – Tenant	23	7	1	1	4
Exchange of croft land	7	0	0	3	0
Letting – Landlord of a vacant croft	35	24	0	2	4
Letting – Owner-Occupier Crofter	16	18	0	3	1
Short-Term Letting	25	13	0	2	0
Subletting	97	60	2	4	7
Intestate Succession (Notification)	112	91	0	6	2
Testate Succession – Bequest of Croft Tenancy (Notification)	119	136	0	10	4
Totals 2022/23	1,344	1,067	23	127	72
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 cases for which decisions are taken on are typically on applications and not notifications, so the numbers presented are different to the previous table on page 21.

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 (by volume)	No of Cases Decided 2022/23	No of Cases Decided 2021/22	No of Cases Decided 2020/21
Tier 1 (Case officers)	686	570	630
Tier 2 (Senior Officials)	145	130	132
Tier 3 (3 Commissioners)	32	37	46
Decision by full Board of Commissioners	-	-	4
Totals	863	737	812

Level of Decision Making (as a percentage)	No of Cases Decided 2022/23	No of Cases Decided 2021/22	No of Cases Decided 2020/21
Tier 1 (Case officers)	79	77	78
Tier 2 (Senior Officials)	17	18	16
Tier 3 (3 Commissioners)	4	5	5.5
Decision by full Board of Commissioners	-	-	0.5

The total cases completed by the Commission has **increased by 17%** in comparison to 2021/22.

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 **7** appeals carried over from 2021/22:

- **1** appeal resulted in the appeal being refused
- **5** cases were conceded by the Commission (where it failed to consider a competent objection or consider a material consideration)
- **1** is currently with the SLC as at May 2023 (due to delay in the appointment of an executor).

A further **3** appeals were received during 2022/23:

- **1** appeal was refused by the SLC
- **2** are currently with the SLC as at May 2023 and have not been formally intimated on the Commission (plus the one referred to above received in 2021/22 but still with the SLC).

Additionally, the Commission currently has an objection lodged in respect of a resumption application that is currently with the SLC but is considering whether to withdraw it.



Analysis of Key Risks and Issues We Face

Corporate Plan Outcome	Risk Description	Action Taken
Crofting is regulated in a fair, efficient, and effective way.	Timescales for regulatory casework continue to be slow.	A wide range of actions are being taken to mitigate this risk. The Regulatory Team has been significantly expanded and a strong investment has been made in training the new staff. The outstanding casework is proactively managed and monitored. The Board frequently considers and approves changes to simplify internal processes, and the Commission is engaging with the Scottish Government regards legislative change which could make more significant changes. Online applications facility launched in 2022 is being refined and rolled out.
Crofting continues to thrive and to evolve.	Economic and social conditions make it harder for active crofters, and those who wish to become active crofters, to obtain crofts and run effective crofting businesses.	The Commission's website has been enhanced to signpost crofters to supportive information provided by the Commission and many other organisations, including details on how crofting can support biodiversity and carbon sequestration. The Policy, Development and Grazings Team is highlighting succession options for people who may wish to hand on their crofts. Direct support is provided to Common Grazings Committees and training events are held around the crofting counties, with the support of funding from the Farm Advisory Service.
Crofts are occupied and used.	Too many crofts have no active, resident crofter.	<p>The Residency and Land Use Team has been expanded and now follows up hundreds of cases of suspected breach of duty by crofters, including some of those who do not respond to the annual 'census'; some cases where the owner lives remotely and there is no tenant crofter; and all reported cases of breach of duty.</p> <p>Enforcement action now includes owner-occupier crofters as well as tenant crofters if they are in breach of their duties.</p>

Corporate Plan Outcome	Risk Description	Action Taken
<p>Our workforce is skilled and motivated, and our governance processes are best practice.</p>	<p>Future budget uncertainty as the Scottish public sector enters a period of financial restraint.</p>	<p>We revise our Medium-Term Financial Plan and Workforce Plan at least once per year. The Commission benefited from a budget increase in 2022/23 and has recruited additional staff in order to discharge our functions. We are now considering a range of efficiencies and reviewing our priorities, as well as continuing to discuss the financial needs of the organisation with the Scottish Government.</p>
Governance	Risk Description	Action Taken/Planned
<p>Croft Information System.</p>	<p>Poor planning and delivery of system enhancements results in weaknesses in functionality and effectiveness.</p>	<p>New post of 'Improvements Manager/System Product Owner' created, and a second System Coder recruited. Governance documentation for system developments created.</p>



Register of Crofts (ROC)

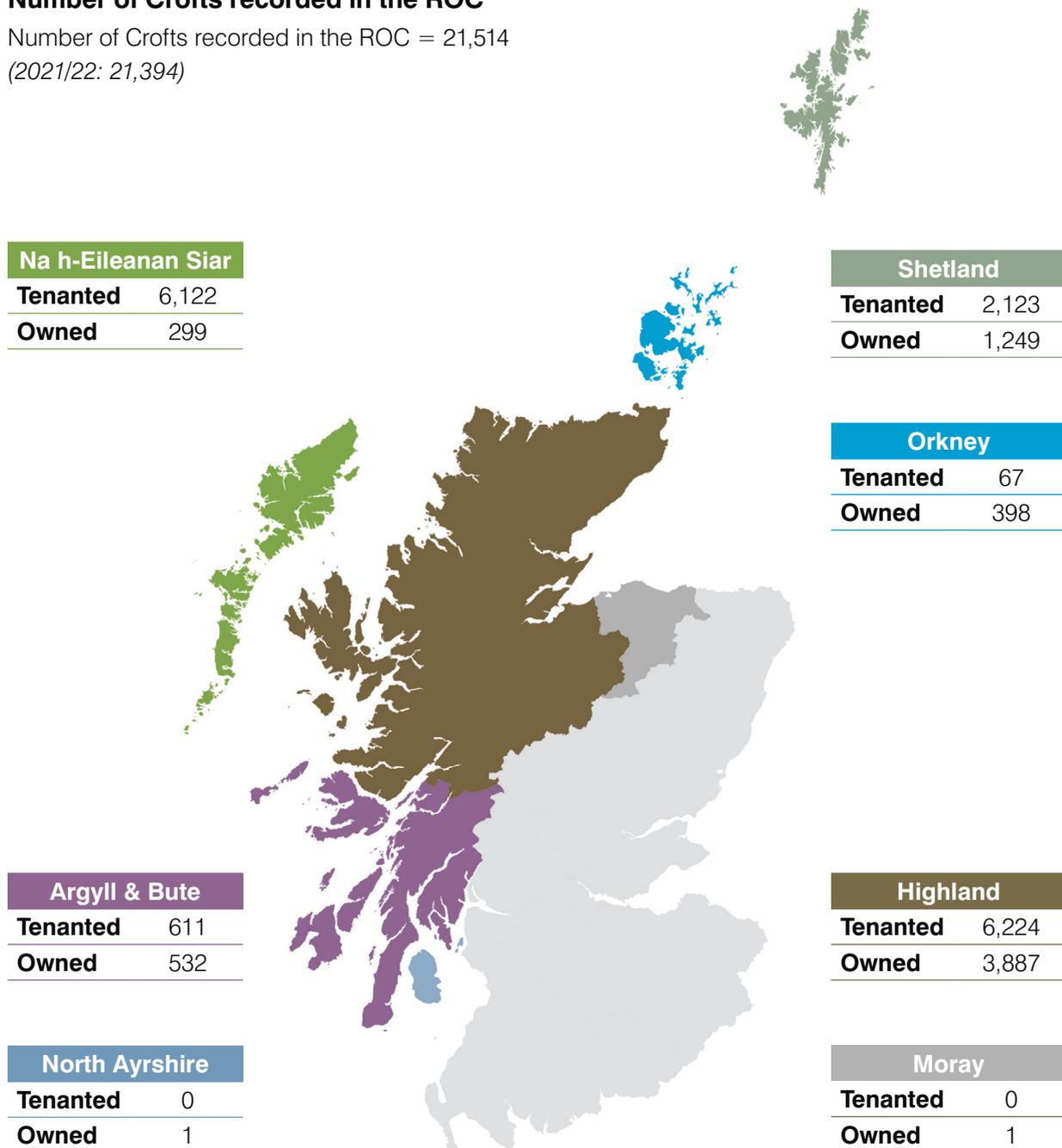
The Commission maintains its own ROC which holds information on the name, location, rent, the extent of each croft, details of the tenant, landlord and any rights held in a common grazings.

We made minor amendments to the ROC as a result of approximately **750** individuals (2021: 1,300) providing us with additional information which was missing or inaccurate as part of their 2022 Census return.

Number of Crofts recorded in the ROC

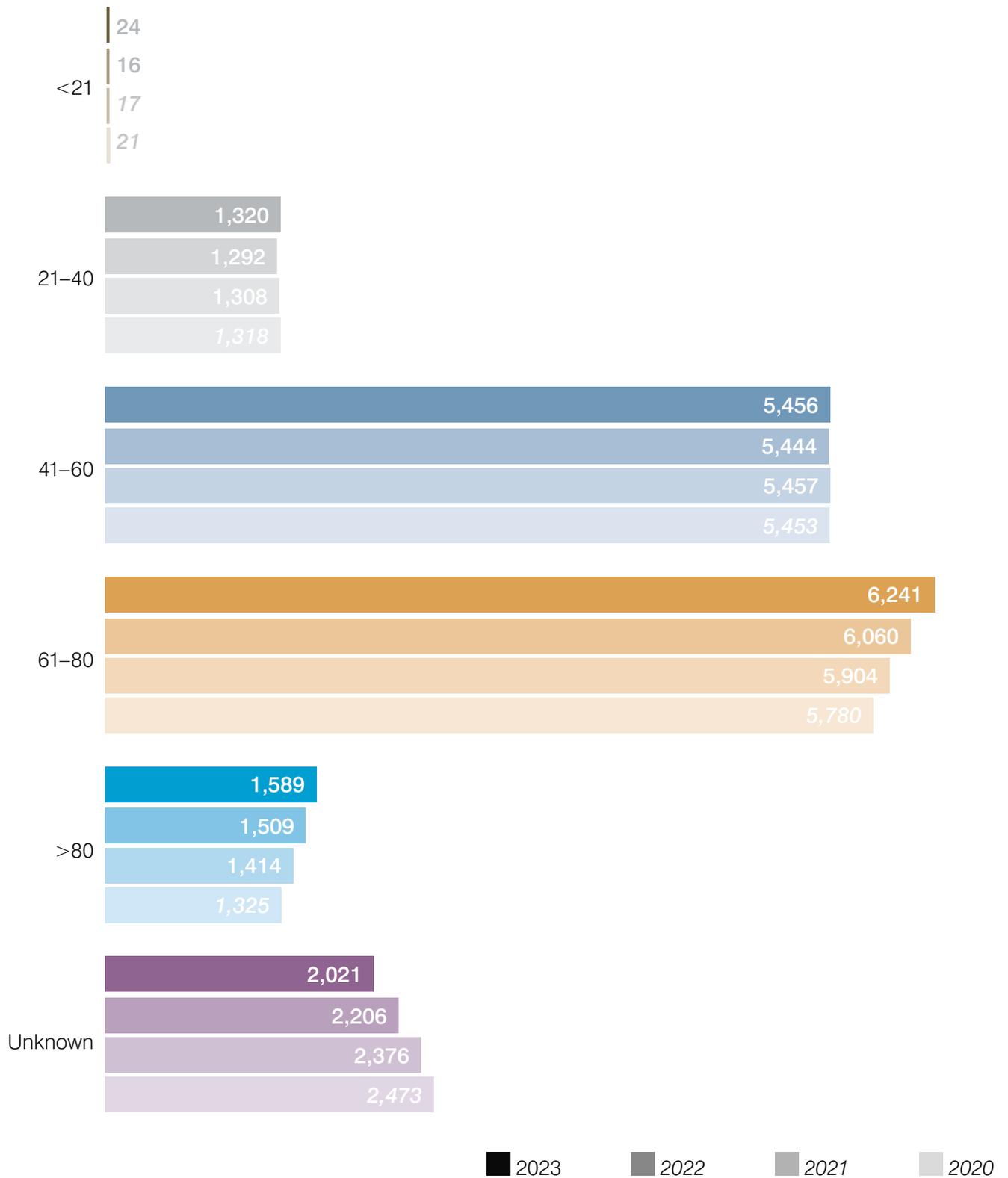
Number of Crofts recorded in the ROC = 21,514

(2021/22: 21,394)



Crofters by age

Number of Crofters recorded in the ROC = 16,651 (2021/22 16,527; 2020/21 16,476; 2019/20 16,370)

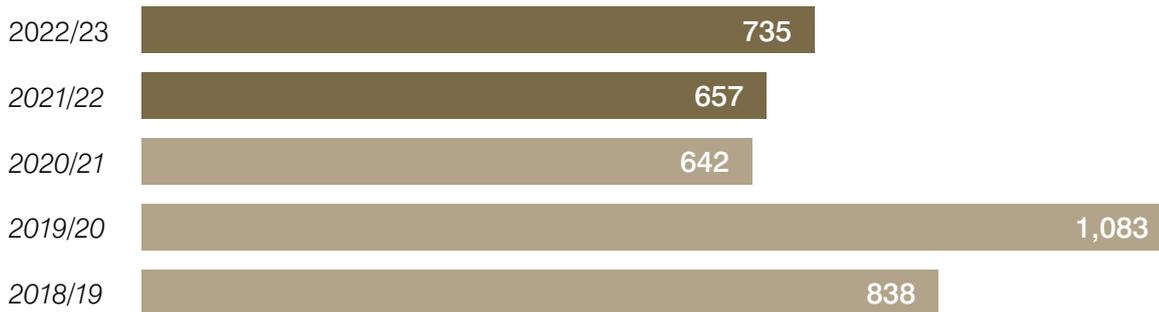


Crofting Register

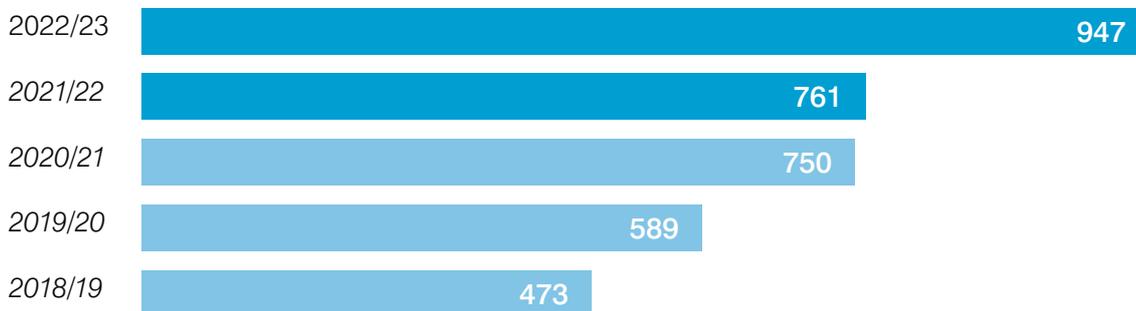
In addition to processing regulatory applications, we also assess the competency of Croft Registration applications for the Keeper of the Registers of Scotland (RoS). An overall total of **8,904** (2021/22: 8,138 crofts) are now entered in the RoS Crofting Register.

Croft Registration applications

First Registrations



Subsequent Event affecting a registered croft



There were also **201** (2021/22: 184) rectifications processed.



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

Crofters Duties

Tenants and Owner-Occupier crofters have a duty to:



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



Not to misuse or neglect the croft



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

Notifications of Suspected Breach of Duties

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

 **3 (2021/22:7) cases of suspected breaches of duty were reported to the Commission over the year. All 3 cases are still being investigated.**

Consent to be Absent Decisions

 **26 (2021/22: 35) applications received.**

21 approved



5 refused



Consent to be Absent – Extension

 **In addition, RALUT processed and approved 3 (2021/22: 3) applications for extensions of consent for absence.**

Crofting Census 2021 – Duties

The Commission commenced engagement with **196** individuals as a result of them either indicating on the 2021 Crofting Census Return to be in breach of one or more of their crofting duties or failing to return their census return.

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

17 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 **17** written to – **1** crofter advised that they misunderstood the Census in that they thought ‘cultivation’ was restricted to ploughing and cropping activity, whereas they are actually cultivating and maintaining their crofts by keeping livestock. **1** other crofter had incorrectly indicated that they were not cultivating the croft.

- **1** crofter resolved their breaches by taking up residence.
- **1** case closed as the crofter is now deceased.

The remaining **13** cases are progressing through the Duties enforcement action.

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

12 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 **12** written to – **2** owner-occupier crofters have, to date, resolved their breaches as follows:

- **1** owner-occupier crofter took up residence
- **1** owner-occupier crofters has transferred ownership of their croft.

In addition to the above:

- **1** owner-occupier crofter has submitted an application for the Commission’s consent to short term let their croft, which is pending decision
- **1** case which was invalid as it became apparent that the owner did not purchase the whole of their croft and therefore did not meet the criteria of being an owner-occupier crofter.

The remaining **8** cases are progressing through the Duties enforcement action.

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

47 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 **47** written to **7** tenants had misunderstood the Census in that they thought they had to be resident on the croft, rather than on, or within 32 kilometres of, the croft and **2** crofters who indicated not to be ordinarily resident were actually found to be within 32 kilometres of the croft as the crow flies.

2 crofters resolved their breach by applying for and receiving Consent to be Absent.

In addition to the above:

- **2** 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 **33** cases are progressing through the Duties enforcement action.

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

49 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 **49** written to – **18** crofters advised that they had incorrectly indicated they were not cultivating the croft. In addition to this, **3** crofters thought that 'cultivation' was restricted to ploughing and cropping activity, of those three, two crofters advised they are cultivating and maintaining their crofts by keeping livestock, and the other crofter is managing the croft as a woodland.

- **1** case closed as the crofter is now deceased.

In addition to the above:

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

The remaining **24** cases are progressing through the Duties enforcement action.

5th Tranche of Census cases (Census non-returners – tenants)

42 individuals were written to, giving them the opportunity to either resolve the breach of their residency duty, 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 **42** written to – **2** crofters resolved their breaches as follows:

- **1** crofter took up residence
- **1** crofter applied for and received 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 decision
- **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 **38** cases are progressing through the Duties enforcement action.

6th Tranche of Census cases (Census non-returners – owner-occupier crofters)

29 individuals were written to, giving them the opportunity to either resolve the breach of their residency duty, 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 **29** written to – **2** owner-occupier crofters resolved their breaches by transferring ownership of their crofts. A further **3** owner-occupier crofters indicated that they spend the majority of the year on, or within 32 kilometres of, the croft and are therefore not in breach of the residency duty.

- **1** case closed as the crofter is now deceased.

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

In addition to the above:

- **1** owner-occupier crofter has submitted an application for the Commission's consent to short term let their croft, which is pending decision.

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

Crofting Census Previous Years

– Duties

In addition to the above six Tranches of work in connection with the 2021 Crofting Census, the following cases (from previous Census Returns of 2017, 2018, 2019 & 2020) were resolved during the period 2022/23:

- **10** crofters resolved their breach by taking up residence on their croft
- **19** 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
- **10** crofters resolved their breach by applying for and receiving Consent to be Absent
- **3** owner-occupier crofters resolved their breach by transferring ownership of their crofts
- **3** owner-occupier crofters resolved their breach by short-term letting their crofts with the consent of the Commission
- **2** owner-occupier crofters resolved their breach by letting the tenancies of their crofts with the consent of the Commission.

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
- **3** cases where crofters renounced the tenancies of their crofts
- **2** cases where the crofters are deceased
- **16** cases where the crofter incorrectly indicated that they were in breach of a duty.

At the end of the reporting year, there were **72** 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:

- **57** section 26C(1) notices of suspected breach of duty – **54** as a result of census returns and **3** following a section 26A reported breach of duty
- **40** section 26C(5) decisions that duties were not being complied with, **37** as a result of census returns and **3** following a section 26A reported breach of duty
- **16** section 26D(1) Notices issued providing the crofters with an opportunity to give an undertaking to comply with their breach of duty, **11** as a result of census returns and **5** following a section 26A reported breach of duty
- **11** decisions made accepting undertakings to comply with the duty under section 26D(5).

Termination Orders

In the course of the year, the Commission were satisfied that it was in the general interest of the crofting community to issue **5** Orders terminating the crofter's tenancy due to a breach of duty. **1**, in Sutherland, was initiated by a report of a suspected breach of duty under section 26A of the 1993 Act and 4 (**2** in Shetland, **1** in Harris and **1** in Skye) were initiated by the crofter indicating on their Crofting Census that they were in breach of one or more of their duties.

In **2** of the **5** cases, prior to termination, the Commission were satisfied it was fair to divide the tenanted crofts under section 26G of the 1993 Act, as in both cases there was a dwelling-house on the croft which had not been decrofted.

Letting of vacant crofts

The Commission approved **4** letting proposals from landlords under section 23(5) of the 1993 Act to let vacant crofts. **1** croft in Lewis, **1** in Harris and **1** in Sutherland were let to new entrants to crofting. **1** other croft in Sutherland was let to an existing crofter.

Unresolved succession

The Commission issued **4** section 11(4) notices proposing to terminate the tenancy of **2** crofts in Skye, **1** croft in Shetland and **1** in Lochalsh, 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: **2** in Skye which resulted in proposals to let to existing crofters being submitted by the landlord and approved by the Commission, **1** in Sutherland which was let to a new entrant to crofting, and **1** in Lochalsh where we are awaiting the landlord's letting proposals.

General Enquiries

During the course of the year RALUT responded to **45** (2021/22: 67) general enquiries.

Crofting Census 2022

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

Requests for Census completion were issued on **19,901** (2021/22: 19,810) Register of Croft entries, consisting of **17,680** (2021/22: 17,656) general crofts and **2,221** (2021/22: 2,154) grazing shares (deemed crofts).

Overall, **11,790** (2021/22: 15,195) submissions were received by the Commission. This is equivalent to a **59.2%** (2021/22: 76.7%) return rate.



Ordinarily Resident on, or within 32km of their Croft:
95% (2021/22: 94%)

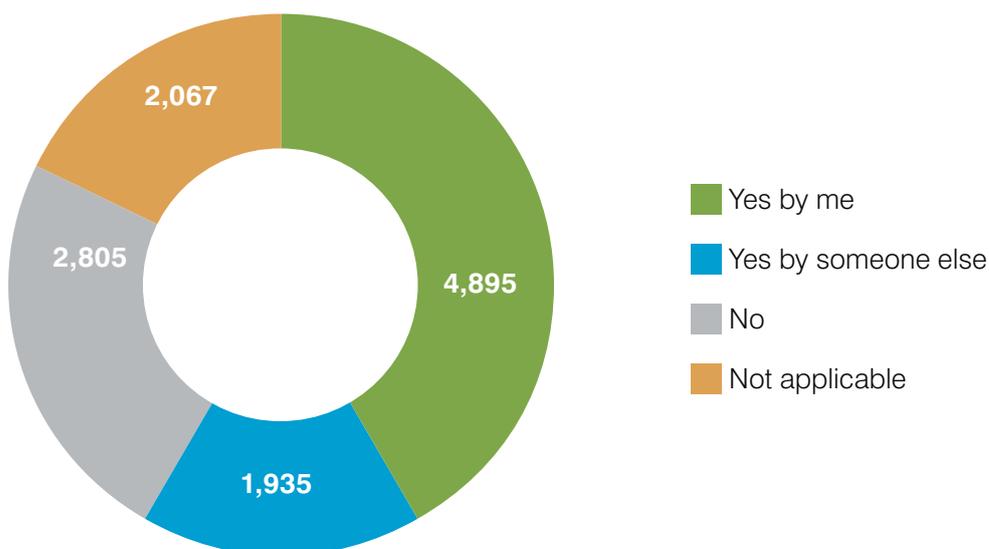


Not Neglected/ Misused:
99% (2021/22: 99%)



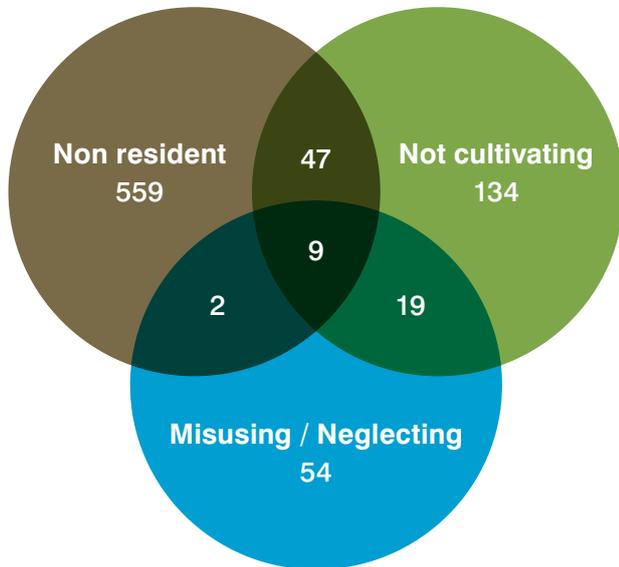
Croft is Cultivated/Maintained/ Put to Purposeful Use:
98% (2021/22: 98%)

Crofters were also asked if they were using their grazing shares. The responses were: 'Yes by Me': 4,895; 'Yes by Someone Else': 1,935 and 'No': 2,805. There were 2,067 who responded, 'Not applicable' (this is where a croft did not have a grazing share).

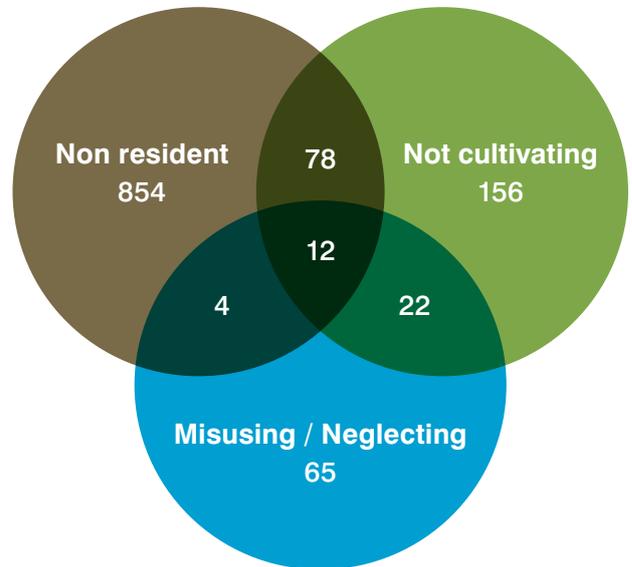


Number of crofters not complying with their Duties as notified to the Commission.
TOTAL: 824 (2021/22: 1,191)

2022 Census Returns



2021 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 unique 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 recognised for the environmental and ecological benefits they provide. There is exciting potential through

the avenues such as peatland restoration, carbon capture, renewable energy, woodland creation, and woodland management to assist in the countering of climate change, enhancing biodiversity, and the production of high quality and secure food production.

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



The appointment of Grazings Committees to represent and act on behalf of the shareholders is a fundamentally important aspect of a common grazings. They provide the mechanism to manage, maintain and improve the common grazings to allow common grazings the potential to deliver all of the potential benefits detailed in the paragraph above.

The number of Grazings Committees in office has been maintained and the Commission will continue to actively promote the appointment of an active grazings committee being in place for all common grazings.

The provision of guidance and training to Committees and crofters in general on both legislative requirements and good practice is also recognised by the Commission as being vitally important to assist Grazings Committees in the carrying out of their role and responsibilities. The Commission has worked jointly with the **Farm Advisory Service** which is part of the Rural Development Program funded by the Scottish Government to provide information and resources aimed at increasing profitability and sustainability of both farm and croft land.

Through this joint working approach, the Commission have delivered **10** workshops throughout the Crofting Counties to **139** attendees who have an interest in their own local common grazings. Many of these workshops have been oversubscribed and so we will endeavour to carry out further workshops in the coming year to meet the demand. Through working with the Farm Advisory Service, we also now provide an online Grazings Clerk Surgery, through the winter months which provides a forum for committee members from different localities to raise and discuss various issues amongst themselves and with the Commission's Policy, Development and Grazings Team.

	2022/23	2021/22	2020/21	2019/20	2018/19
No of Grazings Committees in Office	500	497	500	495	418

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 2022/23 we received **47** complaints (2021/22: 52).



Frontline Resolution	2022/23	2021/22	2020/21	2019/20	2018/19
Upheld	9	23	15	4	16
Partially Upheld	6	4	2	3	-
Not Upheld	6	9	11	17	16
Investigation in Progress	-	2	-	-	-
Escalated	-	-	-	-	23
Totals	21	38	28	24	55

Investigation Stage	2022/23	2021/22	2020/21	2019/20	2018/19
Upheld	6	2	3	2	5
Partially Upheld	10	4	3	6	8
Not Upheld	5	3	4	3	4
Invalid	1	2	1	1	1
Withdrawn	2	1	-	-	-
Investigation in Progress	2	2	-	-	1
Totals	26	14	11	12	19

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

Communications

The Commission's Media Strategy was considered by the Board in May 2022.

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..

Platform	Total Followers March 2023	Total Followers March 2022
	 2,414	 2,192
	 3,540	 3,307
	 634	 554

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 Commission has been working to deliver, together with progress towards delivery of the equality outcomes, can be found on our website.

www.crofting.scotland.gov.uk

Community and charity work

The Commission recognises the benefits that community and charity work by colleagues can bring to the wider community and applauds its staff for their individual efforts.

In August 2022 Commission staff undertook the Great Glen Challenge and raised over £1,000 for **RSABI** to assist crofters and farmers throughout Scotland.



Environmental Matters

The **Scottish Government** is committed to Scotland achieving a 75% cut in greenhouse gas emissions by 2030 and net zero emissions by 2045. As a public body, the Commission must play its part regards contributing towards the achievement of this goal.

During the reporting year the Commission published its '**Climate Emergency Charter**' to record our aspirations regarding what we can do both internally and working externally with partners. Most of the Commission's emissions arise through our office facilities and our travel for business purposes. Beyond our own footprint, our influence extends through our relationships with suppliers and procurement, and of course through our remit and delivery given the scale of land under crofting tenure. Regarding the matter of how the Commission encourages climate- and biodiversity-friendly practices across crofting

is challenging because the levers – such as agricultural subsidies – are not in our hands. But there is a facilitative role the Commission can play, which may grow into something more.

The Policy, Development and Grazings Team have been looking at the subject of peatland restoration on croft land over recent months as this is an emerging sector in land management and is widely recognised as an effective way to capture carbon. It is a complex subject and so the Commission has collated information for those considering peatland restoration projects which is available on our website <http://www.crofting.scotland.gov.uk/peatland-restoration>



Commission staff visiting a Peatland restoration project at Dalchork, near Lairg, to see first-hand how land, which was formerly under forestry use has now been restored to blanket bog by Forestry and Land Scotland via **Peatland ACTION** funding.

It is envisaged that a key focus within the development of our Emergency Climate Plan will concentrate upon our policy work and opportunities for the Commission to influence and work with other parties regards reducing greenhouse gas emissions.

The Commission has sought external expertise to assist with the development of a climate action plan detailing how the Commission can measure its current emissions, put monitoring systems in place to measure future emissions, identify and set targets to how we can achieve zero emissions within an ambitious timeframe. Looking forwards to 2023/24 we anticipate that this will facilitate a plan for greenhouse gas management and reduction projects and ideas in a high-level plan to help assess what emissions reductions might be viable. This will be a key step towards setting any internal interim targets and meeting the overarching Scottish Government goal for net-zero. It will also help to set out the Commission's commitment to transitioning to net-zero and help embed climate action as a priority, as well as how it can be delivered. This aspiration is reflected within our **Corporate Plan 2023-2028**.

Within the reporting year operationally we have reduced our office space requirements by approximately 33%, and continued to develop a policy on hybrid working, in conjunction with Scottish Government guidance. Our latest environmental statistics are captured within our published **Performance Report for 2022/23** with additional detail published within the **Sustainable Scotland Website**.

Financial Performance

The Scottish Government allocated the Commission a budget of £3.900M (£3.250M 2021/22). An allocation of £0.065M (£0.065M 2021/22) 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 2023, the Commission paid 95% (100% in 30 days) of its invoices within these terms (93% 10 days, 100% 30 days in 2021/22).

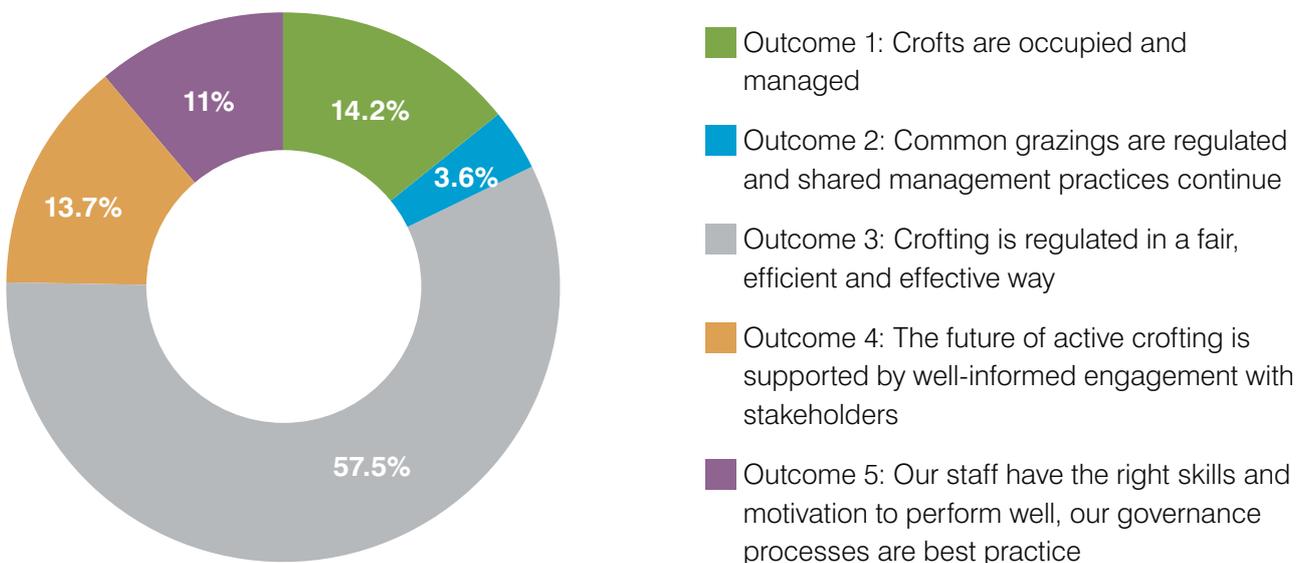
Strategic Outcomes

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, reducing our office space requirements by 33%, combined with further travel cost economies being achieved via hybrid working practices has contributed towards additional efficiency savings. These examples contributed towards the Commission meeting the Scottish Government's target for efficiency savings of 3% on our 2022/23 baseline budget of £3.900M. Overall, we recorded 3.3% or approximately £132,000 of efficiency savings during 2022/23 (4.4%, £146,000 2021/22).

Additional financial analysis is provided within the Accountability Report on page 50.

How we allocated resources in 2022/23

We are funded by the Scottish Government and as a regulatory body approximately 79%* of our overall expenditure was staff related.



*Not including Board Member Remuneration.

Resource Allocation Trend Analysis



Planning Ahead

The Commission has been allocated a 2023/24 resource budget of £4.170M 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 2022/23.

Bill Barron

Bill Barron
 Chief Executive and Accountable Officer
 6 December 2023

Case Studies

Over the course of 2022/23 the Commission has made a positive impact on many remote rural communities across the Crofting Counties. The following are a few examples.

New Entrants following Duties Enforcement action: Uig & Scalpay Island

- **4 Reef** which is a 2018 Crofting Census case where the Commission liaised with the tenant as a result of them indicating on their Census to be in breach of their residency duty, giving them their options for resolving the breach. The tenant applied for and was granted Commission consent to assign the tenancy of the croft to a new entrant.
- **17 Scalpay Island** which is a 2017 Census case where the Commission terminated the tenancy (July 2022) and the landlord then relet the croft (by way of letting proposals) to a new entrant.

Decrofting for affordable housing: Colonsay

The Commission approved an application from Colonsay Community Development Company (CCDC) to decroft part of the vacant croft at **Port Mor, Colonsay**, extending to 0.952 hectares or thereby, to sell to the West Highland Housing Association to build 5 new affordable homes,

The Commission was of the view that the loss of this croft land to the croft and the crofting community was outweighed, in these circumstances, by the wider public interest in decrofting the land for the purpose of providing affordable housing, on the island of Colonsay.

Grazing shares being made available for active crofters: Skye and Sutherland

As a result of long-standing unresolved successions, the Commission terminated the tenancies of the following grazing shares and declared them vacant in terms of Section 11(8) of the Crofters (Scotland) Act 1993:

- 15 Geary (Shares), Duirinish, Skye
- 31 Geary (Shares), Duirinish, Skye
- 166 Stoer (Share), Stoer, Assynt

In all three cases, re-letting proposals were requested from the landlords of the crofts, which were approved, resulting in the tenancies successfully being re-let to active crofters.

In relation to the two Geary crofts, grazings shareholders had voted unanimously to move towards a community trust ownership model. This initiated a community trust working group, who voted unanimously to seek funding to try to develop this. Along with funding from Foundation Scotland, they also secured HIE funding which allowed them to obtain legal advice in relation to the transfer of the above crofts on behalf of all shareholders. Underpinning all of this was the assistance and support from the Commission.

Northeast Highlands & Caithness Crofting Landlord Event

In November 2022 the Commission hosted an event for Crofting Landlords in Northeast Highlands & Caithness. With Brora Gold Club as the venue for the day the 17 Crofting Landlords and Agents present were provided with an overview of the evolution of crofting legislation and the role of the Landlords. This was followed by a discussion on proposed croft law reform and its potential impact.





**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**

Accountability Report 2022/23

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

Corporate Governance Report

Directors' Report

Commissioners during 2022/23

Commissioner	Method of Appointment	Attendance at Board Meetings during 2022/23	Attendance at Audit and Finance Committee Meetings during 2022/23
 Colin Kennedy* ¹	Elected	7/8*	-
 Donald MacDonald* ¹	Elected	7/8*	1/1*
 Duncan Gray* ¹	Elected	8/8*	-
 Iain Maciver* ¹	Elected	8/8*	2/2*
 Mairi Renwick Mackenzie* ¹	Elected	8/8*	1/2*
 Rod Mackenzie* ¹	Elected	8/8*	3/3*
 Andrew Thin* ²	Appointed by Cabinet Secretary	5/5*	2/2*
 David Campbell* ⁶	Appointed by Cabinet Secretary	3/3*	2/2*
 Duncan Macaulay* ²	Appointed by Cabinet Secretary	5/5*	2/2*

Commissioner	Method of Appointment	Attendance at Board Meetings during 2022/23	Attendance at Audit and Finance Committee Meetings during 2022/23
 Malcolm Mathieson ^{*3&4}	Appointed by Cabinet Secretary	8/8*	-
 James Scott ^{*5}	Appointed by Cabinet Secretary	1/3*	-

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

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

2 = 3-year appointment by the Scottish Government from 1 September 2022.

3 = 2-year re-appointment by the Scottish Government from 1 January 2023.

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

5 = Resigned as a Commissioner with effect from 1 September 2022.

6 = Appointment by Cabinet Secretary expired as at close of business 19 August 2022.

The Commission also convened one Strategy Meeting, which was held in private and not minuted on 14 April 2022.

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

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

Executive Team (ET)



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.



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



Aaron Ramsay, Director of Corporate Services –

Responsibility for governance, finance, IT, Board support and liaison with staff.



Chris Reynish, Director of Operations & Policy –

Oversees the key operational teams, covering Crofting Development, Grazings,

and the central Regulation and Registration Team, which responds to casework applications from crofters.

Senior Management Team (SMT)

The creation of the ET during the reporting year places our senior management structure on a par with other Public Bodies of similar size. This will therefore be the final year that SMT salary details are disclosed within the Commission's Remuneration Report on page 62.

More information on the SMT members can be obtained from the Commission's website.

www.crofting.scotland.gov.uk

Financial Performance

Summary of Deficit/(Surplus) for the year	2022/23 £000	2021/22 £000
Total Operating Expenditure	3,781	3,316
Grant-in-Aid Drawn Down	(3,900)	(3,250)
Deficit/(Surplus)	(119)	66
Reconciliation of operational expenditure on an accrual basis to Grant-in-Aid drawn down	2022/23 £000	2021/22 £000
Deficit/(Surplus)	(119)	66
Exclude non-cash:		
Depreciation and Amortisation	(47)	(55)
Working capital adjustments involving:		
Debtors	28	4
Creditors	(73)	29
Movement in provisions	-	-
Investing activities	103	49
Grant-in-Aid drawn down in deficit/(excess) of Cash expenditure	(108)	93

On an income and expenditure accrual basis, the financial outcome for the year on normal business activities reports a surplus of £0.119M (2021/22 Deficit £0.066M). This surplus arises as a result of accounting adjustments, such as depreciation and working capital movements to the financial statements, that do not involve the flow of cash. On a cash accounting basis, the Commission's actual Grant-in-Aid draw down exceeded its cash operating expenditure requirements by £0.108M (2021/22 £0.093M Deficit). This does not represent a cash surplus, as the funding will meet liabilities incurred during 2022/23 that will be presented for payment in the early part of 2023/24.

Total operating expenditure for 2022/23 was £3.781M (2021/22 £3.316M). This expenditure is met solely from Grant-in-Aid. The Commission operated within its Grant-in-Aid allocation for year 2022/23.

Further details of the Commission's employee, Commissioner and operational expenditure to 31 March 2023 are disclosed in note 2 (Page 86) 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 ET and SMT are given in the Remuneration Report (Page 64) and note 1.5 (Page 83) to these accounts.

Non-Audit Fees

The Auditor General for Scotland has appointed Audit Scotland as auditor. Details of the audit fee for the year to 31 March 2023 are disclosed in note 2 (Page 86) to the accounts. Audit Scotland 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 Scottish Public Finance Manual (SPFM). The SPFM is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary, and administrative requirements, emphasises the need for economy, efficiency, and effectiveness, and promotes good practice and high standards of propriety.

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

External Audit: Report on Governance and Transparency (Update)

In Spring 2021 our 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 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 Commission's Board, Audit & Finance Committee (AFC) and Management has taken a proactive approach to implementing the recommendations within our auditor's report and substantial progress was documented within the Commission's subsequent 2022 annual audit. The report can be found here:

The 2021/22 Audit of the Crofting Commission (www.audit-scotland.gov.uk)

The conclusions within the report were welcomed by the Auditor General for Scotland within his Section 22 update to the Scottish Parliament's Public Audit Committee. The report can be found here:

Section 22 Update on the 2021/22 Audit of the Crofting Commission (www.audit-scotland.gov.uk)

It is acknowledged that governance and leadership must remain an area of focus for the Commission to ensure that the improvement captured within the above noted reports is sustained.

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 ET 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, Land Reform and Islands.

More information on the Commissioners can be found on pages 48 to 49.

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:

- Consulted on new elections regulations before the 2027 crofting elections. Wrote to the Cabinet Secretary for Rural Affairs, Land Reform, and Islands regarding the 2022 Crofting Elections and concerns regarding the reduction in the percentage turnout, from around 40% to just below 30%
- Consultation and drafting of the **Crofting Commission Policy Plan** that was subsequently approved by the Cabinet Secretary for Rural Affairs, Land Reform and Islands in December 2022
- Developed a new **Corporate Plan for 2023-2028**, which was approved by the Cabinet Secretary for Rural Affairs, Land Reform and Islands in March 2023
- Closely monitored the beginnings of recovery from the casework backlog, and approved an improvement plan to increase the efficiency of casework throughput

- Championed the roll out of digital applications, and identified actions to be taken to enhance protection against identity fraud for both electronic and paper applications
- Set a strategic framework for the Commission's contribution to net zero and the protection of biodiversity.

During March 2023, 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 Board within its 2023/24 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 2022/23 the Board undertook joint workshop training sessions with the Commission Management which included:

- Meeting with the Executive Director of the Standards Commission for Scotland to review and discuss changes to the **Code of Conduct**.
- The Effective Audit & Risk Committee
- On-Board training programme.

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

www.crofting.scotland.gov.uk

The Board is supported by the Audit & Finance Committee.

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 48 to 49.

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 page 49.

Executive Team

Changes made at SMT level since spring 2019 resulted in a flat top management structure which had a large number of managers reporting directly to the Chief Executive. In 2021, an independent review of the Commission’s workforce noted that the structure was not working well. The lack of a tier between the Chief Executive and team leaders meant that both were very stretched, with governance roles that would normally be carried out by Directors split between them, and consequently an over-reliance on individuals covering several key posts.

In 2022, a new Executive Team was created, with two new ‘C’ band Director posts complementing the existing Chief Executive and Solicitor positions. This has resolved the structural deficiencies noted within recent audit reports. This reporting year has therefore marked a transitional period as the new appointments have become established and taken on various duties previously undertaken by the SMT.

The ET is responsible for dealing with matters that concern the Commission as a whole, including: its organisation; leadership; priorities; culture; governance; management; compliance with legal and other obligations; the management of the relationship with the Board and Committees; risk management; people, premises and use of financial resources.

The ET 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.

More information on the ET can be found on page 49.

Senior Management Team

The SMT meets regularly and supports the Accountable Officer and ET for delivering the statutory functions and strategic aims of the Commission. The SMT consists of the head of each operational area. ET members also attend SMT meetings.

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 ET 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.

An internal audit review of the Commission's risk management framework concluded that it is generally adequately designed for an organisation of the size and complexity of the Commission. The review identified several areas for improvement which, if addressed, would strengthen the Commission's control framework. These recommendations have subsequently been captured and addressed by the ET.

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 2023 can be found on page 12.

The Commission follows the Scottish Government policy on Information Security and has a Senior Information Risk Owner 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 2023 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 ET 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) Quarterly reviews by the AFC of the organisation's Operational and Strategic Risk Registers and by the Board for the Strategic Risk Register and the work of internal audit in assessing effectiveness of risk management arrangements; and
- 6) Letters of assurance from NatureScot and the Scottish Government who provide shared finance and payroll/HR services respectively to the Commission.

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

- We developed an overarching Code of Corporate Governance for the Commission (bringing together its interpretation of its governing legislation, Scottish Government guidance as it applies to the Commission, and the Commission's Framework Document)
- Refreshed our Workforce Plan and Medium-Term Financial Plan
- Revised our Staff Handbook, ensuring it is designed to help new and existing colleagues get the information they need to excel in their roles
- Revised and implemented a training plan for Commissioners, many of whom had newly joined the Board in 2022
- Established a new Executive Team of 4 senior managers, and developed its ways of working
- Monitored the number and duration of outstanding cases on a monthly basis, reporting trends to the Board each month and providing further analysis at each meeting
- The Convener and Chief Executive met bimonthly with the Cabinet Secretary for Rural Affairs, Land Reform and Islands and quarterly with the Scottish Government Sponsor Team
- Applied for reassessment of the grading of our administrative staff, resulting in an upgrade for regulatory caseworkers, in recognition of the responsibility and skill required to do this work.

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.

Development of our Croft Information System (Update)

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

While the CIS is a stable and functioning system an audit undertaken in 2021 identified areas for improvement which needed to be addressed to strengthen the Commission's control framework for the ongoing development of the CIS. As the CIS is of strategic importance to the Commission, the AFC and subsequently the Board considered the audit review recommendations.

A subsequent audit commenced in October 2022 and carried out a follow up review on the same audit criteria identified in 2021 in order to check progress and ensure that corrective actions were being undertaken. This audit identified significant improvement on many of the areas previously identified as risks, however as the Commission had not yet released a subsequent build of the system, a full assurance of the new processes could not be completed. The auditor did however note that the governance documentation and planning suggested that the correct release actions were being followed.

The Commission is set to release the next significant build of the CIS in 2023/24, which is currently completing testing and release readiness checks. After this release the Commission will shift development to a new Agile based methodology, which will adhere to the suite of governance documentation which is now in place.

If the build carries any issues which are identified as having significant potential risks that could manifest as strategic issues, final release approval will be sought from the Board based upon an internal assurance report. This allows the Board to have confidence in future releases, or to seek further assurance either from internal or external sources. Where potential strategic risks are not identified the Commission will follow its governance framework for operational releases.

Trends in Outstanding Casework

Throughout the year, the Commission's top priority was to remedy the backlog of casework applications that had worsened because of key staff losses in 2021. We have made steady progress, but the Commission recognises that turnaround times for applicants have been uncomfortably long throughout the financial year. The total number of outstanding applications awaiting decision continued to grow during the early months of the financial year, peaking in July 2022. After that, it began to decline, though gradually and inconsistently. By the end of 2022, turnaround times for completed cases had also stopped rising, and these began to improve from the start of 2023.

To increase throughput, we have expanded our casework team with the addition of 8 new front-line caseworkers, as recommended by an independent workforce review and with funding from the Scottish Government. A first tranche of additional caseworkers was recruited in Spring 2022 and continued their training throughout the financial year. A further tranche was recruited in Spring 2023, so our capacity continues to increase.

During the year we also took forward a range of other strategies for enhancing throughput of casework, including the development of our system for online applications, proactive management of the staff so that bottlenecks were addressed, streamlining processes where possible within the legislation and, for the longer term, making representations to the Scottish Government about desirable changes to the legislation.

Assurance

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 2022/23.

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 has appointed Audit Scotland as the Commission's external auditor for the five-year period from 1 April 2022.

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 five-year period 2019-2024. An internal audit strategy and plan for 2022/23 was prepared for consideration and approved by the AFC at its meeting on 27 April 2022.

Levels of assurance provided in internal audit report opinions

The following internal audit reviews were undertaken during 2022/23:

Internal audit review	Report classification
Cyber Security – Risk Management and Governance	Moderate/High risk
Risk Management	Moderate/High risk
Complaints Management	Low/Moderate risk
Review of Croft Information System: Follow Up	No classification due to style of report
IT Applications: Project Governance	Low/Moderate risk

The internal audit findings were presented in the individual reports issued during the year to the SMT/ET 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 2022/23 is that:

“In our opinion, the Crofting Commission has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives”.

Significant Governance Issues

Having provided an update on the ‘Report on Governance and Transparency on page 52 and ‘Trends in Outstanding Casework’ on page 57, and the ‘Development of CIS on page 56, no significant governance issues were recorded during 2022/23.

Governance Issues Going Forward

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

Governance Issue	Action Planned
A new Chief Executive and Accountable Officer	Will be appointed by the Scottish Ministers; arrangements will be made for a handover from the outgoing Chief Executive and briefing by the members of the ET/SMT, and other staff.
Digital Applications	The Commission has developed and deployed a digital application system for 50% its Regulatory application types. This system is being extended to all types, with ongoing work during 2023/24 focussing upon accessibility and ease of use.
Hybrid Working	The Commission has adopted a hybrid working policy, which it will continue to develop through enhanced Health and Safety and Wellbeing actions. This will allow the Commission to extend the geographic range where employees are able to work throughout the Highlands and Islands, thereby encouraging employee retention.
Recovery of Trend of outstanding casework	With an expanded team in place, the backlog should be substantially reduced during 2023/24.
Efficiency of regulatory processing	The Commission will continue to develop and implement an improvement plan to maximise the efficiency of casework processing, including streamlining of some internal processes, and encouraging digital applications from crofters, agents and solicitors.
Use of Management information (Effective use of data extracted from the CIS or recorded separately, to inform management actions)	New methods of assessing workflow demands and bottlenecks are being developed. The AFC has approved an Internal Audit Plan for 2023/24 as part of the independent and objective assurance process that supports the 2023/24 Governance Statement. The programme of work includes an internal audit relating to the ‘Use of Management information’.
Development of CIS	The Commission is adopting a new agile development methodology to aid it in delivering updates to its case management system, along with new dedicated roles to support development.
Global Climate Emergency	The Commission will commence actioning the recommendations that were published within its Climate Emergency Charter

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 2022/23, under our hybrid working policy, almost all staff have been working exclusively from home. It has not, therefore, been possible to carry out a clear desk monitoring check. 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 May 2022, 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 2022/23.

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. 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, Land Reform and Islands, terms and the appointment dates can be viewed within the Directors' Report on page 49.

Staff

All permanent and fixed-term 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 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. The Commission has no role in negotiating pay rates for its staff.

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 **<https://civilservicecommission.independent.gov.uk>**

Audited

Board remuneration

Commissioners were due remuneration as follows:

	2022/23 £000	2021/22 £000
Commissioners who held office during 2022/23		
Malcolm Mathieson ¹ (Full year equivalent for Convener)	20-25 (20-25)	15-20 (20-25)
Andrew Thin ²	5-10	-
Colin Kennedy ³	5-10	0-5
Duncan Gray ³	5-10	0-5
Donald MacDonald ³	5-10	0-5
Mairi Renwick Mackenzie ⁴	5-10	5-10
Iain Maciver ⁴	5-10	5-10
David Campbell ⁵	0-5	5-10
Duncan Macaulay ⁶	-	-
James Scott ⁷	0-5	5-10
Rod Mackenzie ⁸ (Full year equivalent)	5-10 (5-10)	5-10 (5-10)

1 = 2-year re-appointment by the Scottish Government from 1 January 2023. Appointed Convener of the Crofting Commission with effect from 9 July 2021.

2 = 3-year appointment by the Scottish Government from 1 September 2022.

3 = Elected to the Crofting Commission on a 5-year term with effect from 18 March 2022.

4 = Re-elected to the Crofting Commission on a 5-year term with effect from 18 March 2022.

5 = Appointment by Cabinet Secretary expired as at close of business 19 August 2022.

6 = 3-year appointment by the Scottish Government from 1 September 2022. Waived remuneration for the duration of time in post.

7 = Resigned as a Commissioner with effect from 1 September 2022.

8 = Resigned as Convener with effect from 21 June 2021 and resigned as a Commissioner with effect from 1 July 2021. Re-elected to the Crofting Commission on a 5-year term 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	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Chief Executive						
Bill Barron	80-85	75-80	(23)	0	55-60	75-80
Executive Team						
David Findlay	75-80	75-80	31	29	110-115	100-105
Aaron Ramsay	50-55	40-45	21	18	70-75	60-65
Chris Reynish ¹	35-40	N/A	9	N/A	45-50	N/A
Senior Management Team						
Jane Thomas ²	20-25	45-50	5	10*	25-30	50-55
Joseph Kerr	45-50	45-50	(2)	6*	45-50	45-50
Heather Mack ³	35-40	30-35	19	14	55-60	45-50
Aart Wessels ⁴	5-10	N/A	2	N/A	5-10	N/A
Anne Williamson ⁵	20-25	N/A	(1)	N/A	40-45	N/A
Neil Macdonald	40-45	35-40	16	29*	55-60	65-70
Finlay Beaton ⁶	40-45	10-15	5	8*	45-50	10-15

1. Chris Reynish joined the Commission from 1 September 2022. His salary banding is calculated from this date. His FYE salary banding was £65k-£70k.

2. Jane Thomas was seconded to the Scottish Government for six months during the reporting year and the Scottish Government covered her salary during the period of secondment. Her FYE salary banding was £45k-£50k.

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

4. Aart Wessels joined the Commission from 16 February 2023. His salary banding is calculated from this date. His FYE salary banding was £40k-£45k.

5. Anne Williamson was temporary promoted to SMT for six months during Jane Thomas's secondment to the Scottish Government. Her salary banding is calculated over this period. Her FYE salary banding was £40k-£45k.

6. Finlay Beaton was promoted to SMT on a temporary basis from 1 January 2022. For 2021/22 his salary banding is calculated from that date. His FYE banding for 2021/22 was £35k-£40k.

* The opening CETV is recalculated at the start of the financial year in the light of the most recent actuarial assumptions so differs slightly from the closing figure in the 2021/22 published accounts. This information is supplied by the Civil Service Pension Scheme.

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

2022/23 £nil (2021/22 £nil).

Bonuses

There were no bonuses within 2022/23 (2021/22: £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 £20,971 and the lowest salary across the Scottish Government as at 31 March 2023 was £22,182. 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. www.livingwage.org.uk

Exit Packages

There were no exit packages within 2022/23 (2021/22 £nil).

Pay multiples

Reporting bodies are required to disclose the relationship between the banded remuneration of the highest paid director (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*.

	2022/23	2021/22
Banded remuneration of highest-paid staff member and actual % change in remuneration from the previous financial year	£80k-£85k (6% increase)	£75k-£80k (0% increase)
Average % change from the previous financial year in respect of the employees of the Commission taken as a whole.*	£38,895 (11% increase)	£34,935 (4% increase)
75th percentile pay ratio of workforce	£34,725 (Ratio 2.4)	£32,287 (Ratio 2.4)
Median pay ratio of workforce	£29,447 (Ratio 2.8)	£29,824 (Ratio 2.6)
25th percentile pay ratio of workforce	£25,713 (Ratio 3.2)	£21,048 (Ratio 3.7)

* The calculation is based upon the total salaries for all employees on an annualised basis, excluding the highest paid director, divided by the WTE 12-month average number of employees (also excluding the highest paid director).

Remuneration is determined by the Scottish Government as referred to on page 60. Minor movement within the ratios between the financial years are primarily attributable to the significant expansion of our staffing and the Commission recruiting staff starting at the entry level within pay grades.

In 2022/23 no (2021/22 £Nil) employees received remuneration in excess of the Chief Executive. Remuneration (including the Chief Executive) ranged from £22,182 to £80,434 (2021/22 £21,045 to £77,340).

Pension Benefits

	Accrued pension at pension age as at 31/03/23 and related lump sum		Real increase in pension and related lump sum at pension age		CETV at 31/03/23	CETV at 31/03/22	Real increase in CETV as funded by employer
	£000 Pension	£000 Lump sum	£000 Pension	£000 Lump sum	£000	£000	£000
Chief Executive							
Bill Barron	40-45	120-125	0	0	962	916	(30)
Other senior staff							
David Findlay	10-15	N/A	0-2.5	N/A	153	126	15
Aaron Ramsay	0-5	N/A	0-2.5	N/A	42	30	9
Chris Reynish ¹	20-25	N/A	0-2.5	N/A	242	223	2
Anne Williamson ¹	20-25	N/A	0-2.5	N/A	405	392	(3)
Aart Wessels ¹	0-5	N/A	0-2.5	N/A	1	0	1
Finlay Beaton	15-20	25-30	0-2.5	0	289	260*	0
Heather Mack	5-10	N/A	0-2.5	N/A	52	40	7
Jane Thomas	15-20	N/A	0-2.5	N/A	309	283*	4
Joseph Kerr	20-25	60-65	0-2.5	0	477	447*	(7)
Neil Macdonald	10-15	20-25	0-2.5	0	236	204	9

¹ Financial Year valuation. A specific calculation from the date of being appointed or leaving the ET/SMT is unavailable.

* The opening CETV is recalculated at the start of the financial year in the light of the most recent actuarial assumptions so differs slightly from the closing figure in the 2021/22 published accounts. This information is supplied by the Civil Service Pension Scheme.

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, 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	Board Members	Others	Total 2022/23	Total 2021/22
	£000	£000	£000	£000	£000
Salaries	1,949	94	-	2,043	1,779
Social security costs	204	3	-	207	166
Other pension costs	527	-	13*	540	461
Temporary staff	-	-	313	313	185
Total	2,680	97	326	3,103	2,591

	2022/23 £000	2021/22 £000
* Pensions paid to former Commissioners under "other pension costs"	13	13

There were no off-payroll arrangements for staff during 2022/23 (£nil 2021/22).

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

	2022/23		2021/22	
	Directly employed staff	Agency	Directly employed staff	Agency
Directly employed: Permanent contract	56.12		50.94	
Directly employed: Fixed Term contract	-		1.42	
Temporary staff contract		6.1		4.5
Total	56.12	6.1	52.36	4.5

Unaudited

Gender Note

	Males 31 March 2023	Females 31 March 2023	Males 31 March 2022	Females 31 March 2022
Commissioners	8	1	8	1
Chief Executive	1	-	1	-
Employees	29	43	28	38

The figures above are the total numbers of staff as at 31 March 2023 (including agency) not full-time equivalents.

Sickness Absence*

	2022/23 Crofting Commission	2021/22 Crofting Commission	2022/23 Scottish Government Comparative	2021/22 Scottish Government Comparative
Average working days lost per member of staff	6.3	7.8	8.1	7.3
Due to short-term absence	3.6	3.1	4.3	3.8
Due to long-term absence (periods of \geq 21 days)	2.7	4.7	3.8	3.5

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

Our overall staff sickness levels have decreased by an average of 1.5 days per person in comparison to the previous year. In addition to the support provided by the Scottish Government Employee Assistance Service, the Commission has been proactive facilitating support for staff in managing their health and wellbeing, with a particular focus upon mental health awareness. An internal Wellbeing Teams channel has been developed with regular updates provided to colleagues.

Staff Turnover

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Average Whole Time Equivalent (WTE) Directly Employed Staff in Post	48.75	46.92	44.95	48.34	50.91	52.36	56.12
Turnover as a % of Average Whole Time Equivalent Directly Employed Staff	16%	13%	13%	10%	2%	23%	2%
Leavers	8	6	6	5	1	12	1

Analysis of Staff Turnover

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	7 Year Trend
Securing Promotion within Scottish Government	3	4	2	3	-	7	1	20 (51%)
Resigned	1	2	4	2	-	-	-	9 (23%)
Contract expired	2	-	-	-	1	-	-	3 (8%)
Retired	1	-	-	-	-	4	-	5 (13%)
Other	1	-	-	-	-	1	-	2 (5%)

31 Leavers (79%) of 7-year trend analysis relates to administrative and junior management posts. 16 (52%) of these leavers left to secure promotion within the Scottish Government or left in order to relocate for family reasons.

2022/23 turnover was low in comparison to 2021/22. A combination of factors are potential contributors, including the steps taken to both expand our staffing, review the grading structure within key Commission operational areas and a recruitment freeze within the Scottish Government. Hybrid working has also provided more flexibility for staff, which has scored well within recent staff surveys, and has enabled the Commission to recruit staff who live across the crofting counties, which has contributed to secure jobs in these communities, some of which are economically vulnerable because of their remoteness.

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, ET 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 ET. The Commission’s Health & Safety Committee has taken the opportunity to undertake a comprehensive review of the Commission’s Health and Safety Management System with an emphasis on remote/hybrid working practices now that the initial risks associated with Covid-19 have become the new normal.

Staff Training

The knowledge requirements for regulatory staff at the Commission are unique and challenging due to the need to understand the legislation, policy and process, in addition to the vast range of croft and crofter scenarios.

An experienced regulatory trainer has delivered one to one online training for new and recent entrants to the Regulatory Team. Supplementary training is also delivered from various sources within and out with the Commission, some of which is generic (health, safety & welfare, GDPR and data management compliance etc), and some of which is specialised dependent upon a colleague’s continued professional development requirements.

In addition, during the year we continued classes online in conversational Gaelic at a Beginner and Intermediate level, which have been regularly attended by several 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 several 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%).

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

Progress will be reviewed by the AFC on a 6-monthly basis.

	2022/23	2021/22	2022/23 Civil Service Benchmark
The Scottish Government People Survey			
Staff Engagement Score	67% (45 responses)	62% (27 responses)	65% (346,957 participants from 102 organisations)

The Trade Union (Facility Time Publication Requirements) Regulations 2017

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

Relevant trade union officials	2022/23	2021/22
Number of employees who were relevant union officials during the relevant period	-	1
Full-time equivalent employee number	-	1.00

Percentage of time spent on facility time	2022/23 (Number of employees)	2021/22 (Number of employees)
0%	-	-
1%-50%	-	1
51%-99%	-	-
100%	-	-

Percentage of pay bill spent on facility time	2022/23 £000	2021/22 £000
Total cost of facility time	-	-
Total pay bill	3,103	2,591
Percentage of total pay bill spent on facility time	-	-

Paid trade union activities	2022/23	2021/22
Time spent on paid trade union activities as a percentage of total paid facility time	-	100%

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 2022/23 there were no losses or special payments within these criteria (2021/22: £nil).

Gifts and Charitable Donations

2022/23 £nil. (2021/22: £nil).

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. (2021/22: £nil).

Bill Barron

Bill Barron
Chief Executive and Accountable Officer
6 December 2023

Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Crofting Commission for the year ended 31 March 2023 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 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 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 2022/23 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

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 22 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I 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 I have performed, I 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, I 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

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my 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

My 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 my 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.

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

- using my understanding of the central government sector to identify that 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 are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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.

The extent to which my 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.

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 my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my 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 my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am 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 parts of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have 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 parts of the Remuneration and Staff Report.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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 my 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 I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Battison

Brian Battison, CA
Senior Audit Manager
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

6 December 2023



**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**

Financial Statements 2022/23

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

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Staff costs	2	3,103	2,591
Depreciation and Amortisation	2,3,4	47	55
Other operating expenditure	2	631	670
Total operating expenditure		3,781	3,316
Net operating expenditure		3,781	3,316

The notes on pages 82 to 90 form an integral part of these accounts.

Statement of Financial Position

as at 31 March 2023

	Note	2023 £000	2022 £000
Non-current assets:			
Information Technology Equipment	3	124	64
Intangible assets (Software)	4	16	20
Total non-current assets		140	84
Current assets			
Trade and other receivables	5	49	21
Cash and cash equivalents	6	231	123
Total current assets		280	144
Total assets		420	228
Current liabilities			
Trade and other payables	7	217	179
Other liabilities	7	121	86
Total current liabilities		338	265
Total assets less current liabilities		82	(37)
Taxpayers' equity			
General fund		82	(37)
Total equity		82	(37)

Bill Barron

Bill Barron
Chief Executive and Accountable Officer
6 December 2023

The Crofting Commission Board authorised these financial statements for issue on 6 December 2023.

The notes on pages 82 to 90 form an integral part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(3,781)	(3,316)
Adjustment for non-cash transactions			
Depreciation and Amortisation	2,3,4	47	55
Movements in working capital			
(Increase)/Decrease in trade and other receivables	5	(28)	(4)
Increase/(Decrease) in trade and other payables	7	73	(29)
Net cash outflow from operating activities		(3,689)	(3,294)
Cash flows from investing activities			
Purchase of information technology equipment	3	(97)	(49)
Purchase of intangible assets	4	(6)	-
Net cash flow from investing activities		(103)	(49)
Total cash outflows		(3,792)	(3,343)
Cash flows from financing activities			
Grant-in-Aid		3,900	3,250
Net Increase/(Decrease) in cash and cash equivalents		108	(93)
Cash & cash equivalents at the beginning of the period		123	216
Cash & cash equivalents at the end of the period		231	123

The notes on pages 82 to 90 form an integral part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2023

	General Fund £000
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)
Balance at 1 April 2022	(37)
Grant-in-Aid	3,900
	3,863
Comprehensive net expenditure for the year	(3,781)
Balance at 31 March 2023	82

The notes on pages 82 to 90 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 91) issued by the Scottish Ministers and the 2022/23 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 was originally 7 years but has been revised to 9 years to reflect the useful life of the Croft Information System software. 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 65 to 66.

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 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- **IFRS 16: Leases.** supersedes IAS 17 Leases and was applied by HM Treasury in the Government 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's existing finance leases continue to be classified as leases. No existing operating leases 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 implementation of this standard does not 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.

- **Amendments to IAS 16:** Property, Plant and Equipment proceeds before intended use.

- **Amendments to IAS 37:** Onerous Contracts, cost of fulfilling a contract.
- **Annual Improvements to IFRS Standards 2018-2020 Cycle.**

b) Standards, amendments and interpretations early adopted this year

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

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

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

- **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 2024.
- **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.
- **Amendment to IFRS 16:** Leases. Applicable for periods beginning on or after 1 January 2024.
- **Amendment to IAS 1:** Classification of debt with covenants. Applicable for periods beginning on or after 1 January 2024. 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.

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 Scottish Land Court 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

	2023 £000	2022 £000
Board Member and Staff Costs		
Salaries	2,043	1,779
Social security costs	207	166
Other pension costs	540	461
Temporary Staff	313	185
Total of staff costs	3,103	2,591
Other operating expenditure		
Accommodation expenses	138	178
Information systems & telecommunications	207	214
Training	37	26
Communication	53	54
Crofting elections	-	58
Regulatory advertising expenses	30	29
Assessors' conference & travel expenses	6	-
Travel & subsistence - staff	18	3
Travel & subsistence - Commissioners	18	7
Legal fees	10	(16)
External Auditor's remuneration	21	25
Internal Auditor's remuneration	24	11
Other running costs	69	81
Total of other operating expenditure	631	670
Non-cash items		
Depreciation	37	33
Amortisation	10	22
Total of Non-cash items	47	55
Overall total	3,781	3,316

3. Information Technology Equipment

£000

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)

Net book value at

31 March 2021	48
31 March 2022	64

Cost

1 April 2022	264
Additions	97
Disposals	(100)
31 March 2023	261

Depreciation

1 April 2022	(200)
Charged in year	(37)
Disposals	100
31 March 2023	(137)

Carrying value at

31 March 2022	64
31 March 2023	124

Asset Financing:

Owned	124
Carrying value as at 31 March 2023	124

4. Intangible assets – Software

£000

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)

Net book value at

31 March 2021	42
31 March 2022	20

Cost

1 April 2022	143
Additions	6
Disposals	-
31 March 2023	149

Amortisation

1 April 2022	(123)
Charged in year	(10)
Disposals	-
31 March 2023	(133)

Carrying value at

31 March 2022	20
31 March 2023	16

Asset Financing:

Owned	16
Carrying value as at 31 March 2023	16

5. Trade receivables, Financial and other assets

Amounts falling due within one year:

	2023 £000	2022 £000
Prepayments	49	21
Total	49	21

6. Cash and cash equivalents

	2023 £000	2022 £000
Balance at 1 April	123	216
Net change in cash & cash equivalents	108	(93)
Balance at 31 March	231	123

The following balances at 31 March were held with the Government Banking Service	231	123
----------------------------------------------------------------------------------	-----	-----

Balance at 31 March	231	123
----------------------------	------------	------------

7. Trade payables and other current liabilities

Amounts falling due within one year:

	2023 £000	2022 £000
Other Taxation and Social Security	121	86
Trade Payables	15	15
Accruals	202	164
Total	338	265

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 £3.900M (2021/22 £3.250M) as disclosed in the Changes in Taxpayers Equity statement on page 81.

The Board, ET and SMT influence the Commission's financial and operating policies. The total remuneration paid to Board Members and ET/SMT Officials is shown within the Remuneration Report (pages 61 to 62). The Board and ET/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 ET/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:

	2023 £000	2022 £000
Bank balance – Registers of Scotland	50	56
Third party funds in transit	29	50
Total monetary assets	79	106

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 Scottish Land Court could award against the Commission expenses incurred by plaintiffs in pursuing legal address through the court. These costs are estimated at £19,150. 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.