



**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**



Crofting Commission

Annual Report & Accounts
2017/18

Crofting Commission Annual Report 2017/18

Laid before the Scottish Parliament in pursuance of Section 2B and Schedule 1, paragraph 19 of the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007 and the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013.

To the Right Honourable Nicola Sturgeon
Her Majesty's First Minister

Dear First Minister

We have the honour to present the sixth Annual Report and Accounts of the Crofting Commission covering the year 2017/18.

Yours sincerely



Rod Mackenzie, Convener



Bill Barron, Chief Executive

SG/2018/122



Crofting Commission
Great Glen House, Leachkin Road, Inverness, IV3 8NW
T:01463 663439

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**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**

Performance Report

A review of the work of the Crofting Commission in 2017/18, including an analysis of our delivery and performance, and our position at the end of the year.

Convener's Foreword

I am pleased to present the Crofting Commission's Annual Report for the financial year of 2017/18. This marks the end of my first full year with the Commission, a busy year, but one which I have thoroughly enjoyed.



Rod Mackenzie

Throughout the last year our new Board of Commissioners, Senior Management, and staff have worked closely to make sure our priorities and objectives for the organisation are clear but yet challenging, but most of all, work to the benefit of crofting and crofters. The primary responsibility of the Commission is to support and inform the crofting system and the crofters that are part of it. It is also important that we support and protect the population of remote rural communities, which crofting has contributed substantially to over the years.

One of our first tasks of the year as a Board was to create and implement a Policy Plan for the organisation looking in particular at the next 5 years. The Plan considers key themes for crofting, such as the availability of croft land and its use, retaining land in crofting tenure and the use of common grazings.

The purpose of the Plan is to inform crofting tenants, owner-occupier crofters, landlords, organisations and agencies how the Crofting Commission will make decisions in line with legislation and also why

crofting must be regulated consistently, to effectively bring benefits to crofting communities.

As an organisation we are making every effort to become more engaged with all our stakeholders. Board Members got out and about over the year attending various agricultural shows and holding a Board meeting in Uist. We also appointed a new panel of 23 Assessors which followed a recruitment drive that included 11 public meetings across the crofting counties where Commissioners and staff met with crofters and other members of the public.

I would also like to take this opportunity to thank our outgoing panel of Assessors for all the time and commitment which they have shown over the years – we wish them all the best for the future.

A significant milestone of the year was the public consultation on The Scottish Government's new Crofting Bill, which sought the views of crofters, and those with an interest, on what changes are needed to crofting legislation to make it fit for the 21st century.



The Commission's response highlighted the importance of enabling crofters and crofting communities to maintain and enhance their contribution to the rural economy; protecting remote communities from threats of decline and depopulation, and reducing the barriers that make it hard for new entrants to get into crofting.

We look forward to working with The Scottish Government on this new legislation and we support the Cabinet Secretary's decision to take a two phased approach to rectifying and improving crofting legislation, with phase one to be made during this Parliamentary Session. The first phase focuses on delivering changes which will result in practical everyday improvements to the lives of crofters and/or streamline procedures that crofters are required to follow. The second is a longer term piece of work to provide solutions to some of the more complex and challenging issues facing crofting, and what that might mean for how legislation is developed in future. The Commission will play a full part in both phases, and will be particularly keen to consider with others what improvements can be made to the law on registration and on common grazings, among other key issues, to create a stable future for crofting.

Looking to the year ahead the Commission will focus on working with The Scottish Government to make sure this new piece of legislation will develop crofting. The Board is also very committed to the

delivery of our communications approaches and are keen to develop new ways in which we can interact with crofters and crofting communities across Scotland. I very much hope that crofting will continue to grow and that in particular the new crofting legislation will help protect and nurture this unique and precious way of life for generations to come.

On behalf of the Board I would like to thank the staff and management of the Commission for all their hard work and dedication over the past year. A multi-talented staff such as we have are an undoubted asset to any organisation.

We are also most grateful to the Cabinet Secretary for the Rural Economy and Connectivity, Fergus Ewing MSP, to other members of The Scottish Parliament and to The Scottish Government for their continued support.

Finally, I would like to thank my fellow Board Members for their own hard work and commitment. It has been a very positive year for the Commission and the strong working relationship of the Board has played a significant part in this.



Rod Mackenzie, Convener



Chief Executive's Overview

2017/18 was once again a positive and productive year for the Crofting Commission. Similar to Rod, this year also marked the first full year since my own permanent appointment to the Crofting Commission.



Throughout this time the Commission has remained focused on providing a good service to crofters, promoting and protecting the interests of crofting, and providing effective regulation to aid continued growth and success throughout the crofting communities. First and foremost, however, we are here to regulate crofting.

In April we carried out a consultation on common grazings regulations and having worked closely with stakeholders, prepared a common grazings regulations template, which has been simplified and revised along the lines of what is required within the Crofters (Scotland) Act 1993. This is now available for grazings committees to adopt if they wish.

In August we launched the Register of Crofts (ROC) Online giving the public direct access to the Register for the first time.

Although having public access to the ROC should prove invaluable to crofters, landlords and solicitors, we must remember the information contained within the Register is only as good as the information we receive from crofters. The return of the census forms this year showed many people informing us they had sold their croft land and therefore no longer had an interest in the croft. However, we had not been previously advised of the change of ownership, despite this being a legal requirement. We therefore continue to promote to those with responsibilities for crofts, the importance of maintaining the correct information of their entry in the ROC.

Towards the end of the year we commissioned a piece of research into how crofting agriculture is currently being supported financially. The research will analyse the current agricultural and



environmental support for crofting and enable the Commission to contribute more informed thinking to the discussions, led by The Scottish Government and its National Council of Rural Advisers, about possible support structures post-Brexit. We are aware of how important agricultural support is for the future of crofting, and believe it is vital that the debate about future support systems takes account of the particular challenges faced by crofters. The findings of this research will be published over the coming months.

Both internal and external communications have been a top priority for the Commission this year. Board Members and Senior Management Team (SMT) have now completed media training and we have invested in the creation of corporate videos which will promote crofting and the functions of the Commission. We appreciate it can sometimes be difficult to effectively communicate with everyone appropriately but through different campaigns such as videos, increased social media presence and our recently renewed Communications Strategy, we hope to enhance this area of our work.

We have been delighted this year to have successfully let 6 vacant croft tenancies to new

entrants, who will ensure they are compliant with the duties upon crofters and croft land. Crofting communities need to continue gaining new entrants, and many people across the sector are rightly focussing on how to enable them to become the successes of the future.

We are having ongoing discussions with landlords to take forward the letting of further crofts which are currently vacant or subject to a long term unresolved succession. While the range of challenges facing crofters is considerable, I am encouraged by the energy and passion of those who have been crofting for many years, and even more by the inspirational new entrants who are just starting out.

The following sections provide a snapshot of just some of the activities undertaken by the Commission over the year, and our full financial information. I would like to take this opportunity myself to thank our staff, Board Members, The Scottish Government and partners for their continued support over the last year and look forward to the coming year.



Bill Barron, Chief Executive



Crofting Commission: Who We Are and What We Do

Our Vision

“A sustainable future for crofting in a modern diverse Scotland.”



Our Remit

The Crofting Commission is a Non-Departmental Public Body, funded by The Scottish Government and for which Scottish Ministers are ultimately responsible. The Commission's general functions, as laid out in Section 1 (2) of the Crofters (Scotland) Act 1993, are:

- Regulating crofting
- Reorganising crofting
- Promoting the interests of crofting
- Keeping under review matters relating to crofting, and
- Such other functions conferred on them by or under this Act or under any other enactment.



Strategic Aims

The Crofting Commission sets out to achieve its purpose through four overarching strategic aims of:

- high-quality regulation of crofting
- promoting the interest of crofting
- constantly review matters relating to crofting in particular under the Crofters (Scotland) Act 1993
- raise awareness of crofting as an economic asset contributing to the Scottish economy



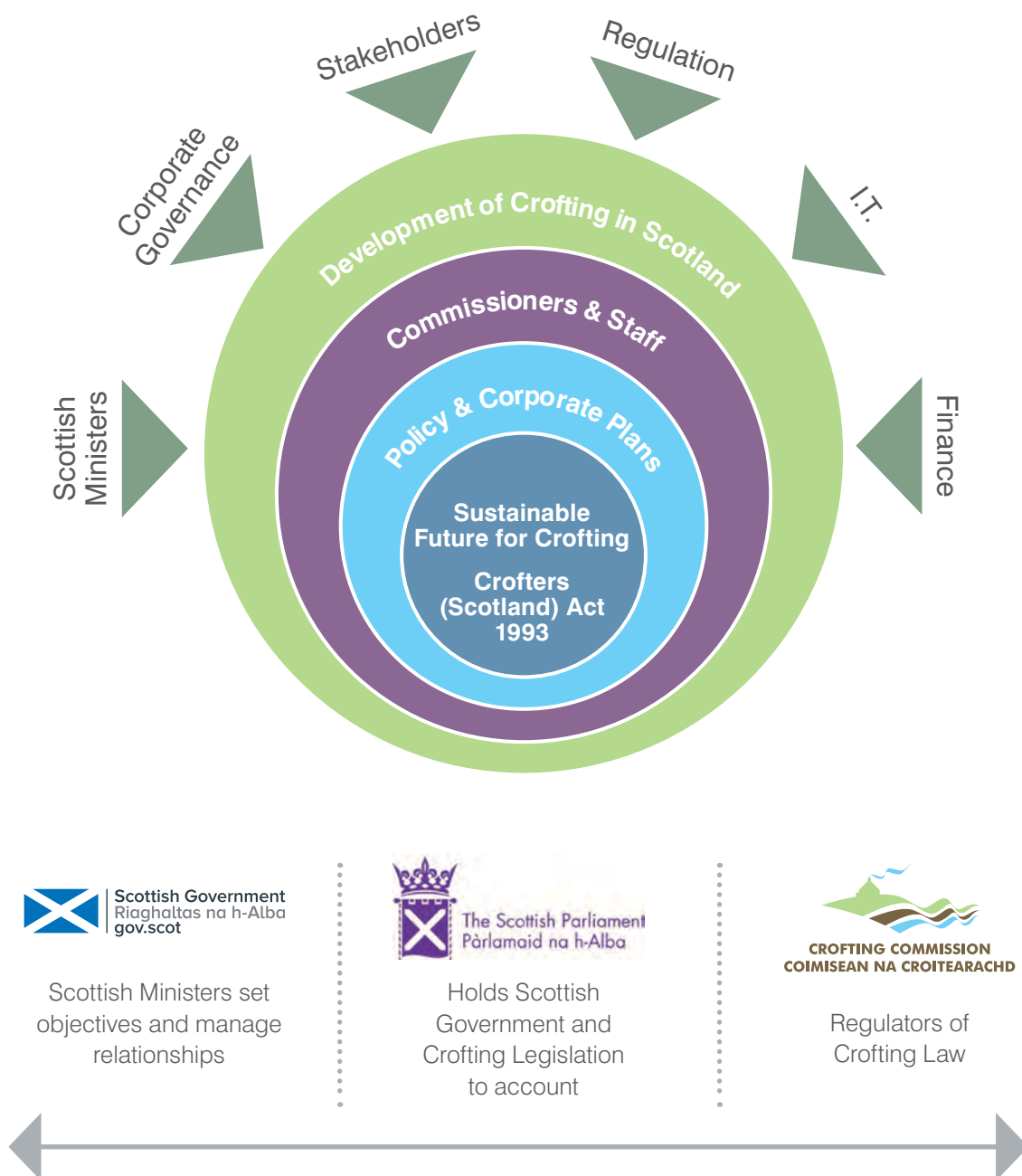
Organisational Values

Our organisational values are an important part of our approach to achieve our goals, setting out how we work with colleagues and partners. These are:

- We have a passion for our work
- We care about our communities and our environment
- We actively promote teamwork
- We are committed to improving quality and doing things better
- We are committed to continuous learning, education and innovation

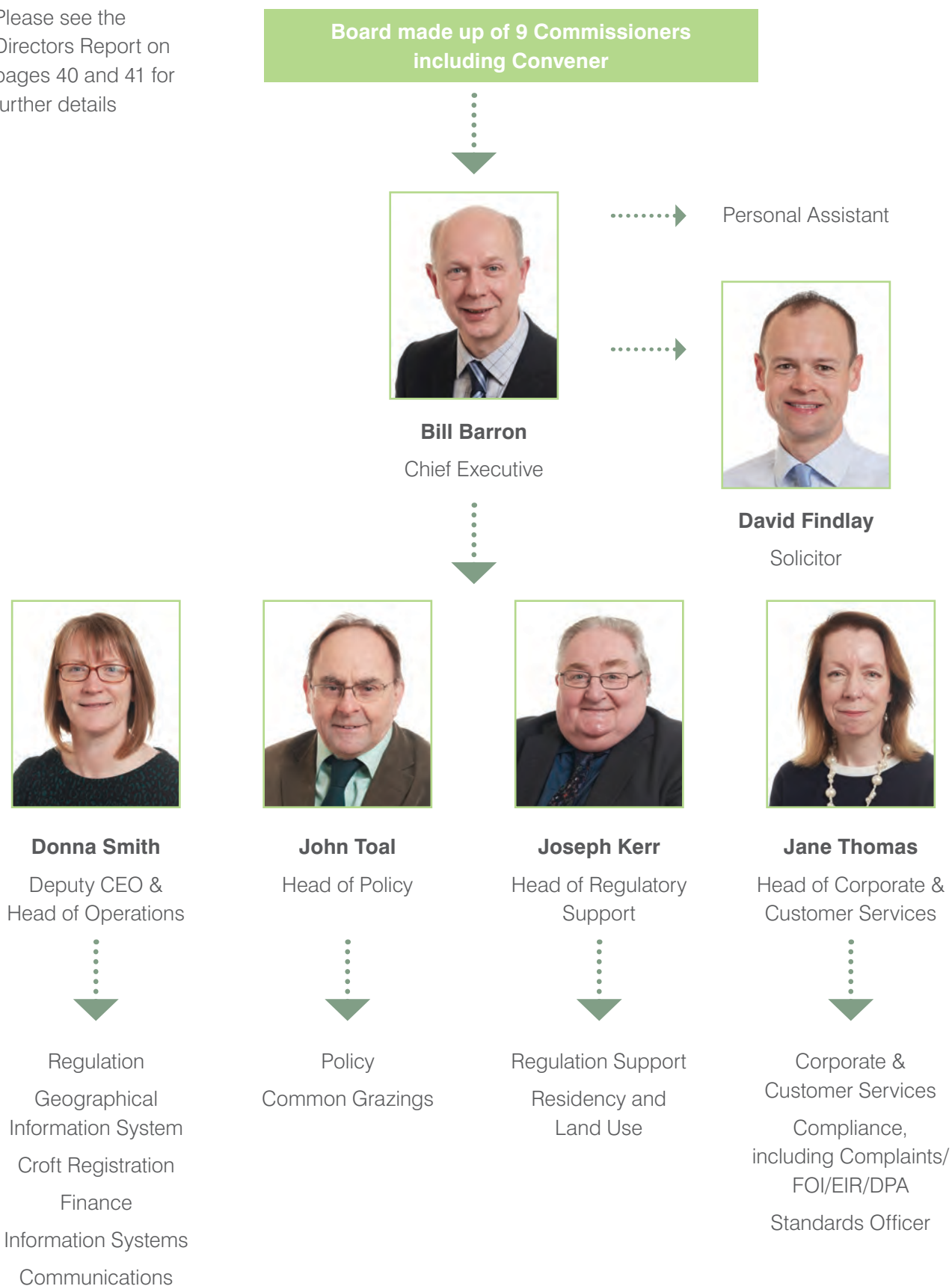
Business Model

The Crofting Commission's principal function is regulating crofting, re-organising crofting, promoting the interests of crofting, keeping under review matters relating to crofting and other such functions conferred on them by or under the Crofting (Scotland) Act 1993. The following shows a plan for the successful operation of the Commission and the elements that effect the main functions of the organisation.



Organisational Structure

Please see the Directors Report on pages 40 and 41 for further details



Objectives and Strategies

The Crofting Commission's Corporate Plan and outcomes are aligned to help bring about delivery of The Scottish Government's National Outcomes contained in Scotland's Economic Strategy. We currently contribute towards 5 of these outcomes which are outlined in the table below. The objectives in the Corporate Plan are aligned to National Outcomes. These enable the Commission to control and manage performance, enabling the objectives of the organisation to be achieved while also forming an integral part of the business planning. A copy of the full Corporate Plan can be found on our website www.crofting.scotland.gov.uk/about-us

(Note: in 2018 The Scottish Government revised the National Outcomes, but this report refers to the pre-2018 National Outcomes)

National Outcomes	How we contribute
We live in well designed, sustainable places where we are able to access the amenities and services that we need	We recognise the potential that lies within underused crofts and common grazings and we believe that by ensuring crofts are well managed and maintained we can facilitate development in this area. Through our decision making processes, we can enable an increase in productive use of croft land for a diverse range of activities.
We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others	We understand that crofts without a resident crofter or crofter family can have far-reaching impacts for many communities. Through the use of information from the Crofting Census we will take practical action on residency and make a contribution to maintaining sustainable communities. In addition, we will work with communities to help them understand the value of croft land as an asset and encourage the creation of more grazings committees to help facilitate the land's potential through better management of shared assets.
We value and enjoy our built or natural environment and protect it for future generations	We acknowledge the detrimental impact that unworked crofts have on the well-being and productiveness of crofting communities and the land they occupy. By working with crofters to ensure they are fulfilling their duties in relation to cultivating and maintaining the land and working to increase the number of grazings committees in office, we can contribute to better land management across the crofting counties.
We reduce the local and global environmental impact of our consumption and production	We recognise the potential croft land has in supporting local food and drink production, and also within common grazings to support renewable energy and carbon production, and we will be mindful of this through our decision making, enabling use of crofting assets to support these industries. Within the organisation, we will ensure that our working practices are mindful of our carbon footprint and energy consumption and will endeavour to reduce this.
Our public services are high quality, efficient and responsive to local people's needs	By providing evidence based information to Scottish Ministers and by working with other crofting stakeholders, the Commission has a vital role in ensuring that the crofting legislation and policies are fit for purpose both now and in the future. Further, by ensuring that our workforce are high performing and that the organisation operates in a straightforward and transparent way through process review and change, we can deliver significant improvements in service to the people of Scotland.

Key Issues and Risks That We Face

Our success as a Public Body depends on the ability to effectively regulate and support crofters and crofting. As a result, risk management is extremely important to the Crofting Commission and we put risk and opportunity assessment at the forefront of our strategic planning.

The Commission maintains a corporate risk register which identifies the critical risks from across the organisation, with the focus upon the mitigating actions required to reduce the threat of these risks occurring and their impact upon the Crofting Commission's operational and reputational performance.

The table opposite shows the key risks currently regarded as most significant to the Commission's performance.

Our activities are subject to a variety of risks and uncertainties.



Corporate Plan Outcome	Risk Description	Action Planned
Our workforce has the right skills and motivation to perform well, our governance processes are best practice.	RECORDS MANAGEMENT: Failure to agree processes or commit adequate resources to Public Records Act, resulting in legal sanctions and loss of Scottish Government confidence/support. Insufficient budget to deliver this. Insufficient staff resources to carry out tasks.	Complete Action Plan for delivery, train staff and agree all retention/destruction schedules. Recruit temporary experienced staff. Risk remains of actions lagging behind timeline for completion.
Crofting is regulated in a fair, efficient and effective way.	CYBER SECURITY: The UK Government assesses that the number and severity of cyber incidents affecting public and private and third sector organisations will continue to increase. These threats come from a variety of sources, including hostile state actors, cyber criminals, political activists and others. Failure to address this threat leaves Commission systems, information and operations vulnerable to disruption.	Achieve the required accreditation for basic cyber security practices in line with government timescales. Continue to work to apply best practice going forward.
Crofting is regulated in a fair, efficient and effective way.	REGULATORY CASEWORK: Risk that casework demands exceed expectation in number or complexity; Risk that some problematic cases will damage the Commission's reputation	Review and prioritise outstanding workflows with a view to having all regulatory processes on the Crofting Information System. Short term working group established reviewing the decrofting process to identify further opportunities for delegation and to review current parameters for currently devolved functions.
Common grazings are regulated and shared management practices are the norm.	GRAZINGS REGISTRATION: Commission is unable to meet stakeholders' and crofters' expectations, for the number of maps of grazings produced and registered due to competing pressures.	Continue to consider whether recommendations on legislative change could help in this area and feed this into new Crofting Bill process. Consider how best to use future resources to ensure continuing progress is made.

Further information on the Commission's Risk and Control Framework can be reviewed within our Governance Statement on page 44.

Going Concern and Financial Summary

The Crofting Commission has once more received a positive external audit report along with substantial assurance provided in a number of internal audits throughout the year. These provide continued assurance that the annual accounts provide an accurate reflection of the Commission's financial position. The accounts were prepared under the Accounts Direction issued by The Scottish Ministers detailed on page 75. They were prepared on a going concern basis, which means the Crofting Commission Board and Accountable Officer have considered the budget and associated Grant-in-Aid allocation for 2018/19 and consider that there are adequate resources to continue in operational existence for the foreseeable future. In 2017/18 the Crofting Commission operated within its budget allocated by The Scottish Government. Further detail on financial performance is provided within our Performance Analysis on page 36.



Performance Indicators

Each of the following high level performance indicators from our Corporate Plan are delivered through actions within our Business Plan. The table below shows a summary of the results pertaining to each point.

High Level Performance Indicators	Objective	Overall Success
Number of occupied crofts	Increase	The number of crofters, resident on or within 32km of their croft, rose from 85% in 2016/17 to 87% in 2017/18*
Number of actively managed crofts	Increase	Actively managed crofts rose from 82% in 2016/17 to 90% in 2017/18*
Number of regulated grazings with committee in office	Increase	The number of regulated grazings with committees in office fell from 521 in 2016/17 to 463 in 2017/18
Number of common grazings registered on Crofting Register	Increase	The number of common grazings registered on the Crofting Register remained static at 333
Regulatory application turnaround times (for crofts not requiring registration)	Decrease	The average turnaround time of regulatory applications has decreased from 20.5 weeks in 2016/17 to 12.3 weeks in 2017/18
Customer satisfaction rates	Increase	No measure as yet
Staff engagement rating	Increase	Staff engagement rating has risen from 46.24% in June 2017 to 53.38% in March 2018
Corporate carbon emissions	Decrease	The corporate carbon emissions generated by the Commission fell from 20 tCO ₂ e to 12 tCO ₂ e.

* (based on Crofting Census returns)

Notes:

The substantial reduction in turnaround times results from the Delegated Decision Making whereby straightforward and non-contested applications are decided by staff rather than Commissioners. The figures relate to applications which did not require croft registration. Applications which are complex or contested will take considerably longer.

The reduction in carbon emissions result from a reduction in travel in 2017/18. The figure is likely to rise in future as appropriate travel is important for the Commission

Key



Achieved



Partially Achieved



Not Achieved

Our Business Plan for 2018/19 contains a full look back on all our performance targets for 2017/18. Full details can be found on our website www.crofting.scotland.gov.uk/about-us

Performance Summary 2017/18

For the year 2017/18 the Crofting Commission measured its performance against the strategic objectives given in the 2017/2022 Corporate Plan, using 8 Key Performance Indicators which are mainly qualitative. They have been carefully chosen to reflect the outcomes that matter most to the organisation and its stakeholders and cover all the major areas of the Commission's remit.

Strategic Objectives

OBJECTIVE 1: Deliver results for crofting

Croft occupancy	We engaged proactively with landlords to identify vacant crofts, unresolved succession cases and crofts where the crofter is not resident. Working together, we are seeking to identify crofts that can either be let by the landlord, or the Commission and starting the process of addressing breach of duties where required.
Grazings regulation	We launched a revised template for grazings regulation in November 2017 after working with stakeholders to clarify the role and remit of both the grazing committees and the regulations themselves.

OBJECTIVE 2: Continue our process improvement

Management information	We started developing reports from our core business system that will help us understand better turnaround times for applications and how croft registration in particular impacts these.
Records management	We continued to develop our Corporate Retention policies.
Delegated decision making	We continued our rollout of delegated decision making, allowing decisions on a broader range of functions to be taken by casework officers rather than Commissioners where the case is straightforward and falls within defined parameters.

OBJECTIVE 3: Improve our evidence base

Vision for crofting	We continued working with the Crofting Stakeholder Forum on the production of a Vision for Crofting paper which will be used to inform Scottish Government. The paper has now been completed and sent to The Scottish Government for consideration.
Crofting census	We conducted a consolidated analysis of the first 3 years of results from the Crofting Census which is now being used to identify potential work on residency & land use.

OBJECTIVE 4: Improve our customer service provision

Register of Crofts Online	We launched the online version of the ROC in August, providing the facility for any member of the public to search and view the information held and also print off a copy entry if required.
Online applications	We did some early exploratory work investigating the provision of an online application facility, working with other public bodies going through a similar journey to understand the potential roadmap to introducing this change.

OBJECTIVE 5: Improve our working environment

Learning & development	We delivered a comprehensive induction training programme to our new Commissioners to help enable them to conduct their role.
Staff satisfaction	We gathered feedback from our staff survey to look at how we can introduce improved ways of working and we held a staff wellbeing day to promote healthy body and mind.



Performance Analysis

Our Corporate Plan for 2017 – 2022 sets out the areas in which the Crofting Commission will focus its work for a 5-year period. As well as being committed to continual improvements in our processing and handling of regulatory and registration business, we will also look to the further strengthening of our corporate governance.

We aim to:

- Work proactively with crofting communities to ensure that crofts are lived on and managed appropriately.
- Work with our stakeholders to develop best practice guidelines for the management of common grazings.
- Contribute towards The Scottish Government's digital agenda by introducing online provision of our services for the benefit of crofters.

We currently have 6 outcomes within our Corporate Plan, which will support the Commission's aspirations over the coming years and enable the continued support of the unique system of crofting and the people and communities that it defines. In order to deliver these corporate outcomes, the Commission's 2017/18 Business Plan identifies 6 key Business Objectives for the coming years and explains how we will measure success against the Corporate Outcomes.



Operational Performance for 2017/18

Corporate Plan Outcome 1: Crofts are occupied and managed

Business Plan Objective 1: Deliver results for crofting

Business Plan Objective	How we are doing?
Engage with first private Landlords	 We have started to work with crofting landlords to identify and deal with issues relating to vacant crofts under section 23 of the Crofters (Scotland) Act 1993 ("the 1993 Act"), unresolved successions under section 11 of the 1993 Act and Breach of Duties under sections 26A to 26L of the 1993 Act.
Conclude consultation on new Grazings Regulations template	 This has now been completed.
Implement new Grazings Regulations template and guidance	 The template regulations were uploaded to the Commission's website in November while work continues on the guidance.
Improve occupancy & residency on crofts with each private estate who engages in work with the Commission	 We have worked in particular with South Uist Estates, Ardfin Estate, Jura, Corpach & Banavie and Fearann Eilean Iarmain, Isle of Skye with the aim to improve occupancy & residency on the crofts in these areas.
A reduction in the time taken to let a vacant croft where Commission has terminated the tenancy	 The Commission held meetings in the crofting communities where 6 different crofters obtained crofts through a selection procedure. 2 crofts were let in Lewis, 1 in Barra, 1 in Bernera, 1 in Sanna, Argyll and 1 in Highland mainland.
Reduce the number of vacant crofts on Scottish Ministers Estates	 Following a Commission meeting with officials from The Scottish Government Rural Payments and Inspections Directorate (SGRPID), 1 vacant croft has been let, 3 long-term outstanding successions have been resolved and there was 1 case where the Commission are in the process of terminating a tenancy due to a failure of statutory succession.

Key



Achieved







Partially Achieved



Not Achieved





Corporate Plan Outcome 2: Common grazings are regulated and shared management practices are the norm

Business Plan Objective 2: Continue our process improvement

Business Plan Objective	How we are doing?
Begin implementation of Corporate retention policies	 This was not achieved due to resource constraints but will progress in 2018/19.
Implement new Delegated Decision structure	 We continued our implementation of the delegated decision making by including further functions with the vast majority of straightforward approvals now delegated to staff. We also changed our decision making process so that no decisions are taken by a single Commissioner but instead, decisions on complex cases are considered by a group of 3 Commissioners or the full Board when necessary.
Complete review of Decrofting Part & Whole croft, 50B Applications and Enforcement of Duties Process	 A short term working group was established, and meeting held to review decrofting. We reviewed all the related decrofting application forms and guidance notes. A training session was held in September with Commission Regulatory and SGRPID staff which focussed on apportionment and decrofting.
A reduction in turnaround times for croft first registration	 The average for all our cases concluded in 2017/18 was 13.7 weeks, which included several legacy cases submitted in 2016. Looking at cases that were received by the Commission during 2017/18, the average was 10.8 weeks which was within our target.
A reduction in our storage of paper files	 A total of 725 files were destroyed during the year, which equates to 2.5%.
A reduction in our consumption of consumables through increased use of digital communication	 We saw a 20% reduction on mail costs throughout the year.

Corporate Plan Outcome 3: Crofting is regulated in a fair, efficient and effective way

Business Plan Objective 3: Improve our evidence base

Business Plan Objective	How we are doing?
Complete analysis of Assessors Report	 Assessors were issued with a survey which was completed and returned to the Commission.
Produce Consolidated Paper for Crofting Stakeholder Forum	 A final draft of the paper was issued to the Members in March 2018.
Complete 3 year analysis of Crofting Census	 The results of the 3-year analysis was completed.
Issue annual Crofting Census	 This was completed in January 2018.

Corporate Plan Outcome 4: We work with stakeholders to inform and support the future of active crofting

Business Plan Objective 4: Improve our customer service provision

Business Plan Objective	How we are doing?
Launch the Register of Crofts Online	 The ROC Online was launched on 28 August 2017.
Launch Customer Feedback Service	 This was not achieved due to resource constraints.
Approval of Implementation Plan for Online Applications	 We are currently exploring the option of a shared-service with SEPA and SNH to progress this.
A reduction in the number of general enquiries	 The total number of general enquiries received during 2017/18 was 3,387, representing a 17.5% reduction over the number of enquiries in 2016/17.
Maintain the proportion of Freedom of Information requests processed within statutory timescale	 The total number of FOI/EIR and DPA requests for the year was 65 and there was 1 late response, meaning the percentage processed within the statutory timescales was 98%, target therefore achieved.
An increase in the proportion of complaints made to the Commission that are not upheld	 We have received a total of 14 stage 2 complaints during the year, of which 5 were not upheld, 5 were upheld, 1 was partially upheld and 3 were invalid. This means the current percentage not upheld/partially upheld is 65%, however, overall numbers are low. The 5 that were upheld have all been considered for lessons learned and to identify any improvements that could be made.
An increase in the proportion of Freedom of Information Reviews which uphold the original decision	 Only 1 Review completed in Q1 and additional information was released. There was only 1 Review requested in Q3 and Q4 which upheld the original decision so our overall performance is at 75%, however, the numbers are so low that this does not necessarily reflect any firm position
An increase in the proportion of complaint appeals to the SPSO which are not upheld	 There was 1 appeal to SPSO in November 2017. This was not upheld. A further request was made to SPSO by the complainant and on Review, the Ombudsman maintained the previous decision and did not uphold the complaint.

Key



Achieved



Partially Achieved



Not Achieved


Corporate Plan Outcome 5: Our workforce have the right skills and motivation to perform well, our governance processes are best practice

Business Plan Objective 5: Improve our working environment

Business Plan Objective	How we are doing?
Launch enhanced Training Liaison Officer role	 A new officer is now in place and has been communicated to staff.
Board induction process	 Comprehensive induction packs were produced for the induction of new Commissioners, this was accompanied by relevant training.
Publish latest staff survey results	 The results of the staff survey were published on the Commission's intranet.
Staff Away Day	 The Commission held a staff wellbeing day which was well received.
An increase in our staff satisfaction level	 Through our staff survey, staff satisfaction is measured using particular questions that are asked. Our most recent survey showed that staff satisfaction had increased by 7.14%.

Corporate Plan Outcome 6: We reduce our impact on the environment

Business Plan Objective 6: reduce our impact on the environment

Business Plan Objective	How we are doing?
A reduction in our CO2 emissions from travel	 Travel costs for Commissioners and staff had remained largely in line with 2016/17 but there has been increased staff travel, due to valid business reasons. Our Climate Change Report from November 2017 did reflect a significant drop in Co2 emissions over the previous report of 33%, but the increased travel this year may impact on our next return.

Key



Achieved



Partially Achieved



Not Achieved



Case study: New Entrants to crofting

The tenancies of croft 113 Plocaig in Argyll and 24 Gravir, Isle of Lewis were among the croft tenancies which were terminated by the Commission, due to the tenants not complying with their duty to be resident on, or within 32 kilometres of the croft, and the landlords failing to let the crofts within the necessary timescale.

These croft tenancies were advertised locally and interested parties invited to submit an application to the Crofting Commission for consideration. The applications were then assessed and scored, with all those who were successful going forward to be chosen 'blind' by a Commissioner.

The successful new entrant of croft 113 Plocaig was Katie Cameron, who is now the registered tenant of the croft.

The successful new entrant for croft 24 Gravir was Dennis McGonnell who is also now the registered tenant of the croft.

Dennis said, "I was delighted to be selected as the new tenant



Commissioner, Billy Neilson congratulates Katie Cameron

for the croft 24 Gravir. I have lived on Lewis for 12 years and was always very eager to get into crofting especially working

with animals. My plans for the croft include getting some pigs to deal with all the ferns and overgrowth, before reseeding and then letting some rare sheep graze happily, once I've fenced the boundary. I'm looking forward to getting started."



Commissioner, Iain MacIver congratulates Dennis McGonnell

“I have lived on Lewis for 12 years and was always very eager to get into crofting especially working with animals.”

Fair, Efficient and Effective Regulator

The principal function of the Crofting Commission is to regulate crofting both fairly and reasonably in a manner that is fully compliant with crofting legislation. As a result, the majority of the work undertaken by the Crofting Commission is processing regulatory applications and recording notifications.

Application/Notification Type	Received	Approved	Refused	Invalid	Withdrawn
Apportionment	55	17	0	7	5
Assignment	361	236	0	35	8
Bequest (notifications)	113	98	0	6	0
Consent to be absent	30	9	7	9	0
Decrofting – House Site & Garden Ground	153	116	0	15	3
Decrofting – Part Croft	311	206	3	33	5
Decrofting – Whole Croft	16	8	8	3	0
Division	49	34	0	6	5
Intestate Succession (notifications)	95	63	0	7	1
Letting	69	48	0	4	1
New Croft created*	10	11	0	2	2
Short Term Lease	19	9	0	3	0
Sublet	85	70	1	2	6
TOTALS	1,366	925	21	132	36
TOTALS FOR 2016/17	1,297	891	8		

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

The number of applications received will differ from the number of applications decided due to applications which were carried over from 2017 and those which will be carried over to 2018.

Throughout the course of the year the Commission conducted **3 Hearings** into regulatory applications over the year and dealt with over **3,000 general enquiries** on crofts and common grazings matters.



Delegated Decision Making (DDM)

The Commission agreed to move to a model of delegated decision making 2 years ago, with officers able to approve straight forward cases that meet all the legislative and policy requirements, escalating cases to a higher level when they do not meet this criteria. Over half of the applications received were handled under the **DDM** process. The following table shows the different levels of decision making used by the Commission and the number of cases that were considered at each level.

Levels of Decision Making	Number of Cases
Tier 1 (Case Officers)	678
Tier 2 (Senior Officials)	186
Tier 3 (3 Commissioners)	57
Decision by full Board of Commissioners	5

Crofting Register

In addition to the regulatory applications we process we also assess the validity of croft registration applications and collect and pay all applications fees to the Keeper of the Registers of Scotland (RoS).

Croft Registration applications 2017/18



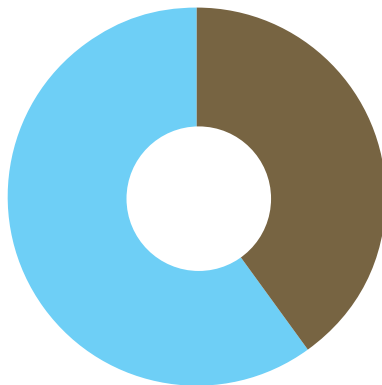
1,068 crofts were registered with the Keeper of the Registers of Scotland during the year, making an overall total of **4,927 crofts** entered onto the Crofting Register.



Appeals to the Scottish Land Court (SLC)

Appeals

There were 5 appeals to the SLC against decisions made by the Commission.
There were 6 in 2016/17.



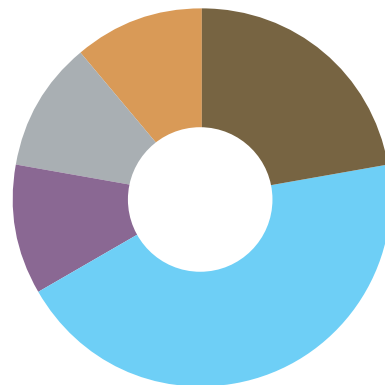
■ **2** Commission's decision upheld
■ **3** were dismissed by the Court

Applicants have **42 days** to appeal to the SLC against a Commission decision, determination or direction on an application made to them under the **Crofters (Scotland) Act 1993**.



Challenges

There were challenges to the first registration of 9 common grazings. These do not usually involve the Commission directly, but it can make submissions as an interested party.



■ **2** were not upheld
■ **4** were upheld
■ **1** was sisted
■ **1** dismissed by the requester
■ **1** was resolved*

* Through the issue of an apportionment order, so no further action was required by the SLC

Crofters Duties

Both tenant and owner-occupier crofters have a statutory 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.

Over the year **10 cases** of suspected breaches of duties were reported to the Commission. This number has risen from 5 suspected cases which were reported in 2016/17. If a tenant or owner-occupier crofter fail to comply with any of these duties and this is reported to the Commission by a member of the crofting community, a grazings committee or an Assessor, we have an obligation to investigate.



Status of cases

5 ongoing



1 breach resolved by crofter



1 croft sold, unable to continue investigation



1 reported by someone not in category eligible to report a breach



1 subject not a croft



1 not within the Commission's remit (fencing)



The Commission also undertook the letting of **6 crofts** where the tenants were not complying with their duty to be resident and the landlords failed to let the crofts within the necessary timescales.



From 2018, the Commission is increasing its focus on resolving breaches of duties.

Crofting Census

Crofters have a legal obligation to complete and return their Crofting Census form to the Commission.

The 2017 Crofting Census saw the issue of 19,211 census forms to 18,040 crofts. The reason for this increase was in previous years one form was issued per croft, whereas this year saw a form being issued to each crofter. (there can be more than one owner-occupier crofter when the whole of the croft is jointly owned).



A total of 11,960 Crofting Census forms were returned to the Commission for 11,243 individual crofts, making a 62% return rate. This showed a 14% decrease from 2016.



Ordinarily Resident on, or within 32km of their Croft: 87%

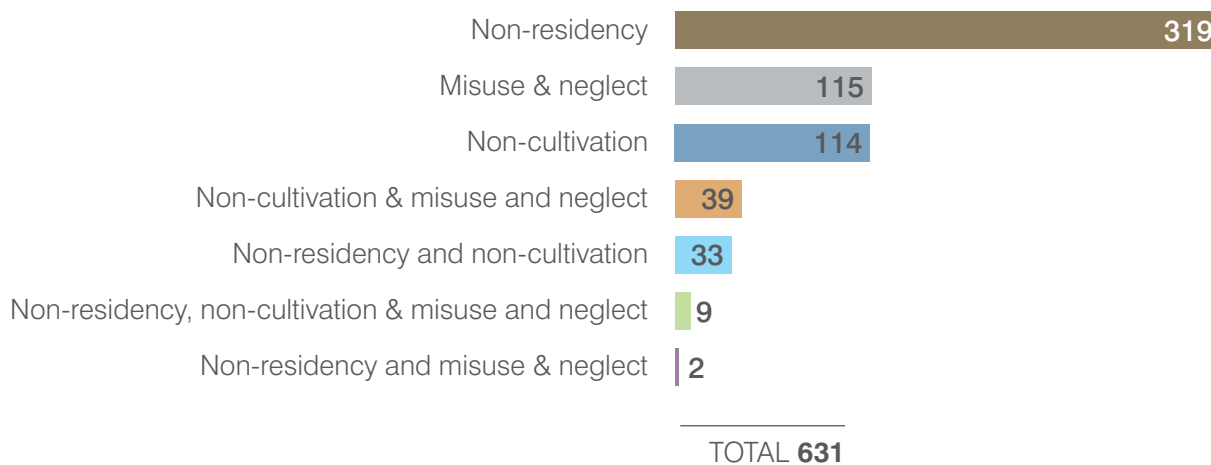


Not Neglected/Misused: 91%



Croft is Cultivated/Maintained/ Put to Purposeful Use: 90%

Number of crofters not complying with their Duties as notified to the Commission in the 2017 Census



Register of Crofts (ROC)

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

If a croft is purchased and any associated common grazing shares remain held in tenancy, the shares are “deemed” to be a croft in their own right and have a separate entry in the ROC. As a result of the 2017 crofting census returns over 2,700 updates were made to the ROC.



Number of crofts recorded on the Commission's ROC

Comhairle nan Eilean Siar	
Tenanted	6,072
Owned	234

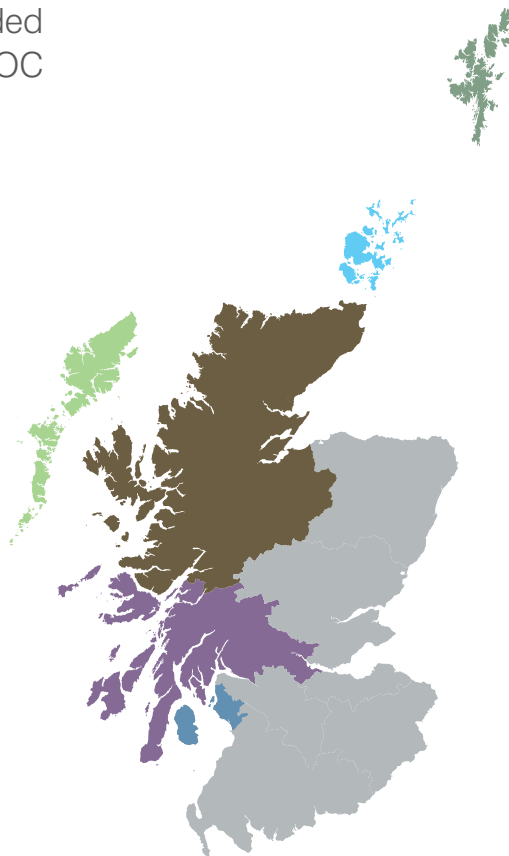
Argyll & Bute	
Tenanted	458
Owned	351

North Ayrshire	
Tenanted	0
Owned	1

Shetland	
Tenanted	2,091
Owned	1,160

Orkney	
Tenanted	64
Owned	393

Highland	
Tenanted	6,283
Owned	3,670



Crofters by gender



65%
are male



35%
are female

ROC Online

Since August 2017, when the ROC Online was made available to the public, there have been 38,289 searches made of the ROC, and 7,237 copy entries for crofts printed from the site.



38,289
Searches



7,237
Copy Entries

Having this information available directly to the public has improved our service to customers and reduced the number of general enquiries made to the Commission.

The ROC Online is available via our website at www.crofting.scotland.gov.uk/register-of-crofts-roc

Common grazings

Grazings committees are set up with certain management responsibilities regarding the common grazings. They are elected into office by the crofters who share in the common grazings and have a responsibility to make and submit grazings regulations to the Commission for approval.

A crofter who shares in a common grazings has the right to apply to the Commission to apportion some or all of their share in the common for their own exclusive use.

Each common grazings has its own grazings regulations which are administered by the grazings committee.

Committees can amend or adopt new regulations to assist in the proper management and administration of their common grazings, subject to Commission approval. To aid grazings committees the Commission, having worked closely with stakeholders, produced a common grazings regulations template to assist grazings committees when preparing their own grazings regulations.

Common grazings are areas of land used by a number of crofters and others who hold a right to graze stock on that land. There are over 1,000 common grazings covering over 500,000 hectares of land.



	Total	Committees in Office
Argyll & Bute	61	8
Highland	539	237
Comhairle nan Eilean Siar	295	177
Orkney	9	1
Shetland	168	40
	1,072	463



Common Grazings Census

The Crofting Reform (Scotland) Act 2010 imposed new requirements on grazings committees to report every 5 years on the condition of their common grazings, the condition of every croft of tenant and owner-occupier crofters sharing in the grazings and on any other matter affecting the common grazings or crofting in any township associated with the grazings.

Over the year **101 census forms** were returned to the Commission by grazings committees.



Common Grazings and Land Held Runrig Registration

The Crofting Reform (Scotland) Act 2010 requires the **Keeper of the Registers of Scotland (RoS)** to establish and maintain a public register of crofts, common grazings and land held runrig.



To date over **300 common grazings** have been registered with RoS and during the year we engaged with a small number of in-office grazings committees and relevant landlords to progress the registration of their common grazings.

Requests for Information

The Commission is committed to complying with legislation that gives members of the public the right to request information and for that information to be provided unless an exemption applies. This legislative requirement falls under the Freedom of Information (Scotland) Act 2002, Data Protection Act 2018, General Data Protection Regulation and the Environmental Information (Scotland) Regulations 2004. During the course of the year, we received and responded to 65 enquiries for information.

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

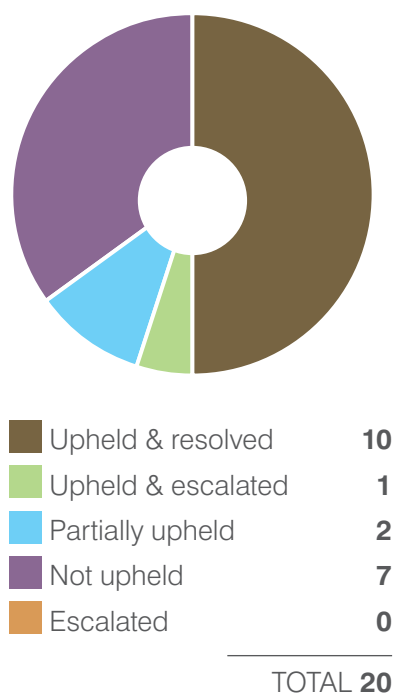


Complaints

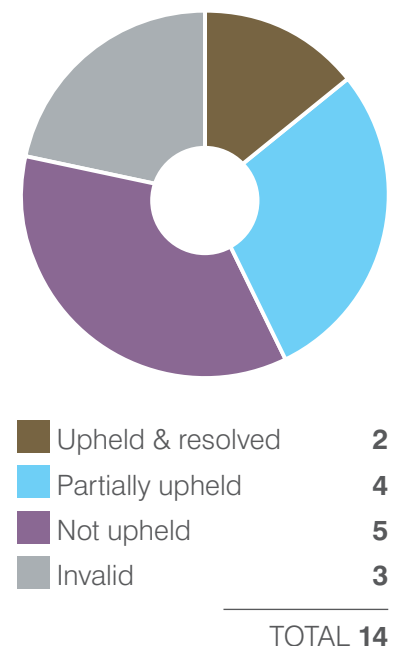
The Commission is committed to providing a high-quality customer service. We take complaints seriously and use the information from them to help us improve our services. The total number of complaints received in 2017/18 was **34**. The total number for 2016/17 was 27.



The number of complaints considered at frontline resolution stage



The number of complaints considered at Investigation stage



Communications

We have continued to strengthen both the internal and external communications of the Commission through the delivery of the organisation's Communications Strategy which was updated earlier in the year. In an attempt to better inform both our current audiences and attract new ones, we have invested in the creation of 3 corporate videos for the organisation which explain the place of crofting in a modern-day Scotland, and the role of the Commission and what it does. The videos will be released in 2018 across the Commission's digital multi-platforms and we hope

they will enable viewers to see into the heart of the Commission, while dispelling the many myths that still exist about crofting and indeed our own role as an organisation.

Social media sites are excellent tools for communicating information to larger audiences both quickly and effectively, whether it be for insight or the dissemination of general information. The Commission has made good use of these, with social media now being an important area in our Communication Plan and strategies.

Corporate

Earlier in the year the Board agreed to and implemented a 5-year Policy Plan for the organisation. This Plan considers key themes for crofting, such as the availability of croft land and its use, retaining land in crofting tenure and the use of common grazings.

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

- Whistleblowing Policy for Commissioners
- Equality and Diversity Plan
- Communications Strategy (updated)
- Anti-Fraud Policy (updated)
- Common Grazings Regulations Template (updated)

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

- Scottish Government's Future on Crofting Law
- Future of Forestry in Scotland

People

The Crofting Commission's employees are essential to the successful delivery of its strategic objectives. We are committed to developing and retaining a motivated and skilled workforce. Open communication between the Board, SMT and staff is encouraged and as such, continuous engagement is vital to the long-term success of the organisation.

In order to aid this flow of communication, a Staff Engagement Group has been established, regular updates are provided to all staff by the Chief Executive, there are better structured team meetings, and regular one-to-ones with managers are encouraged.

The Commission's Corporate Plan shows a commitment to maintaining and improving the

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

Amongst the different training days, some staff attended a *Focus on Mental Health* training day, which was organised by the local branch of the Public and Commercial Services Union (PCS). The course helped raise awareness of the many different mental illnesses that exist, and highlighted different ways on how people could be supported.

Social Matters

The Crofting Commission has an active Social Committee which has a function to improve the social environment of the workplace. From spearheading charity events to organising staff events, this committee encourages collaborative action and helps create a sense of togetherness amongst co-workers.

We also assisted promotion of RSABI (Royal Scottish Agricultural Benevolent Institute) who provide financial, practical support and friendship to crofters, by including their contact details sticker along with our Crofting Census forms.

Human rights

Equality, diversity and inclusiveness

The Crofting Commission is committed to equality of opportunity and has policies and procedures in place to ensure this is achieved. It also fully recognises its legal responsibilities, particularly in respect of race relations, age, sex and disability discrimination.

Equality Duty

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

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

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

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

The full report of the programme of mainstreaming initiatives that the organisation has been working to deliver, together with progress towards delivery of the equality outcomes, can be found on the Crofting Commission's website. **www.crofting.scotland.gov.uk/about-us**



Environmental Matters

As tenants within a shared office space, Great Glen House, Scottish Natural Heritage carry responsibility for the building, so the Commission is only able to address internal factors such as resource usage, travel and awareness. One of the outcomes recorded in our Corporate Plan is to reduce our impact on the environment. Whilst the Crofting Commission currently has no environmental targets set by Scottish Government, it takes environmental matters seriously and adopts environmentally-focussed practices where possible.

The main area of emissions for the Commission is travel and we are pleased to note a reduction in our annual carbon dioxide equivalents (tCO₂e). The corporate carbon emissions generated by the Commission fell from 20 tCO₂e to 12 tCO₂e.

The launch of our ROC Online in August has reduced our internal paper usage, with over

7,000 copy entries being taken from it, and plans are in place to extend our online capabilities which will lead to greater savings. We are also corresponding more and more via email, thus helping to further reduce paper usage.

With partner agencies, the Commission engages to develop shared service agreements to improve environmental outputs, reducing negative impacts. We work to reduce carbon emissions which is monitored and reported each quarter as part of the Key Performance Indicator report to the Audit and Finance committee and the Board.

The Commission once again took part in Climate Week which ran in September and again worked in partnership with SNH, Compass Links Café staff and the PCS Trade Union, Cantraybridge College and Caithness & Northern Sutherland Regeneration Partnership.



Financial Performance

The Scottish Government allocated the Crofting Commission a budget of £2.497M (£2.447M 2016/17) to fund staff and other operating costs. £0.100M of this budget was ring fenced by The Scottish Government for assistance with specific projects, such as the Commission's Records Management Plan. An allocation of £0.042M (£0.042M 2016/17) was also provided for non-cash costs such as depreciation and amortisation, bringing the total budget to £2.539M (£2.489M 2016/17).

The Commission also accessed 'Other Income' of £0.281M (£0.229M 2016/17) which is pressure funding to fund additional specified areas of expenditure, introduced by the Crofting Reform (Scotland) Act 2010, such as delivery of the crofting census and processing croft registration applications on behalf of the Registers of Scotland. This pressure funded allocation represents the final year of a four year agreement with The Scottish Government. 2018/19 funding of the additional duties and functions has been allocated by the Scottish Ministers within the Crofting Commission's Grant-in-Aid allocation for the year.

73% (76% 2016/17) of the Crofting Commission's overall cash allocation drawn down was spent on staff resources. The Commission continued to manage its resources well, paying 98% (96.6% 2016/17) of its suppliers within 10 days of the submission of a valid invoice. Reducing our costs to maximise funding for our regulatory work has also continued to be a priority. As an example, the launch of the online ROC in August 2017 has allowed the public to undertake direct searches of the ROC. This has enabled staff resources to be focussed upon other key frontline tasks. The ROC Online, combined with a reduction in general enquires and associated postage costs has contributed towards the Commission meeting The Scottish Government's target for efficiency savings of 3% on our 2017/18 baseline budget of £2.539M. Overall, we recorded 3.2%, or approximately £80,000 of savings during 2017/18.

A more detailed finance analysis report is provided in the Accountability Report on page 41.

Anti-Corruption and Anti-Bribery Matters

The Crofting Commission is committed to the highest standards of ethical conduct and integrity and is committed to the prevention of bribery and corruption as we recognise the importance of maintaining our reputation and the confidence of our stakeholders. In August 2017 we refreshed our Anti-Fraud Policy and we are pleased to report that no instances of corruption or bribery were recorded in 2017/18.



Bill Barron
Chief Executive and Accountable Officer
22 August 2018



Case study: Kilfinan Community Forest Company – Creation of new woodland crofts

The Kilfinan Community Forest in Argyll manage their land as a productive woodland, including areas for recreation and amenity, along with a community allotment group.

They have always had a goal to create new woodland crofts on part of the land and after many years were in a position to progress the project and apply to the Commission to create 3 new woodland crofts. The new crofts extend to 3.85 hectares, 5.97 hectares and 4.90 hectares respectively. As part of the wider Forest Management Plan the woodland crofts will allow new tenants to help meet the targets of replanting native woodland in the wider forest and do some small scale agricultural/ horticultural activities. The introduction of 3 new tenanted crofts will also help sustain local services including the local primary school, shops and medical centre. The croft tenants will be able to live on site as part of their tenure. Already four new children have entered the local primary school as a result of crofters being attracted to the area and this has boosted the school roll by almost 14%.

When approving the application to create the new crofts the Commission was satisfied that although woodland crofts are distinct from the typical agricultural croft, what was being proposed was both feasible and realistic. Woodland crofts make an ideal habitat to develop the

flora and fauna that is natural in the area and this priority is very high up the agenda for the crofts from a variety of trees and shrubs for bees and insects to live on, up to encouraging more red squirrels and other protected species into the area. The application met the criteria set out in the Commission's Policy Plan, as it would be in the interests of the community by adding to the available pool of croft land and new entrants to crofting who would bring new skills to the community, and there is potential to provide homes and businesses, which would contribute to the sustainability and resilience of the community, as well as the wider public interest.

The crofts known as Kilfinan Croft 1, Kilfinan Croft 2 and Kilfinan Croft 3 have been entered into the Commission's ROC and registered with the Keeper of the Registers of Scotland. Kilfinan Community Forest Company have now applied to the Crofting Commission to let the 3 woodland crofts to new entrants to crofting.

Mark Bamford, Co-chair, Kilfinan Community Forest Company, said, "The creation



of the first three woodland crofts has multiple benefits for Kilfinan Community Forest and the area as a whole. The woodland crofts will help the forest in transforming clear-felled commercial timber land to mixed native broad-leaf woodland. They will provide partial livelihoods to three families. They will result in sustainable economic activity and support local services. They will produce food locally and help to reduce carbon emissions as a result.

In short, the crofts will help us achieve our goal of having a living, working forest that supports the local community, economy and vital services like the school, post office and medical centre. We strongly believe in crofting as a sustainable model for raising economic activity and reversing population decline in rural Scotland and we hope to create more crofts in the future."





CROFTING COMMISSION
COIMISEAN NA CROITEARACHD










Accountability Report 2017/18

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 2017/18

Commissioner	Method of Appointment	Attendance at Board Meetings during 2017/18	Attendance at Audit & Finance Committee Meetings during 2017/18
 Rod Mackenzie ^{*1 & 5}	Elected	5/5*	1/1*
 Mairi Mackenzie ^{*1}	Elected	5/5*	—
 Andy Holt ^{*1}	Elected	5/5*	—
 Cyril Annal ^{*1}	Elected	5/5*	—
 Iain Maciver ^{*1}	Elected	5/5*	3/3*
 Billy Neilson ^{*1}	Elected	4/5*	—
 David Campbell ^{*2}	Appointed by Cabinet Secretary	5/5*	4/4*
 Malcolm Mathieson ^{*3}	Appointed by Cabinet Secretary	5/5*	4/4*
 James Scott ^{*4}	Appointed by Cabinet Secretary	5/5*	—

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

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

2 = 3 year re-appointment by The Scottish Government from 1 April 2017.

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

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

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

The Crofting Commission also convened three Strategy Meetings, which were not held as public meetings and not minuted on 21 June 2017, 13 December 2017 and 22 March 2018.

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

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

Senior Management Team 2017/18

Bill Barron, Chief Executive Officer and Accountable Officer – overall responsibility for strategy, operations, finance and management of the Crofting Commission. Ensures the Board of Commissioners receive accurate information and objective advice.

Donna Smith, Deputy Chief Executive Officer & Head of Operations – Leads on operational performance for the organisation with a focus on Corporate Planning, Performance Management,

Corporate Development and overall responsibility for IS strategy and Communications.

John Toal, Head of Policy – Supports the Board in formulating strategic policy on a range of external and internal issues in pursuit of its operating objectives.

Joseph Kerr, Head of Regulatory Support – Responsible for the overall management of regulatory, which includes residence and land use teams.

Jane Thomas, Head of Corporate and Customer Services – responsibility for internal and external customer services, including complaints and Freedom of Information requests. Lead officer for Equality & Diversity. Standards Officer for the Crofting Commission.

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

Financial Analysis

Summary of Deficit/(Surplus) for the year	2017/18 £000	2016/17 £000
Total Operating Expenditure	2,780	2,715
Grant-in-Aid Drawn Down	(2,491)	(2,437)
Other Income	(281)	(229)
Deficit/(Surplus)	8	49
Reconciliation of operational expenditure on an accrual basis to Grant-in-Aid drawn down	2017/18 £000	2016/17 £000
Deficit/(Surplus)	8	49
Exclude non-cash:		
Depreciation and Amortisation	(45)	(82)
Working capital adjustments involving:		
Debtors	(15)	24
Creditors	17	(5)
Movement in provisions	3	–
Investing activities	32	21
Cash expenditure in (excess)/underspend of Grant-in-Aid drawn down	0	(4)
Movement on Registers of Scotland dedicated bank account	(3)	(3)
Net Cash (Decrease)/Increase	(3)	(7)

On an income and expenditure accounting basis the financial outcome for the year on normal business activities reports a deficit of £8,000 (Deficit £49,000 2016/17). This deficit arises as a result of accounting adjustments, such as depreciation and working capital movements, to the financial statements that do not involve the flow of cash. On a cash accounting basis the Crofting Commission's expenditure matched its Grant-in-Aid draw down.

Total operating expenditure for 2017/18 was £2.780m compared with £2.715m in 2016/17. In October 2017 The Scottish Government approved an additional Grant-in-Aid allocation of £100,000, which was for specific purposes. The increase in operational expenditure of £65,000 for 2017/18 was due to a number of factors, but a key contributor relates to the additional allocation of £100,000 and associated expenditure of £92,000 on the Commission's Records Management Plan. An increase in Information Systems costs of £27,000 compared to 2016/17 is attributable to the Commission beginning a transition to Office 365 (integrated cloud based computing), while also addressing Scottish Government guidance and responsibilities provided to public sector bodies relating to Cyber Security arrangements. Notable cost reductions were recorded within Legal Fees of £8,000 and Statutory Regulatory Advertising costs of £6,000.

Expenditure on staff costs for year 2017/18 was £2.023m (£2.034m 2016/17). The net variance of £11,000 represents a decrease in staff salaries and associated costs of £24,000, an increase in temporary staff contracts of £19,000 and a reduction in board member remuneration of £6,000. The reduction in staff costs is due to the Commission carrying a number of vacancies during the year. This was primarily as a precautionary budgetary measure until The Scottish Government confirmed that the

current pressure funding arrangement, which was due for review, would be incorporated within the Commission's Grant-in-Aid allocation for 2018/19. Lead in time regards recruiting staff on permanent or fixed term contracts has also been a subsequent factor to the reduction in staff salaries. The temporary staff costs increase of £19,000 reflects short term cover until permanent vacancies are filled.

Complete details of the Commission's employee, board and operational expenditure to 31 March 2018 are disclosed in note 3 (Page 70) to the accounts.

Pensions

Crofting Commission staff members are eligible to be members of the Principal Civil Service Pension Scheme. Details of the scheme and details of the pension entitlements of the Crofting Commission's senior managers are given in the Remuneration Report (Page 52) and note 1.5 (Page 68) to these accounts.

Payment Practice Code

In line with Scottish Government policy, the Crofting Commission requires that all suppliers' invoices not in dispute are paid within 10 working days of receipt. The Crofting Commission aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in these terms. During the year ended 31 March 2018, the Crofting Commission paid 98.0% of its invoices within these terms (96.6% in 2016/17).

Non Audit Fees

The Auditor General for Scotland has appointed Deloitte LLP as auditor. Details of the audit fee for the year to 31 March 2018 are disclosed in note 3 (Page 70) to the accounts. Deloitte LLP were not engaged or paid for any non-audit work during the year.

Statement of Accountable Officer's Responsibilities

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

The accounts are prepared on an accruals basis and must give a true and fair view of the Crofting Commission's state of affairs at the period end and of its operating costs, recognised gains and losses and cash flows for the financial period.

In preparing the accounts, the Accountable Officer is required to:

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

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

Statement by Accountable Officer

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

Disclosure of Information to the Auditors

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

Accounting Officer Confirmation on the Annual Report and Accounts

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

Governance Statement

Background

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

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities set out in the "Accountable Officer's Memorandum".

In the discharge of my personal responsibilities I ensure organisational compliance with the Scottish Public Finance Manual (SPFM). The SPFM is issued by the Scottish Ministers to provide guidance to The Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Our Framework Document, which is our agreement with The Scottish Government and sets out our relationship, was revised in April 2018 and is published on our website www.crofting.scotland.gov.uk/the-act-and-policy

Governance Framework

The Board

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

The Board comprises up to 9 Commissioners, 6 of whom are elected by registered crofters, and three appointed by The Scottish Government. The

Convener is selected from within the Board by the Cabinet Secretary for the Rural Economy.

More information on the Commissioners can be found on pages 40 to 41.

The role of the Board is to provide strategic leadership for the organisation, setting the policy direction and taking 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:-

- Consultation and drafting of the Crofting Commission Policy Plan that was subsequently approved by the Cabinet Secretary for the Rural Economy in October 2018.
- Continued to refine and expand the scheme of delegation of casework to officials, including setting parameters for when cases must be referred to Commissioners;
- The appointment of a new Assessors Panel for the organisation;
- Agreed to enhance our approach to communications, including social media;
- Approved the launch of the RoC online giving the public direct access to the Register for the first time;
- Promoted the work of the Crofting Commission at Roadshows across the crofting counties and at the Black Isle Show, and visited various crofting communities and organisations;
- Submitted a comprehensive response to The Scottish Government's consultation on the future of Crofting Law;
- Met with the Cabinet Secretary for the Rural Economy to discuss crofting issues and the Commission's role, including the enforcement of residency and land use.

During 2017/18 the performance of Board Members has been reviewed by the Convener and the performance of the Convener has been reviewed by The Scottish Government. During March 2018 the Board undertook a review of its own effectiveness. This review was based upon '*On Board – A Guide for Board Members of Public Bodies in Scotland*' best practice, and was issued in the form of a self-assessment questionnaire that was completed independently by each Board Member.

The results of this effectiveness review will be assessed by the Commission's Audit and Finance Committee within its 2018/19 workplan to ascertain if there are areas of governance that require review or clarification.

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

The Board is committed to high standards of corporate governance and believes that a sound governance structure engenders a successful organisation. This commitment is sustained by the development and launch of a detailed 5 year training and support programme that coincided with the March 2017 Crofting Elections.

The Board's terms of reference can be obtained from the Commissions website **www.crofting.scotland.gov.uk**

The Board is supported by an Audit and Finance Committee.

Audit and Finance Committee

A minimum of 3 Commissioners are appointed by the Board to serve on the Audit & Finance Committee. This Committee meets 4 times a year with additional meetings if required.

More information on the Committee Members can be found on pages 40 to 41.

The 2010 Act requirement for the Convener to chair the Committee "if present" at its meetings conflicts with good practice guidance issued by The

Scottish Government in the Scottish Public Finance Manual, the Audit Committee Handbook and On Board. In order to comply with both the 2010 Act and best practice guidance, the Commission has appointed a Vice Chair of the Committee and the Convener does not normally attend meetings of the Committee. The Commission's Scottish Government sponsor branch has confirmed its approval of this arrangement.

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

As part of the Crofting Commission's training plan and for future organisational resilience purposes, Commissioners not appointed to the Committee were invited to attend meetings on a rolling basis during 2017/18 to observe the business of the Committee.

During the year a Committee Member attended a seminar on "The Effective Audit and Risk Committee". This was a joint initiative with the Scottish Land Commission, and the Crofting Commission will continue to seek benefits from collaborative training with other government bodies.

During 2017/18 The Audit and Finance Committee carried out a self-assessment based on The Scottish Government's Audit Committee Handbook checklist. The findings of this self-assessment demonstrated that good practice principals were adhered to in all areas of the Committee's activities.

In line with other public bodies the Audit and Finance Committee has from 19 April 2017 incorporated the functions of the Commission's Complaints Quality Assurance Committee.

The Audit and Finance Committee terms of reference can be obtained from the Crofting 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 Crofting Commission for ensuring that the Crofting Commission's policies and actions support delivery of the statutory functions and the wider strategic policies of the Scottish Ministers; and that the Crofting Commission's affairs are conducted with probity. The Convener shares with other Board Members the corporate responsibilities set out above for the Board and in particular for ensuring that the Crofting Commission fulfils the aims and objectives set by Scottish Ministers.

More information on the Convener can be found on pages 40 to 41.

Senior Management Team

- Bill Barron (Chief Executive & Accountable Officer)
- Donna Smith (Deputy Chief Executive & Head of Operations)
- David Findlay (Commission Solicitor)
- Jane Thomas (Head of Corporate & Customer Services)
- John Toal (Head of Policy)
- Joseph Kerr (Head of Regulatory Support)

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

More information on the SMT can be found on page 41.

Risk and Control Framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers.

The risk and control mechanism is based on an ongoing process designed to identify the

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

The Crofting Commission maintains a corporate risk register which records internal and external risks and identifies the mitigating actions required to reduce the threat of these risks occurring and their impact. The Risk Management Strategy and Corporate Risk Register are regularly updated and reviewed as a standing item by both the SMT and the Audit and Finance Committee. Each individual risk is allocated an owner who ensures that mitigating action is carried out. The risk register is a standing item at Board meetings which follow an Audit and Finance Committee meeting.

Our systematic and structured risk management approach is designed to provide assurance that the opportunities and threats facing the Crofting Commission are being appropriately identified, assessed and effectively managed; and all the key information is reported to managers, the Audit and Finance Committee and Board. During 2017/18 Board Members and the SMT have attended professionally facilitated risk related training workshops as an initial step towards refreshing the Crofting Commission's Risk Management Strategy and Policy.

The Crofting Commission is subject to a variety of risks and uncertainties. Key risks regarded as most relevant to the Commission's performance during the year to 31 March 2018 can be found within pages 12 to 13.

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

The risk and control processes applied within the Crofting Commission accord with guidance given in the SPFM and have been in place for the year ended 31 March 2018 and up to the date of the approval of the annual report and accounts.

Review of Effectiveness of Internal Control and Risk Management

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control and risk management arrangements. My review is informed by:

- 1) Letters of assurance supported by a completed internal control checklist, agreed by each head of the operating areas that the controls are working well and if applicable stating areas of concern;
- 2) The work of internal auditors, who submit regular reports to the Crofting Commission's Audit & Finance Committee (this includes their independent and objective opinion on the adequacy and effectiveness of the Commission's systems of internal control together with recommendations for improvement);
- 3) Comments made by external audit in their audit reports;
- 4) The annual report provided by the Vice Chair of the Audit & Finance Committee to the Board, detailing the work of that committee during the year;
- 5) Quarterly reviews by the Audit & Finance Committee of the organisation's risk register and the work of internal audit in assessing effectiveness of risk management arrangements; and
- 6) Letters of assurance from Scottish Natural Heritage and The Scottish Government who provide shared finance and payroll/HR services respectively to the Crofting Commission.

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

- Extension of the list of functions included within the programme of delegated decision making for specific regulatory functions. This has resulted in the majority of regulatory functions being delegated to officials, allowing the Board to move away from routine regulatory casework and focus upon strategic and leadership matters;

- A root and branch review of the Business Continuity Plan that was originally approved in 2013, and has now been significantly reworked following recent changes within the organisation;
- In November 2017, The Scottish Government issued a Cyber Security Action Plan aimed at improving cyber security resilience capabilities of Public Sector Organisations. The Crofting Commission has completed a pre-assessment to determine the Cyber-Security posture of the organisation in advance of attaining future Cyber Essentials or Cyber Essentials PLUS accreditation;
- The development of an action plan and the update and creation of Commission guidance to ensure that the organisation is compliant with GDPR (General Data Protection Regulation).
- A specific Whistleblowing Policy for Commissioners;
- In line with The Scottish Government's Best Value requirements the Commission drafted and approved its Sustainability Statement;
- Published the Crofting Commission's Equalities & Diversity Plan and reviewed the Gaelic Language Plan.

The Crofting Commission will review the system of internal control to ensure that this continues to provide reasonable assurances regarding its responsibilities under the Crofting Reform (Scotland) Act 2010.

Conflicts of Interest Procedures

The Crofting Commission operates strict and comprehensive procedures to deal with potential conflicts of interest. A register of interests, covering Commissioners, is held and updated on an annual basis. This is available for examination by any member of the public wishing to do so, and is published on the Crofting Commission's website.

Commissioners record any potential conflicts of interest at the start of every Commission meeting and absent themselves from decisions on any matters in which they have an interest. These declarations are recorded in the minutes of the meeting.

External Audit

The Auditor General for Scotland appointed Deloitte LLP as the Commission's external auditor for the five year period from 1 April 2016.

Internal Audit

The internal audit function is an integral part of the internal control system. The Crofting Commission's internal audit service for the financial year was provided by Scott-Moncrieff, who undertook work based on an analysis of the risk to which the Crofting Commission was exposed. Reports have been produced which covered the Crofting Commission's Core Financial Systems, Functionality of New Systems, Strategic Partnership Working and Stakeholder Engagement.

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

Internal audit recommendations have been captured within a progress report which is monitored by the Audit and Finance Committee as a standing item at its quarterly meetings.

Each year the Internal Audit provider issues an annual report which includes an opinion on the system of internal control. The opinion for year 2017/18 is that "In our opinion the Crofting Commission has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, subject to the improvements identified in the Croft Information System review".

Update on Governance Review 2016/17

In February 2017 a report on the findings of a review on the governance arrangements in place at the Commission was published, having been commissioned by The Scottish Government.

The report highlighted a number of governance recommendations. The Commission subsequently developed an action plan for improvement, which is available on the Crofting Commission's website www.crofting.scotland.gov.uk/the-act-and-policy I am pleased to report that all aspects highlighted are now either complete, being addressed, or have already become embedded within the Commission's day to day culture and processes.

Significant Governance Issues

No significant governance issues were recorded during 2017/18.

Governance Issues Going Forward

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

- Ensuring that the Crofting Commission, as a data controller, is compliant with GDPR (General Data Protection Regulation);
- Continue the development of the Croft Information System to improve the efficiency of regulatory case processing;
- Ensuring that the scheme of delegation enables Crofting Commission staff to operate in an efficient and effective way;
- Continued development of performance management information;
- Managing a volume of cases contested in the Scottish Land Court, including a significant number of challenges to first registration of a croft or a common grazings;
- Working effectively with our partners in The Scottish Government's Rural Payment and Inspections Division and in the Registers of Scotland;
- Using the Commission's powers to help ensure that crofts are occupied and put to purposeful use.

Personal Data Security

There were no known incidents of personal data breaches in 2017/18 (2016/17: Nil)

Remuneration report and staff report

Unaudited

Remuneration policy

Board Members

The Crofting Commission Board comprises up to 9 Commissioners. Commissioners' remuneration is approved by Scottish Ministers and is determined according to the "Public Sector Pay Policy for Senior Appointment" (see www.scotland.gov.uk/publications for further detail). Current Board Member appointments are non-pensionable. Current Elected Board Members appointments are for 5 years commencing 17 March 2017. Board Members who have been appointed by the Cabinet Secretary for the Rural Economy are on 3 year terms, and the appointment dates can be viewed within the Directors' Report on page 40.

Staff

All permanent and fixed-term staff are Scottish Government employees and are part of The Scottish Government main collective bargaining unit for the determination of salary. Remuneration is determined by The Scottish Government and, in determining policy, account is taken of the need

for pay to be set at a level which will ensure the recruitment, retention and motivation of staff. Also taken into account are the Government's policies on the Civil Service and public sector pay and the need to observe public spending controls.

Service contracts

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

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

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

Audited

Board remuneration

Commissioners were due remuneration as follows:

	2017/18 £	2016/17 £
Commissioners who held office during 2017/18		
Roderick Mackenzie (Convener from 20 June 2017)	18,643	726
Colin Kennedy* (Convener to 17 March 2017)	–	22,275
(Full year equivalent)	(20,763)	(20,575)
Cyril Annal	8,789	726
David Campbell*	8,789	10,410
Andrew Holt	8,789	726
Iain Maciver	8,789	726
Mairi Mackenzie	8,789	726
Malcolm Mathieson	8,789	2,268
Billy Neilson	8,789	726
James Scott	8,789	1,452
Murdo MacLennan*	–	10,410
Ian George Macdonald*	–	10,410
Kathleen Sinclair*	–	10,410
Marina Dennis*	–	10,410
Arnie Pirie*	–	9,685
William Swann	–	1,795
(Full year equivalent)	(8,789)	(8,710)

* Remuneration in 2016/17 is more than the full year equivalent due to vacant post salaries being allocated equally between Commissioners for absorbing additional duties.

Commissioners' appointments are non-pensionable. Taxable benefits in kind amounting to £36 was paid to one Commissioner during 2017/18 (£nil 2016/17).

Remuneration of senior officials

The following section provides details of the remuneration and pension interests of the most senior officials of the Crofting Commission:

	Salary		Pension benefits (see note 1 below)		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000	£000	£000
Chief Executive						
Bill Barron	65-70	30-35	3	3	70-75	30-35
Full-year equivalent	65-70	65-70	–	–	65-70	65-70
Senior Management Team						
David Findlay	60-65	55-60	24	23	85-90	80-85
Donna Smith	45-50	50-55	0	0	45-50	50-55
Jane Thomas	40-45	40-45	8	10	50-55	50-55
Joseph Kerr	40-45	40-45	11	29	50-55	70-75
John Toal	40-45	40-45	6	15	45-50	55-60

Salary

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

Benefits in kind

There were no benefits in kind within 2017/18 (2016/17: Nil).

Bonuses

There were no bonuses within 2017/18 (2016/17: Nil).

Note 1: the value of pension benefits accrued during the year is defined as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

Compensation for loss of office

This value was £nil for 2017/18 (£nil 2016/17)

Fair Pay Disclosure

The Crofting Commission aims to be one of the best places to work in Scotland and holds Living Wage Employer accreditation.



The Crofting Commission's permanent and fixed term contracted staff are civil servants and are therefore part of The Scottish Government's main collective bargaining unit for the determination of salary. The Scottish Living Wage as a gross salary equivalent is £16,258, and the lowest salary across The Scottish Government as at 31 March 2018 was £17,642. Staff on temporary employment contracts are paid at the equivalent gross salary rate as civil servants who are undertaking similar duties.

When a contract with the Crofting Commission is up for renewal or tender, participants will be actively encouraged to consider implementing the Living Wage if they have not already done so.

You can find more on the Living Wage here
<https://www.livingwage.org.uk>

Pay multiples

Reporting bodies are required to disclose the relationship between the banded remuneration of the highest paid staff member in their organisation and the median remuneration of the organisation's workforce.

	2017/18	2016/17
Banded remuneration of highest-paid staff member	£65-£70k	£65k-£70k
Median remuneration of workforce	£25,682	£24,833
Median ratio	2.6	2.7

In 2017/18 Nil (2016/17 Nil) employees received remuneration in excess of the Chief Executive. Remuneration ranged from £18,352 to £62,074 (2016/17 £17,242 to £58,694).

Pension Benefits

	Accrued pension at pension age as at 31/03/18 and related lump sum		Real increase in pension and related lump sum at pension age		CETV at 31/03/18	CETV at 31/03/17	Real increase in CETV as funded by employer
	£000		£000		£000	£000	£000
	Pension	Lump sum	Pension	Lump sum			
Chief Executive							
Bill Barron	30-35	90-95	0-2.5	0-2.5	675	631	3
Other senior staff							
David Findlay	0-5	0	0-2.5	0	39	25	8
Jane Thomas	10-15	0	0-2.5	0	213	199	8
John Toal	10-15	30-35	0-2.5	0-2.5	245	224	6
Joseph Kerr	10-15	40-45	0-2.5	0-2.5	328	299	10
Donna Smith	Partnership pension. Employer's contribution for the year 5-10						

Unaudited

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under *classic*, *premium*, *classic plus*, *nuvos* and *alpha* are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into *alpha* sometime between 1 June 2015 and 1 February 2022. All members who switch to *alpha* have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave *alpha*. (The pension figures quoted for officials show pension earned in PCSPS or *alpha* – as appropriate. Where the official has benefits in both the PCSPS and *alpha* the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase'

stakeholder pension with an employer contribution (*partnership* pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of *classic*, *premium*, *classic plus*, *nuvos* and *alpha*. Benefits in *classic* accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For *premium*, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike *classic*, there is no automatic lump sum. *classic plus* is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per *classic* and benefits for service from October 2002 worked out as in *premium*. In *nuvos* a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in *alpha* build up in a similar way to *nuvos*, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The *partnership* pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of *classic*, *premium* and *classic plus*, 65 for members of *nuvos*, and the higher of 65 or State Pension Age for members of *alpha*. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website **www.civilservicepensionscheme.org.uk**

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

	Directly employed staff £000	Board Members £000	Others £000	Total 2017/18 £000	Total 2016/17 £000
Salaries	1,325	89	–	1,414	1,434
Social security costs	127	3	–	130	131
Other pension costs	262	–	12*	274	283
Temporary staff	–	–	205	205	186
Total	1,714	92	217	2,023	2,034

	2017/18 £000	2016/17 £000
* Pensions paid to former Commissioners under “other pension costs”	12	12

There were no off-payroll arrangements for staff during 2017/18 (£nil 2016/17).

Average number of full time equivalent persons employed

	2017/18		2016/17	
	Directly employed staff	Others	Directly employed staff	Others
Directly employed: Permanent contract	46.92	–	42.94	–
Directly employed: Fixed Term contract	–	–	5.81	–
Temporary staff contract	–	7.0	–	5.5
Total	46.92	7.0	48.75	5.5

Unaudited

Gender Note

	Males 31 March 2018	Females 31 March 2018	Males 31 March 2017	Females 31 March 2017
Commissioners	8	1	8	1
Chief Executive	1	–	1	–
Employees	17	42	18	37

Employee numbers include part time staff

The figures above are the total numbers of staff as at 31 March 2018 (including agency) not full time equivalents

Sickness Absence

The Commission maintains oversight of its management of sickness absence through regular review of performance at Board and SMT level. Sickness absence is included as a key performance indicator in the Commission's quarterly performance reviews.

The purpose of this measure is to see whether improved working practises, more empowerment and better training is reflected in improved staff sickness levels due to a reduction in stress and anxiety in the workplace.

	2017/18 Crofting Commission	2016/17 Crofting Commission	2017/18 Scottish Government Comparative	2016/17 Scottish Government Comparative
Average working days lost per member of staff	10.6	12.4	7.6	7.5
Due to short-term absence	4.8	5.3	4.0	3.9
Due to long-term absence (periods of ≥ 21 days)	5.8	7.1	3.6	3.6

Our staff sickness levels have reduced by an average of 1.8 days per person due to a reduction in both long and short term absences.

Policies in Relation to Disabled Persons

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

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.

Focus Upon Staff Wellbeing:- Staff Training

A designated local learning development support officer has been appointed from the existing staff complement to facilitate a proactive approach to support learning development for all staff. This has proven to be a successful investment of resource as training requirements and opportunities have been managed in an effective and targeted manner throughout the year.

A highlight during the reporting year for the Staff Engagement Group was the successful organisation and delivery of a Staff Wellbeing day that was well received by colleagues. Group training sessions were delivered by a mix of internal

Staff Engagement Group

The purpose of this working group is to discuss and resolve organisational issues that affect staff engagement, identifying issues and potential



and external experts and included an overview of Scottish Government Employee Services, and a Mental Wellbeing session from NHS Scotland.

Employee Involvement

The Crofting Commission actively encourages feedback and communication from staff through a number of channels. A Commission Employee Survey was completed in April 2017 where staff were able to provide their views and concerns in response to a range of questions. In responding to the survey, the SMT have been reviewing a range of topics, including the Commission's internal communication processes.

To address some of the communication concerns raised by staff, the Commission has created an Operational Management Team (OMT), which represents managers responsible for the day to day running of the Commission. Its purpose is to prevent silo mentality by sharing information with other teams. The OMT is a forum to share issues, problems, and updates. It is designed to formulate solutions and offer practical help to colleagues.

A further employee survey was launched in April 2018 and the SMT are now reviewing the responses to identify any trends to assist on building on the Commission's strengths and remedying concerns. The Commission Employee Survey will now be issued on an annual basis to staff.

The Crofting Commission continues to work constructively with the recognised trades unions and staff are well represented by Public Commercial Services Union (PCS) representatives who are based within the Commission. As well as the Highlands and Islands branch there is also a Great Glen House Hub Committee comprising of Commission PCS members working with Scottish Natural Heritage, Visit Scotland & The Procurator Fiscal which links into The PCS Highlands & Islands Network. The Commission SMT ensure that PCS representatives who work within the Commission are allocated sufficient time to fulfil their union responsibilities.

Equal Opportunities and Diversity Policies

The Crofting Commission adopts The Scottish Government policies on equal opportunities and diversity. The policy on equal opportunity states that all staff should be treated equally irrespective of their sex, marital/civil partnership status, age, race, ethnic origin, sexual orientation, disability, religion or belief, working pattern, employment status, gender identity (transgender), maternity or paternity status, caring responsibility or trade union membership. In line with Scottish Government policy, the Crofting Commission is specifically required to increase the diversity of staff within the organisation. The Crofting Commission undertakes to develop all staff and positively values the different perspectives and skills each brings to our work. The Crofting Commission is committed to delivering its functions in a manner that encourages equal opportunities, and aims to eliminate unlawful discrimination and other conduct prohibited by equality legislation.

Parliamentary Accountability Disclosures

Unaudited

Losses and special payments

There were no losses or special payments made during the year 2017/18 (2016/17: Nil).

Gifts and Charitable Donations

There were no gifts or charitable donations made during the year 2017/18 (2016/17: Nil).

Audited

Remote Contingent Liabilities

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



Bill Barron

Chief Executive and Accountable Officer
22 August 2018

Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Crofting Commission for the year ended 31 March 2018 under 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. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007 and the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 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 and the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007 and the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Crofters (Scotland) Act 1993 as amended by the Crofting Reform (Scotland) Act 2007 and 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 and the Crofting Reform (Scotland) Act 2010 and the Crofting (Amendment) (Scotland) Act 2013 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

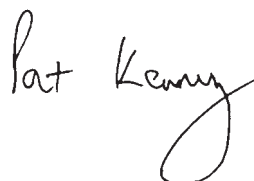
We are required by the Auditor General for Scotland to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
22 August 2018



**CROFTING COMMISSION
COIMISEAN NA CROITEARACHD**

Financial Statements 2017/18

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

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Other operating income	2	(281)	(229)
Total operating income		(281)	(229)
Staff costs	3	2,023	2,034
Depreciation and Amortisation	3,4,5	45	82
Other operating expenditure	3	712	599
Total operating expenditure		2,780	2,715
Net operating expenditure		2,499	2,486

The notes on pages 67 to 74 form an integral part of these accounts

Statement of Financial Position

as at 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets:			
Information Technology Equipment	4	28	23
Intangible assets (Software)	5	108	126
Total non-current assets		136	149
Current assets			
Trade and other receivables	6	43	58
Cash and cash equivalents	7	90	93
Total current assets		133	151
Total assets		269	300
Current liabilities			
Trade and other payables	8	94	111
Other liabilities	8	69	72
Provisions	9	—	3
Total current liabilities		163	186
Total assets less current liabilities		106	114
Total assets less total liabilities		106	114
Taxpayers' equity			
General fund		106	114



Bill Barron
Chief Executive and Accountable Officer
Date 22 August 2018

The Accountable Officer authorised these financial statements for issue on 22 August 2018

The notes on pages 67 to 74 form an integral part of these accounts

Statement of Cash Flows

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net operating expenditure		(2,499)	(2,486)
Adjustment for non-cash transactions			
Depreciation and Amortisation	3,4,5	45	82
Movements in working capital			
(increase)/decrease in trade and other receivables	6	15	(24)
Increase/(decrease) in trade and other payables & provisions	8,9	(23)	5
Net cash outflow from operating activities		(2,462)	(2,423)
Cash flows from investing activities			
Purchase of information technology equipment	4	(22)	(15)
Purchase of intangible assets	5	(10)	(6)
Net cash flow from investing activities		(32)	(21)
Total cash outflows		(2,494)	(2,444)
Cash flows from financing activities			
Grant-in-Aid		2,491	2,437
Net (decrease)/increase in cash and cash equivalents		(3)	(7)
Cash & cash equivalents at the beginning of the period		93	100
Cash & cash equivalents at the end of the period		90	93

The notes on pages 67 to 74 form an integral part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2018

	General Fund £000
Balance at 1 April 2017	114
Grant-in-Aid	2,491
	2,605
Comprehensive net expenditure for the year	(2,499)
Balance at 31 March 2018	106
Balance at 1 April 2016	163
Grant-in-Aid	2,437
	2,600
Comprehensive net expenditure for the year	(2,486)
Balance at 31 March 2017	114

The notes on pages 67 to 74 form an integral part of these accounts

Notes to the Financial Statements

1. Statement of accounting policies

The financial statements have been prepared in accordance with the Financial Reporting Manual FReM issued by HM Treasury and the Accounts Direction (page 75) issued by Scottish Ministers.

The FReM sets out the format of the annual accounts. Grant-in-Aid is included in the General Reserve in the Statement of Changes in Taxpayers' Equity rather than included in the Statement of Comprehensive Net Expenditure. All other income and expenditure is included in the Statement of Comprehensive Net Expenditure. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Crofting Commission for the purposes of giving a true and fair view has been selected. The particular policies adopted by Crofting Commission are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

The financial statements included in this report have been prepared on a going concern basis as the Accountable Officer considers the Crofting Commission to have adequate resources to continue in operational existence for the foreseeable future.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Information Technology Equipment

Equipment represents Information technology hardware items with a cost of over £5,000. Where

individual items cost less than £5,000, but where the class of asset in aggregate costs over £5,000, they are capitalised. In particular this applies to purchase of desktop and laptop PCs, servers and associated hardware, which are depreciated over their useful economic lives, considered to be 3 years. Depreciation has been provided at a rate calculated to write off cost in equal annual instalments over the estimated useful lives of assets.

IT assets are carried at historical cost, which is used as a proxy for fair value.

1.3 Intangible assets

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

Amortisation Policy:

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

1.4 Value Added Tax

Irrecoverable VAT is included with the relevant costs and charged to the Statement of Comprehensive Net Expenditure in the period to which it is incurred.

1.5 Employee Benefits

Short-Term Employee Benefits

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

Pension Costs

All current Crofting Commission staff are Scottish Government employees. Salary and pensions costs are paid directly by The Scottish Government. These costs as reported in the Crofting Commission's accounts relate to the period during which it benefits from the employee's services. This includes amounts covered by the provisions of the principal Civil Service Pension Scheme, a defined benefit scheme, which are paid by The Scottish Government to the Principal Civil Service Pension Scheme (PCSPS) on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

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 and on hand. Cash with the government banking service includes an account in the name of the Crofting Commission solely holding monies collected, as well as cheques received but not yet lodged, on behalf of the Registers of Scotland.

1.9 Grant-in-Aid

The Crofting Commission receives Grant-in-Aid from The Scottish Government to finance its net expenditure. Grant-in-Aid is credited to the general reserve in the period in which it is received. The net cost of the Crofting Commission is charged to this fund.

1.10 Provisions

The Crofting Commission provides for legal or constructive obligations that are of uncertain timing or amount at the statement of financial position date on the best estimate of the expenditure likely to be required to settle the obligation.

1.11 Contingent Liabilities

Contingent liabilities are recognised in respect of: possible obligations arising from past events whose existence will be confirmed by the occurrence of uncertain future events outwith the Crofting Commission's control or present obligations arising from past events where it is possible, but not probable, that resources will be required to settle the obligation or it is not possible to measure it reliably.

1.12 Adoption of New and Revised Standards

At the date of authorisation of these financial statements, the following Standard and Interpretation which has not been applied in these financial statements was in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9, Financial Instruments (2014) (effective 1 January 2018)
- IFRS 16, Leases (effective 1 January 2019)

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

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

- Annual Improvements 2014-2016 Cycle
- Amendments to IAS 7 – Disclosure Initiative

1.13 Critical Accounting Judgements and Key Sources of Estimation

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

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

As any party with an interest can appeal a Commission decision to the Land Court, it is possible that appeals may be lodged in the future relating to events prior to the year-end. As the likelihood of appeals and the amounts of any resulting liabilities cannot be determined with certainty, liabilities may arise from these appeals which may result in material differences from the amounts provided for litigation in the financial statements.

Other than the above, the Accountable Officer does not consider there to be any critical judgement or sources of estimation uncertainty requiring disclosure beyond application of the policies above.

2. Other Income

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

	2018 £000	2017 £000
Scottish Government Pressure Funding	281	229
Total	281	229

Other income (pressure funding) was paid to the Crofting Commission for the purpose of funding additional resources to carry out a number of duties and functions introduced within the 2010 Act.

3. Board Member and Staff Costs, Other Operating Expenditure and Non-Cash Items

	2018 £000	2017 £000
Board Member and Staff Costs*		
Salaries	1,414	1,434
Social security costs	130	131
Other pension costs	274	283
Temporary Staff	205	186
Total of staff costs	2,023	2,034
Other operating expenditure		
Accommodation expenses	161	163
Information systems & telecommunications	107	80
Training	47	43
Communication	63	60
Regulatory advertising expenses	33	39
Assessors' conference & travel expenses	13	4
Travel & subsistence – staff	29	22
Travel & subsistence – Commissioners	29	32
Legal fees	6	14
External Auditor's remuneration	16	17
Internal Auditor's remuneration	12	7
Other running costs	196	118
Total of other operating expenditure	712	599
Non-cash items		
Depreciation	17	34
Amortisation	28	48
Total of Non-cash items	45	82
Overall total	2,780	2,715

* Further analysis of board member and staff costs is located in the Staff Report on page 55.

4. Information Technology Equipment

£000

Cost

1 April 2016	220
Additions	15
Disposals	(28)
31 March 2017	207

Depreciation

1 April 2016	(178)
Charged in year	(34)
Disposals	28
31 March 2017	(184)

Net book value at

31 March 2016	42
31 March 2017	23

Cost

1 April 2017	207
Additions	22
Disposals	(49)
31 March 2018	180

Depreciation

1 April 2017	(184)
Charged in year	(17)
Disposals	49
31 March 2018	(152)

Net book value at

31 March 2017	23
31 March 2018	28

5. Intangible assets – Software

	£000
Cost	
1 April 2016	847
Additions	6
Disposals	(184)
31 March 2017	669
Amortisation	
1 April 2016	(679)
Charged in year	(48)
Disposals	184
31 March 2017	(543)
Net book value at	
31 March 2016	168
31 March 2017	126
Cost	
1 April 2017	669
Additions	10
Disposals	(519)
31 March 2018	160
Amortisation	
1 April 2017	(543)
Charged in year	(28)
Disposals	519
31 March 2018	(52)
Net book value at	
31 March 2017	126
31 March 2018	108

Intangible assets comprise software used for carrying out the Crofting Commission's work

6. Trade receivables and other current assets

Amounts falling due within one year:

	2018 £000	2017 £000
Receivables	2	25
Prepayments	41	33
Total	43	58

7. Cash and cash equivalents

	2018 £000	2017 £000
Balance at 1 April	93	100
Net change in cash & cash equivalents	(3)	(7)
Balance at 31 March	90	93

The following balances at 31 March were held with the Government Banking Service and cash in hand	90*	93*
Balance at 31 March	90	93

* The £90k consists of £21k Crofting Commission cash reserves and £69k of funds collected on behalf of Registers of Scotland. The previous year's £93k consisted of £21k Crofting Commission and £72k Registers of Scotland monies.

8. Trade payables and other current liabilities

Amounts falling due within one year:

	2018 £000	2017 £000
Accruals	94	111
Other liabilities	69	72
Total	163	183

9. Provisions

	2017/18 £000
Opening Balance 1 April 2017	3
Expenditure in the year charged against the provision	3
Closing balance at 31 March 2018	0

The provision represents estimated legal expenses awarded against the Crofting Commission.

10. Related party transactions

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

The Scottish Government's Rural Payments and Inspections Directorate (the Sponsor Directorate) and the Crofting Commission had significant financial transactions during the year. Financial transactions with the Directorate comprised Grant-in-Aid of £2,491,293 as disclosed in the Changes in Taxpayers Equity statement and other income of £280,930 (note 2, page 69).

The Commission has not had any other transactions with related parties.

11. Financial instruments

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

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

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

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



THE CROFTING COMMISSION

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with paragraph 19 of Schedule 1 to the Crofters (Scotland) Act 1993, as amended, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2013, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers



Dated 26/10/12

Glossary of Financial Terms

Accruals basis

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

Amortisation

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

Assets

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

Capital expenditure

Spending on non-current assets.

Cash Flow

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

Contingent liability

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

Current assets

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

Current liability

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

Deficit

Where expenditure exceeds income in an accounting period.

Depreciation

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

FReM

Financial Reporting Manual issued by HM Treasury.

Going concern basis

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

Grant-in-Aid

Funding received from The Scottish Government.

Intangible assets

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

Liability

A debt owed by the Commission to another entity.

Prepayments

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

Provision

Liability of uncertain timing or amount.

Taxpayers' equity

The net assets of the Commission.

Trade payables

Amounts due for payment to suppliers of goods and services.

Trade receivables

Amounts due from third parties.