



SCOTTISH LAND COMMISSION  
COIMISEAN FEARAINN NA H-ALBA

# Annual Report and Accounts

## 2017 to 2018



# Annual Report 2017-2018

Laid before the Scottish Parliament in pursuance of Section 20 Schedule 2, paragraph C of the Land Reform (Scotland) Act 2016.

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

Dear First Minister

We have the honour to present the first Annual Report and Accounts of the Scottish Land Commission covering the year 2017 – 2018.

Yours sincerely

Andrew Thin, Chair



Hamish Trench, Chief Executive



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# Contents

## **PERFORMANCE REPORT 02**

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

### **Overview 02**

Who we are 03

What we do 04

How we do it 06

### **Performance analysis 08**

Financial Performance 08

What we have achieved 09

Tenant Farming Commissioner 10

Our Organisation 12

## **ACCOUNTABILITY REPORT 15**

This report contains key statements and reports that enables the Scottish Land Commission to meet accountability requirements and demonstrate compliance with good corporate governance

### **Corporate Governance Report 16**

Directors' Report 16

Statement of Accountable Officer's Responsibilities 18

Governance Statement 19

### **Remuneration and Staff Report 26**

### **Parliamentary Accountability Report 32**

### **Independent Auditor's Report 33**

### **Financial Statements 36**

### **Accounts Direction 47**

# PERFORMANCE REPORT

## Overview

### Foreword from the Chief Executive and Chair of the Scottish Land Commission

The establishment of the Scottish Land Commission on 1 April 2017 was a significant milestone for land reform in Scotland.

The Commission's first year in operation has seen not only the creation of a new organisation and all that it entails but also the Commission embarking on an ambitious Programme of Work. The Commission's three year Strategic Plan was launched in September 2017, providing direction for the Commission in the key strategic priorities of land for housing and development, modernising land ownership, land use decision making and agricultural holdings.

Effective stakeholder engagement has been fundamental to informing our work, developing momentum for delivery and ensuring a good foundation to achieving the long term outcomes for land reform.

The Commission has achieved a number of important milestones over the year, including starting major reviews which support the Programme for Government and contribute to Scotland's national outcomes. We have also published a series of discussion papers to instigate debate on key land reform issues.

Creating a high performing organisation with a motivated team of staff has also been a high priority. We are developing an organisational culture that has robust corporate systems and governance and that is dynamic and innovative. A full staff team is now in place, together with an Organisational Development Strategy that sets out the priorities for developing the culture and systems to support effective delivery.

2018-19 will see the Commission progress with the four priority areas (see page 05) reaching across both urban and rural Scotland with a focus on productive use of land. Over the coming year we will continue to work in close collaboration with our partners, working together to make more of Scotland's land.



Andrew Thin  
Chair



Hamish Trench  
Chief Executive

## Who we are

The Scottish Land Commission is a non-departmental public body (NDPB) established on 1 April 2017 by the Land Reform (Scotland) Act 2016. The Commission has five Land Commissioners and one Tenant Farming Commissioner, all of whom are appointed by Scottish Ministers. The organisation is based in Inverness and employs a team of 10 staff (as at 31 March 2018) led by Chief Executive, Hamish Trench.



The Land Commissioners: (left to right) Megan MacInnes, Professor David Adams, Andrew Thin (Chair), Dr Bob McIntosh (Tenant Farming Commissioner), Dr Sally Reynolds and Lorne MacLeod

Our vision  
is a fair, inclusive and  
productive system of  
ownership, management  
and use of land that  
delivers greater benefit  
for all the people  
of Scotland.



# What we do

The purpose of the Commission is to shape and drive a coherent programme of land reform spanning both urban and rural land, to improve the productivity, diversity and accountability of the way Scotland's land is owned and used.

## The functions of the Land Commissioners, as described in the Act, are:

- to review the impact and effectiveness of any law or policy
- to recommend changes to any law or policy
- to gather evidence
- to carry out research
- to prepare reports
- to provide information and guidance.



The Tenant Farming Commissioner is responsible for promoting and encouraging good relations between landlords and tenant farmers.

## The functions of the Tenant Farming Commissioner are:

- to prepare codes of practice on agricultural holdings
- to promote the codes of practice
- to inquire into alleged breaches of the codes of practice
- to prepare a report on the operation of agents of landlords and tenants
- to prepare recommendations for a modern list of improvements to agricultural holdings
- to refer for the opinion of the Land Court any question of law relating to agricultural holdings
- to collaborate with the Land Commissioners in the exercise of their functions to the extent that those functions relate to agriculture and agricultural holdings
- to exercise any other functions conferred on the Commissioner by any enactment.

In exercising the functions the Land Commission must have regard to the Land Rights and Responsibilities Statement published by Scottish Ministers.

Our role combines leadership and non-regulatory culture change with statutory functions to review and advise on legislation and policy change.

## OUR CORE VALUES

Underpin what we do and the operation of the Commission



### INTEGRITY

We work for and are accountable to the people of Scotland



### CHALLENGE

We challenge ourselves and others to lead change



### INNOVATION

We develop ambitious and progressive thinking



### EMPOWERMENT

We motivate ourselves and others to realise Scotland's ambitions through land reform

# Strategic Objectives

Our work is guided by three strategic objectives:

## PRODUCTIVITY

To drive increased economic, social and cultural value from our land.

## DIVERSITY

To encourage a more diverse pattern of land ownership with the benefits of land spread more inclusively.

## ACCOUNTABILITY

To ensure decision-making takes account of those affected and responsibilities are met.

# Strategic Priorities

The Commission's three year Strategic Plan, published on 28 September 2017, outlines four key priority areas of work covering both urban and rural land:

## LAND FOR HOUSING AND DEVELOPMENT

Reduce constraints to redeveloping vacant and derelict land for housing and other productive uses, improve land supply for housing and stimulate a more active approach to developing land in the public interest.

## LAND OWNERSHIP

Examine the impacts of scale and concentration of land ownership and tax policy, and review the effectiveness of the Community Right to Buy mechanisms.

## LAND USE DECISION-MAKING

Improve the quality and accountability of decision making, providing guidance and Codes of Practice.

## AGRICULTURAL HOLDINGS

Improve the relationships between agricultural landlords and tenants to support a vibrant agricultural sector and increase access to land for those who want to farm.

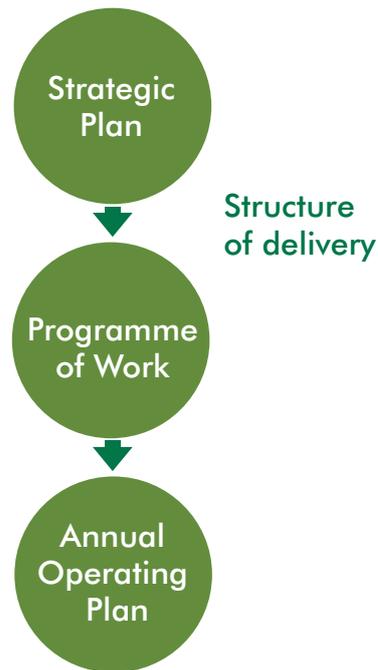


# How we do it

We are working to deliver our objectives and priorities through:

- Engagement and communications: stimulating awareness, collaboration and change on the ground;
- Research and evidence: commissioning and collating the research and evidence necessary;
- Guidance and codes: developing guidance and codes of practice to shape change on the ground;
- Making recommendations for change in legislation, policy and practice.

The Strategic Plan is supported by a Programme of Work that sets out the headline areas of work. For the following financial year, 2018-19, this is supported by an annual business plan detailing the schedule of work and outputs for the year including associated resources and performance management.



## Contributing to the National Outcomes

The Scottish Government’s National Performance Framework sets out the high level National Outcomes to make Scotland a better place to live and a more prosperous and successful country.

The Land Commission’s long term outcomes for land reform contribute to six national outcomes, [see opposite](#).

NATIONAL OUTCOMES	
	We realise our full economic potential with more and better employment opportunities for our people
	We live longer, healthier lives
	We have tackled the significant inequalities in Scottish society
	We live in well-designed, sustainable places where we are able to access the amenities and services we need
	We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others
	We value and enjoy our built and natural environment and protect it and enhance it for future generations

LONG TERM OUTCOMES FOR LAND REFORM	NATIONAL OUTCOMES
There will be fewer land constraints to effective public interest-led development and place-making	    
The supply of land for housing will be less constrained by land tenure and land values	   
The net area of vacant and derelict land will be falling	     
The level of concentration in land ownership patterns will be falling	   
The level of community involvement in land management decision making will be rising	  
The number of communities exercising ownership or control of land will be rising	   
The number of agricultural units managed through a lease or joint venture will be rising	 
The relationships between agricultural landlords and tenants will be improving	  

## Key issues and risks we face

**We consider the following issues to have the greatest influence over the way we deliver our work and achieve our aim and objectives over the next year:**

- We remain in a period of financial constraint
- The political and policy landscape continues to evolve
- Vulnerability of a small organisation of loss of capacity and skills required to deliver annual business plan.

An account of our risk management in 2017-18, alongside a description of the principal risks and uncertainties we face, is provided in the Governance Statement (see page 19).

# Performance Analysis

## Financial Performance

The Scottish Government allocated the Scottish Land Commission a budget (known as Departmental Expenditure Limit or DEL) of £1.4m. The Commission operated within its allocation for 2017-18 by drawing down £915k of the £1.4m allocation. In this establishment year the Scottish Land Commission agreed with the Scottish Government at an early point in the financial year that it would not require the full grant-in-aid allocation during 2017/18 due to the phased recruitment of staff over this year.

The reduction was also due to the delivery of major commissioned work flowing from the approval of the Strategic Plan by Scottish Ministers in September 2017.

The Commission had a spend against this revised budget of £905k leaving a final surplus of £10k for the year.

Summary of Surplus for the year	2017-18 £000
Total Operating Expenditure	(905)
Grant-in-Aid Drawn Down	915
Other Income	-
<b>Surplus</b>	<b>10</b>

Reconciliation of operational expenditure on an accrual basis to Grant-in-Aid drawn down	2017-18 £000
Deficit/(Surplus)	10
<b>Exclude non-cash:</b>	
Depreciation and Amortisation	-
<b>Working capital adjustments involving:</b>	
Debtors	-
Creditors	123
Cash expenditure underspend of Grant-in-Aid drawn down	133

On an income and expenditure accounting basis the financial outcome for the year on normal business activities reports a surplus of £10k.

This surplus arises as a result of accounting adjustments from working capital movements to the financial statements that do not involve the flow of cash.

# What we have achieved

An Interim Corporate Plan was in place for the first half of 2017-18 and the establishment of the Commission. Three key priorities were identified in the table below.

For the second half of the year the priority areas of work, activity and outcomes were guided by the publication of the Strategic Plan in September 2017.

## During the year the Commission has begun a number of reviews looking at:

- Community Right to Buy mechanisms
- Land value taxation
- Land value capture
- Scale and concentration of land ownership
- Opportunities to improve access to land for new entrants to farming.

## The Commission has had an extensive programme of engagement with both stakeholders and the wider public to develop the conversation about the potential of land reform to help deliver ambitions for both urban and rural communities in Scotland:

- First land reform conference held in Dunfermline with 140 delegates
- 16 public meetings held across Scotland with over 320 attendees
- Continued engagement with stakeholders including holding and attending regular stakeholder events
- Publishing discussion papers on key land reform topics to encourage public debate
- Establishing the Tenant Farming Advisory Forum to address issues affecting the tenant farming sector.

PRIORITY	STATUS
Establishing a Strategic Plan and Programme of Work	 <p>Achieved</p> <p>Strategic Plan and Programme of Work launched at the Commission's first land reform conference on 28 September 2017.</p>
Engaging effectively with the Scottish people	 <p>Ongoing</p> <p>The Land Commission has carried out extensive engagement through regular public meetings in communities around Scotland, holding seminars and events on key topics such as the housing land market and publishing discussion papers, blogs and reports.</p>
Developing a baseline work programme to fulfil statutory functions	 <p>Achieved</p> <p>Programme of work implemented with workstreams and initial outputs delivered in each priority area.</p> <p>Annual business plan developed for 2018-19.</p>

# Tenant Farming Commissioner

A thriving and prosperous tenant farming sector relies on a strong and constructive relationship between tenants and landlords and a positive and professional approach by intermediaries acting on behalf of landlord and/or tenant. Such relationships need to be based on mutual respect and shared values and a common approach to fairness and reasonableness. The Tenant Farming Commissioner (TFC) has made significant progress over the year in a number of areas for tenant farming.

A number of Codes of Practice have been published which are intended to guide and shape the behaviours and procedures which accompany the interactions and negotiations between landlords and tenants, including agents and intermediaries acting for either party. The Codes were developed in consultation with Scottish Land and Estates, the Scottish Tenant Farmers Association, the National Farmers Union Scotland, the Royal Institution of Chartered Surveyors and the Scottish Agricultural Arbiters and Valuers Association.



**Four codes have been published:**

Amnesty on Tenants Improvements  
June 2017

Planning the Future of Limited Partnerships  
September 2017

The Management of Relationships between Agricultural Tenants and the Holder of Sporting Rights  
October 2017

The Maintenance of the Condition of Agricultural Holdings  
January 2018



**A number of guides have been published to provide information to both tenant farmers, land owners and agents:**

Guide to the 2016 Land Reform (Scotland) Act  
December 2017

Guide to the Proposed Legislation on Relinquishment of 1991 Act Tenancies  
December 2017

Guide to the Essential Features of the Modern Limited Duration Tenancy  
February 2017



## Case Work

The TFC can provide information to tenants and landlords regarding the Codes of Practice. No official inquiries have been made to the TFC with regard to a breach of a Code but the TFC has received 77 enquiries over the year with many seeking advice early in a potential dispute in attempts to pre-empt breaches of the Codes.



A wide range of enquiries has been received by the TFC over the last year with the majority made by:



### Type of TFC enquiry 2017/18

Other	14
End of tenancy issues	11
Relinquishment	8
General	8
Amnesty/tenants improvements	7
Rent	6
Landlords obligations	6
Sporting	5
Repairs & maintenance	3
Succession/assignation	3
Multiple issues	2
Forestry	2
Housing	2

Enquiries have been received from throughout Scotland. The greatest number of enquiries came from:



### Number of TFC enquiries 2017/18 by location

Borders	15
Aberdeenshire	10
Perthshire	8
No location given	8
Highland	7
Dumfries & Galloway	6
Bute	5
Edinburgh & Lothians	4
Islay	4
Angus & Fife	3
Stirlingshire	3
Moray	2
Ayrshire	1
Badenoch & Strathspey	1

# Our Organisation

## Staff

During the course of the first year in operation, the Commission has built up the staff team through a robust fair and open recruitment process. An Organisational Development Strategy has been put in place to ensure we are getting the best from our people through training and development plans and all staff are empowered to develop and grow. The strategy shapes our culture and reviewing our processes and procedures to ensure they continue to be effective, responsive and provide value for money.

## Sustainable, Social and environmental overview

In line with the Scottish Government, the Commission is placing economic, social and cultural human rights at the heart of our work. It is embedded in our Strategic Plan and Programme of Work with a particular focus on the realisation of human rights through Scotland's framework for land reform.

The Scottish Government has ambitious carbon reduction targets for the public sector. The Commission has ensured that these principles have underpinned the establishment of the organisation and will continue to be developed. The Commission is located in a Scottish Government building so our focus is on addressing internal factors such as travel, resources, procurement and awareness.

Community and charity work by staff can bring a number of benefits to the wider community. We support those who wish to undertake community or charity activities and commend our staff for their efforts. Staff are able to participate in a 'give as you earn' scheme and donate a proportion of their salaries to charities of their choice.

## Best Value

We are committed to delivering best value through clear governance and accountability, effective performance management, partnership working, maximising efficiencies and building sustainability into how we operate.

## Anti-corruption and Anti-bribery matters

The Commission implemented its updated Anti-Fraud Policy in January 2018.

## Key Performance Measures

In this establishment year performance has been assessed against firstly, the Interim Corporate Plan which focused on developing the Strategic Plan and Programme of Work, engaging effectively and developing a baseline work programme to establish a functioning organisation, then secondly delivery against our Programme of Work following its publication in September 2017. Progress against the Programme of Work has been reported quarterly to the Board. Looking ahead, for 2018/19 an Annual Business Plan has been developed incorporating budget, staff leads, activities and milestones and this will be the key reference point for assessing ongoing performance. The Commission will draw from this a set of Key Performance Indicators for 2018/19 and onwards. The Commission also has a workstream underway to ensure long-term monitoring against the long-term outcomes identified in our Strategic Plan.

## Summary of Performance

This has been an establishment year in which the staffing, systems and controls for the organisation have been put in place, alongside early delivery of corporate priorities. The Commission built the staff team to its current total with a phased approach to recruitment through the year, informed by the needs of the emerging work programme. This meant it was clear from early in the year that the Commission did not require the full allocated grant-in-aid of £1.4M. The Commission identified this with Scottish Government at an early point and an adjustment to the total allocation was made at the half-year point, giving a revised total budget of £915k.

The Commission developed an Organisational Development Strategy in order to take a planned and co-ordinated approach to development of its culture, people and systems and has made good progress in delivering against this. A high priority has been to develop a culture of empowerment for staff and this is reflected in the organisational values developed by staff to guide our ethos.

At the same time as establishing effective organisational systems the Commission has made significant progress in delivery during its first year. During the first part of the year our focus was on identifying the strategic direction and priorities

through development of the Strategic Plan and wide engagement with stakeholders. A conference in September 2017 launched the Strategic Plan and Programme of Work, against which quarterly reporting was established. A range of significant reviews begun during the second half of the year with specific outputs published as a basis for wide stakeholder engagement. The Tenant Farming Commissioner has delivered a significant level of casework and publication of Codes of Practice and Guidance.

Overall it has been a successful year in which we have both established an effective organisation and made early progress in delivering strategic priorities. This has positioned the Commission well to continue delivery of major workstreams during the coming 2018/19 year.

Hamish Trench



Chief Executive and Accountable Officer  
4 September 2018



# Contents

## ACCOUNTABILITY REPORT

<b>Corporate Governance Report</b>	<b>16</b>
Directors' Report	16
Statement of Accountable Officer's Responsibilities	18
Governance Statement	19
<b>Remuneration and Staff Report</b>	<b>26</b>
Remuneration Policy	26
Staff Report	31
<b>Parliamentary Accountability Report</b>	<b>32</b>
<b>Independent Auditor's Report</b>	<b>33</b>
<b>Financial Statements</b>	<b>36</b>
Statement of Comprehensive Net Expenditure	36
Statement of Financial Position	37
Statement of Cash Flows	38
Statement of Changes in Taxpayers' Equity	39
Notes to the Accounts	40
<b>Accounts Direction</b>	<b>47</b>

# Corporate Governance Report

## Directors' Report

### Board of Commissioners

#### Andrew Thin (Chair)

Andrew has over thirty years of experience in leadership roles in the public, private and third sectors. He coordinated the work of the Agricultural Holdings Legislation Review in 2014. His previous public sector roles have included Crofters Commissioner, Chair of the Cairngorms National Park Authority, Chair of Scottish Natural Heritage and Andrew is currently Chair of Scottish Canals.

#### Dr Bob McIntosh CBE (Tenant Farming Commissioner)

Bob is a retired public servant with extensive experience in public policy, in particular in land management and forestry. Bob was the Scottish Government Director for Environment and Forestry between 2012 and 2015, and served as the Director of Forestry Commission Scotland. He was a partner in a 650-acre hill farm for 15 years. He is also currently a Board Member of Highlands and Islands Enterprise.

#### Dr Sally Reynolds

Sally is an Agricultural Consultant (with a PhD in mathematical ecology); she is currently working within the Community Land Sector as Development Officer with Carloway Estate Trust (Urras Oighreachd Chàrlabhaigh). An active crofter and livestock keeper, she contributes to a number of activities which benefit the community.

#### Lorne MacLeod

Lorne was a founding director, and latterly Chair, of Community Land Scotland, and has been a director of the community land buyout groups in Eriskay, South Uist & Benbecula, and the Isle of Gigha. He was Highlands & Islands Enterprise's first Director of Strengthening Communities. He is a chartered accountant, and director of a retail and distribution business in the Isle of Skye.

#### Megan MacInnes

Megan works as a land advisor to Global Witness, an international NGO. Her experience includes having worked internationally, in Cambodia, Myanmar and Laos, with community groups, NGOs, governments and large agribusiness companies to improve protection of land rights. She has considerable expertise in land reform, land management, community empowerment and human rights.

#### Professor David Adams

David holds the Ian Mactaggart Chair of Property and Urban Studies at the University of Glasgow. He has researched and published widely on urban land issues and is particularly interested in resolving ownership constraints to urban development and tackling land vacancy and dereliction. He was previously an adviser to the Land Reform Review Group.

Full details of the Commissioners' Register of Interests can be found on our website [www.landcommission.gov.scot/howeare](http://www.landcommission.gov.scot/howeare)



Left to right: Megan MacInnes, Professor David Adams, Andrew Thin (Chair), Dr Bob McIntosh (TFC), Dr Sally Reynolds and Lorne MacLeod

## Management Team



**Hamish Trench**  
**Chief Executive and**  
**Accountable Officer**

Responsible for the strategic leadership and operational management of the organisation and supporting Commissioners in fulfilling their functions.



**Posy MacRae**  
**Head of Communications**  
**and Corporate Services**

Responsible for leading the Commission's communications and corporate services including corporate governance.



**Hilary Pearce**  
**Interim Chief Executive**  
**to 31 July 2017**

Seconded from  
Scottish Government.



**Shona Glenn**  
**Head of Policy**  
**& Research – Land**

Responsible for leading the programme of research and policy on land for housing and development, land ownership and land use decision making.



**Sarah Allen**  
**Head of Policy & Research**  
**– Tenant Farming**

Responsible for policy and research to support the functions of the Tenant Farming Commissioner and the wider agricultural holdings workstream.

## Pensions

Scottish Land 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 Scottish Land Commission's senior managers are given in the Remuneration Report (page 26) and note 1.7 (page 41) to these accounts.

## Freedom of Information requests

The Scottish Land Commission received 7 Freedom of Information requests during the year 2017-18. Full details of these can be reviewed on the Scottish Information Commissioner website <https://stats.itspublicknowledge.info/>

## Data Protection

There were no data losses during the year.

## Payment Practice Code

In line with Scottish Government policy, the Scottish Land Commission requires that all suppliers' invoices not in dispute are paid within 10 working days of receipt. The Scottish Land 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 Scottish Land Commission paid 99% of its invoices within these terms.

## Non Audit Fees

The Auditor General for Scotland has appointed Audit Scotland as the external auditor. Details of the audit fee for the year to 31 March 2018 are disclosed in note 3 (Page 43) to the accounts. Audit Scotland were not engaged or paid for any non-audit work during the year.

# Statement of Accountable Officer's Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 and section 19 of the Land Reform (Scotland) Act 2016, Scottish Ministers have directed the Scottish Land 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 Scottish Land 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 Scottish Land 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 Scottish Land 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 Scottish Land 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 Scottish Land Commission's auditor is aware of the information.

## Accountable Officer Confirmation on the Annual Report and Accounts

As Accountable Officer I confirm that the annual report and accounts as a whole 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 Governance Statement records the stewardship of the Scottish Land Commission and supplements the annual accounts. This statement also draws together 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.

# Governance Framework

## The Board

The Chair leads the Board of Commissioners and the Chief Executive leads the executive management of the Scottish Land Commission.

The Board comprises six Commissioners; five are Land Commissioners and one a Tenant Farming Commissioner, all of whom are appointed by Scottish Ministers.

More information on the Commissioners can be found on [page 16](#).

### See table below

The role of the Board is to provide strategic leadership for the organisation, setting the policy direction including development of a Strategic Plan and Programme of Work to be agreed with Scottish Ministers. They also oversee the performance of the organisation and the Chief Executive is accountable to the Board for its performance.

During the 2017/18 year the Board focused on:

- Development of the first Strategic Plan and Programme of Work, approved by Ministers in September 2017;
- Extensive public and stakeholder engagement including regular public meetings across Scotland;
- Quarterly performance monitoring addressing delivery, financial, risk and governance performance;
- Board member development and training.

The Board is supported by an Audit and Risk Committee to maintain oversight of internal and external audit, financial, risk and governance performance.

The Board hosted a board observer for a six month period during the year in support of increasing the diversity of board members in public bodies.

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

The Board's terms of reference can be obtained from the Commission's website [www.landcommission.gov.scot](http://www.landcommission.gov.scot)

## Commissioners during 2017-18:

Commissioner	Board Position	Attendance at Board Meetings 2017-18
Andrew Thin	Chair	12/12
Megan MacInnes	Commissioner	12/12
Professor David Adams	Commissioner	12/12
Dr Bob McIntosh	Tenant Farming Commissioner	11/12
Dr Sally Reynolds	Commissioner	11/12
Lorne MacLeod	Commissioner	12/12

## Audit and Risk Committee

A minimum of two Commissioners are appointed by the Board to serve on the Audit and Risk Committee. Given the relatively small size of the organisation and board, an external member has been co-opted to the Audit and Risk Committee to ensure additional expertise and effective scrutiny. This Committee met three times during the 2017/18 year. In future this Committee will meet four times a year with additional meetings if required.

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

During 2017/18 The Audit and Risk Committee carried out training based on the Scottish Government's "On Board" checklist.

The Audit and Risk Committee terms of reference can be obtained from the Commission's website [www.landcommission.gov.scot](http://www.landcommission.gov.scot)

## Audit and Risk Committee Members during 2017-18:

Committee Member	Audit and Risk Committee Position	Attendance at Committee Meetings 2017-18
Lorne MacLeod	Chair (Commissioner)	3/3
Megan MacInnes	Member (Commissioner)	3/3
Yvonne McIntosh*	Member (Co-opted)	3/3

\* Date of co-opted appointment 26 June 2017;  
Date when appointment is due to end/become eligible for renewal 26 June 2019

## Senior Management Team 2017-18

- Hilary Pearce (Interim Chief Executive to 31 July 2017; secondment from Scottish Government)
- Hamish Trench (Chief Executive & Accountable Officer from 1 August 2017)
- Shona Glenn (Head of Policy and Research – Land from 26 June 2017)
- Sarah Allen (Head of Policy and Research – Tenant Farming from 19 June 2017)
- Posy MacRae (Head of Communications and Corporate Services from 22 January 2018, Communications Manager from 6 March 2017)

More information on the Senior Management Team can be found on [page 17](#).

The Senior Management Team is responsible for delivering the statutory functions and strategic aims of the Scottish Land Commission. The Senior Management Team consists of the Chief Executive and the Heads of Service. The Senior Management Team is committed to high standards of corporate governance and provides the leadership, strategic oversight and the control environment required to deliver the Scottish Land Commission's key aims.

## Risk and Control Framework

All bodies subject to the requirements of the Scottish Public Finance Manual (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 Scottish Land Commission's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The Scottish Land Commission maintains a Strategic 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 Strategic Risk Register is regularly updated and reviewed as a standing item by both the Senior Management Team and the Audit and Risk Committee. Each individual risk is allocated an owner who ensures that mitigating action is carried out. The Risk Register is presented to the Board on a quarterly basis.

The principal risks identified during the establishment year to 31 March 2018 were of a set-up and reputational nature and can be categorised under four main headings.

### Delivery

- Risk that the Commission is unable to secure the necessary expertise to deliver high quality research/contracts resulting in delay or a gap in delivery
- Risk that the Commission is unable to demonstrate/measure change against agreed outcomes and objectives
- Risk that the commission is unable to react quickly in matching resources to changes in priorities.

### Reputational

- Risk that the Commission fails to communicate a clear vision and purpose
- Risk that the Commission fails to build and maintain strong relationships with key stakeholders, resulting in reputational damage
- Risk that the Commission/Commissioners and Scottish Ministers have a fundamental disagreement resulting in a breakdown of the relationship
- Risk that stakeholders do not see value from the Commission in directly influencing practice on the ground.

### Compliance

- Risk that the Commission fails to have in place or adhere to statutory or non-statutory corporate governance policies or procedures
- Risk that the Commission fails to deliver to its allocated budget, resulting in reputational, administrative and governance failures.

### Staffing

- Risk that individual members of staff are absent due to illness etc resulting in loss of capacity for critical elements of business systems and delivery
- Risk that the wide ranging Programme of Work and stakeholder expectations results in lack of clarity or drift from agreed priorities.

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

The risk and control processes applied within the Scottish Land 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.

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

- Whistle Blowing Policy
- Anti-Fraud Policy
- Finance Desk Instructions

The Scottish Land Commission will continue to review the system of internal control to ensure that this continues to provide effective assurances as the organisation matures and develops.

## Best Value

In establishing its approach and systems the Scottish Land Commission follows the principles of Best Value. For example, the Commission has entered into shared service arrangements for effective and efficient provision of corporate services, including for 2017/18 provision of IT, HR and finance systems by Scottish Government and for legal advice by the Crofting Commission's Solicitor. The Commission has adopted an Organisational Development Strategy that includes review and further tailoring of shared service provision to meet the Commission's developing culture and business needs.

## Conflicts of Interest Procedures

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

Commissioners record any potential conflicts of interest at the start of every Commission meeting and where appropriate 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 has appointed Audit Scotland as the Scottish Land Commission's external auditor for a four year period from 1 April 2017.

## Internal Audit

The internal audit function is an integral part of the internal control system. The Scottish Land Commission's internal audit service for the financial year 2017/18 was provided by The Scottish Government's Internal Audit Service, who undertook work based on an analysis of the risk to which the Commission was exposed. Reports prepared addressed Governance and Business Continuity; and Assurance Mapping.

Audit Scotland completed a review of the Scottish Government's Internal Audit Directorate, which is responsible for providing internal audit services to the Scottish Land Commission, in 2017/18. The review concluded that internal audit meets some Public Sector Internal Audit Standards (PSIAS), but also does not comply with significant aspects of the standards. The review

*continued page 24*

found no areas where the underlying evidence would suggest an incorrect audit opinion or conclusion. However, it did identify improvements required to meet both PSIAS and the Scottish Government Internal Audit Manual.

As part of a wider review of the support services the Scottish Land Commission requires, the Commission has changed internal audit provider for the 2018/19 financial year.

The internal audit findings are presented in the reports issued during the year to the Senior Management Team and the Audit and Risk Committee. These include an opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvements.

The findings of the Governance and Business Continuity review concluded that the Commission has good controls in place over income and receivables, the financial ledger and non-current assets. One relatively minor area for improvement was identified. It was also noted that the finance system used by the Scottish Land Commission, set up prior to the organisation's establishment, was developed with a shared ledger enabling other organisations to view transactions on a read only basis at a high level. At this time the ledger is shared with Community Justice Scotland and does not pose a significant risk.

The review reported areas of sound practice in relation to risk and governance, including clearly documented committee terms of reference and a detailed risk register with risks linked to the Commission's Business Objectives. Areas for high priority action recorded were the resolution of the formal appointment of the accountable officer which required a statutory instrument completed by Scottish Government in November 2017, and completion of a Business Continuity Plan, completed by December 2017. All actions identified for improvement were delivered by March 2018.

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 the Scottish Land Commission has reasonable assurance for 2017-18, which means in summary that "...Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature..." The Internal Audit report also notes the "on-going significant improvement surrounding the Commission's approach to Governance and Control over the 2017-18 year, including the advancement of the recommendations made as part of the Governance review".

## Data and Information Management

Procedures are in place to ensure compliance with data and information management obligations. The Commission has had no recorded or reported instances of data loss or breaches during the year. The Commission has taken steps to ensure compliance with GDPR obligations. The Commission has a dedicated Data Protection Officer, Information Asset Owners and Senior Information Risk Owner.

The Commission recognises the importance of ensuring cyber resilience and is working with Scottish Government to ensure that our digital technologies are in line with the Scottish Public Sector Action Plan on Cyber Resilience.

## Significant Governance Issues

During 2017-18 there were no significant governance issues to report.

## Governance Focus Looking Ahead

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

- Achieving delivery of the Scottish Land Commission's Programme of Work
- Development of more tailored Information and Financial Systems to support the efficient and effective delivery of corporate objectives
- Ensuring that the scheme of delegation enables Scottish Land Commission staff to operate in an efficient and effective way
- Continued development of performance management information particularly on project management and Tenant Farming casework
- Ensuring individual Commissioner skills and development requirements are identified and supported with Board-wide and individual training programmes.

## Management Assurances

The Accountable Officer's review of the effectiveness of the system of internal control and risk management arrangements is informed by:

1. Letter of assurance supported by a completed internal control checklist, agreed by the Heads of Service identifying controls and if applicable stating areas of concern;
2. The work of internal auditors, including in-year reports to the Scottish Land Commission's Audit and Risk 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 reports;
4. The annual report provided by the Chair of the Audit and Risk Committee to the Board, detailing the work of that committee during the year;
5. Quarterly reviews by the Audit and Risk 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 the Scottish Government who provide shared finance, HR and IT services to the Scottish Land Commission.

The Internal Auditors Annual Assurance Report finds that the controls framework in place provides a reasonable assurance regarding the effective and efficient delivery of the Commission's strategic objectives.

## Conclusion

Based on the sources of assurance identified above I am satisfied that appropriate governance controls have been put in place during our establishment year of 2017/18 and that these have operated effectively.

The framework of controls needs to be developed further as the organisation matures to ensure it is proportionate and effective. In particular we have identified work still required to strengthen casework management systems and the project and performance management frameworks. This work will be taken forward in 2018/19 and scrutiny of these areas is planned in the 2018/19 internal audit plan.

# Remuneration and Staff Report

Information disclosed in the salary and pension tables below have been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they were consistent with the financial statements.

## Remuneration Policy

### Board Members

The Scottish Land Commission Board comprises six 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](http://www.scotland.gov.uk/publications) for further detail). Current Board Member appointments are non-pensionable. All of the current Board Members have been appointed from 19 December 2016, four members have been appointed on five year terms and two members have been appointed for four year terms.

### Staff

All permanent and fixed-term staff are employees of the Scottish Land Commission. For 2017/18 the Commission has adopted Scottish Government pay grading and policy to determine salary levels and review, and chose to follow by association the Scottish Government main collective bargaining for the determination of salary. 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. Performance of all staff is monitored through a performance appraisal system.

## Board Remuneration

Commissioners were due remuneration in 2017-18 as follows:

Commissioners who held office during 2017/18	£
Andrew Thin (Chair)	12,144
Megan MacInnes (Land Commissioner)	6,132*
Professor David Adams (Land Commissioner)	4,848
Dr Bob McIntosh (Tenant Farming Commissioner)	19,392
Dr Sally Reynolds (Land Commissioner)	4,848
Lorne MacLeod (Land Commissioner)	4,848

Commissioners' appointments are non-pensionable.

\*Benefit in kind payments totalling £1,284 are included in the above remuneration for Megan MacInnes made during the year.

Scottish Land Commission Chair is committed to four days per month.

Tenant Farming Commissioner is committed to eight days per month.

Land Commissioners are committed to two days per month.

All Commissioners were appointed from 19 December 2016.

## Remuneration of Senior Staff

The following section provides details of the remuneration and pension interests of the senior staff of the Scottish Land Commission in 2017-18:

	Salary	Pension benefits	Total
<b>Chief Executive</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Hamish Trench Full-year equivalent	45-50 (65-70)	36	80-85
Hilary Pearce (Interim) Full-year equivalent	25-30 (65-70)	9	35-40
<b>Senior Management Team</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Posy MacRae* <sup>1</sup> Full-Year equivalent	30-35 (45-50)	13	45-50
Sarah Allen* <sup>2</sup> Full-Year equivalent	25-30 (50-55)	10	35-40
Shona Glenn Full-Year equivalent	35-40 (45-50)	15	50-55

\*<sup>1</sup> Works 0.8 FYE    \*<sup>2</sup> Works 0.6 FYE

Hamish Trench, Chief Executive & Accountable Officer from 1 August 2017.

Hilary Pearce, Interim Chief Executive from 11 November 2016 to 31 July 2017.

Posy MacRae, Head of Communications and Corporate Services from 22 January 2018, Communications Manager from 6 March 2017.

Sarah Allen, Head of Policy and Research – Tenant Farming from 19 June 2017.

Shona Glenn, Head of Policy and Research – Land from 26 June 2017.

**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 Scottish Land Commission.

**Benefits in kind** – There were no benefits in kind within 2017-18.

**Bonuses** – There were no bonuses within 2017-18.

## Compensation for loss of office

This value was nil for 2017-18

## Pay multiples

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

The banded remuneration of the highest-paid staff member in the Scottish Land Commission in financial year 2017-18 was £65k-£70k. This was 2.42 times the median remuneration of the workforce which was £28,033.

In 2017-18 no employees received remuneration in excess of the Chief Executive. Remuneration ranged from £17,642 to £51,359.

## 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			
<b>Chief Executive</b>							
Hamish Trench	15-20	-	0-2.5	-	174	151	16
Hilary Pearce (Interim)	15-20	45-50	0-2.5	0-2.5	308	295	8
<b>Senior Management Team</b>							
Posy MacRae	0-50	-	0-2.5	-	8	3	4
Sarah Allen	0-50	-	0-2.5	-	6	-	5
Shona Glenn	0-50	-	0-2.5	-	6	-	4

## 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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **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).

*continued page 30*

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the

member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

## Real increase in CETV

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

# Staff Report

## Staff Costs and Numbers

	Permanent Staff	Board Members	Others	Total 2017-18
	£000	£000	£000	£000
Salaries	229	51	-	280
Social security costs	23	2	-	25
Other pension costs	47	-	-	47
Inward secondment and Agency Staff	-	-	56	56
<b>TOTAL</b>	<b>299</b>	<b>53</b>	<b>56</b>	<b>408</b>

## Average Number of Employees

The average number of full-time equivalent (FTE) persons employed during the year:

	Number 2017-18
Senior Management	3
Professional, Managerial, Administration and Support	4
<b>TOTAL</b>	<b>7</b>

Senior management represents members of Management Team.

As at 31 March 2018 90% of staff were on permanent contracts, comprising 9 permanent staff and 1 member of staff on a fixed term contract.

Expenditure on consultancy during 2017/18 amounted to £66k.

There were no off-payroll arrangements for staff during 2017-18.

## Gender Note

	Males 31 March 2018	Females 31 March 2018
Commissioners	4	2
Chief Executive	1	-
Employees	1	8

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

Sickness absence during the year to 31 March 2018 was 31.5 days, representing 1.9% of the total number of available days. This equates to an average number of days sickness per member of staff of 3.1 days.

## Exit Packages

There were no exit packages within 2017/18.

## Equal Opportunities and Diversity Policies

The Scottish Land 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 Scottish Land Commission is specifically required to increase the diversity of staff within the organisation. The Scottish Land Commission undertakes to develop all staff and positively values the different perspectives and skills each brings to our work. The Scottish Land Commission is committed to delivering its functions in a manner that encourages equal opportunities, aims to eliminate unlawful discrimination and other conduct prohibited by equality legislation.

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# Parliamentary Accountability Report

## Losses and special payments

There were no losses or special payments made during the year 2017-18.

## Gifts and Charitable Donations

There were no gifts or charitable donations made during the year 2017-18.

## Remote Contingent Liabilities

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

Hamish Trench



Chief Executive and Accountable Officer  
4 September 2018

# Independent Auditor's Report

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

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Report on the audit of the financial statements

### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Scottish Land Commission for the year ended 31 March 2018 under the Land Reform (Scotland) Act 2016. 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 my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Land Reform (Scotland) Act 2016 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 Land Reform (Scotland) Act 2016 and directions made thereunder by the Scottish Ministers.

### Basis of opinion

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

## Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me 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's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs

(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my 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, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

## Report on regularity of expenditure and income

### Opinion on regularity

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

### Responsibilities for regularity

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

## Report on other requirements

### Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Land Reform (Scotland) Act 2016 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Land Reform (Scotland) Act 2016 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 Land Reform (Scotland) Act 2016 and directions made thereunder by the Scottish Ministers.

### Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.



Maggie Bruce  
Senior Audit Manager  
Audit Scotland  
Room F03, 1st Floor  
The Green House  
Beechwood Business Park North  
Inverness, IV2 3BL

4 September 2018

# Financial Statements

## Statement of Comprehensive Net Expenditure

For the year ending 31 March 2018

	Note	£000
Staff costs	2	408
Other operating expenditure	3	497
<b>Total operating expenditure</b>		<b>905</b>
<b>Net operating expenditure</b>		<b>905</b>

The notes on [pages 40 to 46](#) form part of these accounts.

# Statement of Financial Position

As at 31 March 2018

	Note	£000
<b>Current assets</b>		
Cash and cash equivalents	4	133
<b>Total current assets</b>		<b>133</b>
<b>Total assets</b>		<b>133</b>
<b>Current liabilities</b>		
Trade and other payables	5	123
<b>Total current liabilities</b>		<b>123</b>
<b>Total current assets less current liabilities</b>		<b>10</b>
<b>Total current assets less current total liabilities</b>		<b>10</b>
<b>Taxpayers' equity</b>		
General reserve		<b>10</b>

Hamish Trench

Chief Executive and Accountable Officer  
4 September 2018

The Accountable Officer authorised these financial statements for issue on 4 September 2018.

Only events up until the authorised for issue date are reflected in these accounts.

The notes on **pages 40 to 46** form part of these accounts.

# Statement of Cash Flows

For the year ended 31 March 2018

	Note	£000
<b>Cash flows from operating activities</b>		
Net operating expenditure		(905)
<b>Movements in working capital</b>		
Increase (decrease) in trade and other payables & provisions	5	123
<b>Net cash outflow from operating activities</b>		<b>(782)</b>
<b>Total cash outflows</b>		<b>(782)</b>
<b>Cash flows from financing activities</b>		
Grant-in-Aid		915
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>133</b>
Cash & cash equivalents at the beginning of the period	4	-
Cash & cash equivalents at the end of the period	4	133

The notes on [pages 40 to 46](#) form part of these accounts.

# Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2018

General Reserve	£000
<b>Balance at 1 April 2017</b>	-
Grant-in-Aid	915
	<b>915</b>
Comprehensive net expenditure for the year	(905)
<b>Balance at 31 March 2018</b>	<b>10</b>

The notes on [pages 40 to 46](#) form part of these accounts.

# Notes to the Accounts

## 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Accounts Direction (page 47) issued by Scottish Ministers.

The (FReM) sets out the format of the annual accounts. Grant-in-Aid ("GIA") 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 Scottish Land Commission for the purposes of giving a true and fair view has been selected.

The particular policies adopted by the Scottish Land 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 Scottish Land 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 modified to account for the revaluation of property, plant and equipment and intangible assets. Revaluations are performed annually so that they are stated in the Statement of Financial Position at fair value.

### 1.2 Intangible Assets

Expenditure relating to IT software and software developments, is capitalised if the asset has a cost of at least £5,000 or considered part of a collective group of interdependent assets with a total cost exceeding £5,000. General IT software project management costs are not capitalised. All assets are revalued annually using the appropriate producer price index (PPI) as published by the Office for National Statistics. The Scottish Land Commission does not have any intangible assets that require to be capitalised within this financial year.

### 1.3 Property, Plant and Equipment

Expenditure on office refurbishments, office furniture and fittings, office equipment, IT equipment and infrastructure is capitalised if the asset has a value of at least £5,000 with a useful life of more than one year. Individual assets costing less than £5,000 are capitalised when considered part of a group if the total cost exceeds £5,000. General IT project management costs are not capitalised. The assets are recorded at cost and are restated at current value each year using the appropriate producer price index (PPI) as published by the Office for National Statistics. The Scottish Land Commission does not have any assets that require to be capitalised within this financial year.

## 1.4 Depreciation

Non-current assets are depreciated on an annual basis. Depreciation and amortisation is charged on a straight line basis to write off the costs or valuation of non-current assets, less any residual value, over their estimated useful lives as follows:

Property, plant and equipment:

Furniture and fittings:

- Office refurbishment 10 years
- Furniture 10 years
- Office equipment 5 years

Information technology:

- IT equipment 3 years
- IT infrastructure 3 years

Intangible assets:

- Software licences 3 years
- Developed software and website 3 years

Office refurbishments and furniture is written-off over the remaining life of the lease (the date of the first lease break) if below 10 years. IT software, including developed software is written-off over the expected life if less than three years. The estimated useful lives and residual values are reviewed annually.

## 1.5 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.

## 1.6 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. A liability and an expense are recognised for accrued but unused annual leave and flexi leave balances at the 31 March, in accordance with the underlying policy. These costs are shown in the remuneration and staff report.

## 1.7 Pension Costs

Pension costs as reported in the Scottish Land 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 Land Commission to the Principal Civil Service (PCSPS) on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

## 1.8 Trade Receivables

All material amounts due as at 31 March 2018 have been brought into the Statement of Comprehensive Net Expenditure irrespective of when actual payments were received.

## 1.9 Trade Payables

All material amounts due as at 31 March 2018 have been brought into the Statement of Comprehensive Net Expenditure irrespective of when actual payments were made.

## 1.10 Cash and Cash Equivalents

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

## 1.11 Grant-in Aid

The Scottish Land 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 Scottish Land Commission is charged to this fund.

## 1.12 Adoption of New and Revised Standards

At the date of authorisation of these financial statements there were the following Accounting Standards issues, but not yet effective, which relate to the Scottish Land Commission:

- IAS 7 Statement of cash flows (Disclosure initiative) – this was effective for reporting periods beginning on or after 1 January 2017. We have reviewed it and it was assessed that no changes to current disclosures were required.
- IAS 12 Income taxes (Recognition of deferred taxes for unrealised losses). This was effective for reporting periods beginning on or after 1 January 2017. Scottish Land Commission do not have any deferred tax assets and therefore this is not applicable.
- IFRS 9, Financial Instruments (2014) (effective 1 January 2018) The Scottish Land Commission does not expect that the adoption of the Standard and Interpretation detailed above will have a material impact on the financial statements of the Scottish Land Commission in future periods.
- IFRS 15 Revenue from Contracts with Customers - effective for accounting periods beginning on or after 1 January 2018. The Scottish Land Commission does not generate any revenue from contracts or customers and therefore this does not apply.

- IFRS 16 Leases – effective for accounting periods beginning on or after 1 January 2019. This standard specifies how to recognise, measure, present and disclose leases. Application and disclosure details are to be provided within FReM and a full assessment will be undertaken at that point.

## 1.13 Critical Accounting Judgements and Key Sources of Estimation

In the application of the Scottish Land 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 experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The Accountable Officer does not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure beyond application of the policies above.

## 1.14 Leases

Leases where most of the risks and rewards of ownership of the asset remain with the lessor are classified as operating leases. Operating lease payments are recognised in the statement of comprehensive net expenditure on a straight-line basis over the lease term.

## 2 Staff Costs

	Permanent Staff	Board Members	Others	Total 2017-18
	£000	£000	£000	£000
Salaries	229	51	-	280
Social security costs	23	2	-	25
Other pension costs	47	-	-	47
Inward secondment and Agency Staff	-	-	56	56
<b>TOTAL</b>	<b>299</b>	<b>53</b>	<b>56</b>	<b>408</b>

## 3 Other Operating Expenditure

For the year ended 31 March 2018

	£000
Accommodation expenses	34
Research	156
Consultancy	66
Information systems & telecommunications	18
Training	17
Public meetings and conference expenses	27
Travel & subsistence - Commissioners	24
Travel & subsistence - staff	23
Promotions and Publications	29
Human Resources shared services	12
IT shared services	5
Legal fees	18
External Auditor's remuneration	25
Internal Auditor's remuneration	23
Other running costs	20
<b>Total other operating expenditure</b>	<b>497</b>

## 4 Cash and cash equivalents

### Cash and cash equivalents (2018):

	£000
<b>Balance at 1 April 2017</b>	-
Net change in cash & cash equivalents	133
<b>Balance at 31 March 2018</b>	<b>133</b>
The following balances at 31 March were held with the Government Banking Service and cash in hand.	133
<b>Balance at 31 March 2018</b>	<b>133</b>

## 5 Trade and other payables

### Amounts falling due within one year (2018):

	£000
Accruals	113
Other taxation and social security	10
<b>TOTAL</b>	<b>123</b>

## 6 Revenue Commitments

### Contracts entered into in 2017-18 that are continuing into 2018-19 and due within next 12 months:

Project	£000
Digital Transformation Research Contract	3
Land Value Tax Research Contract	21
Promotional Film Creation	3
Communications Support	21

## 7 Related Party Transactions

The Scottish Land Commission is an NDPB sponsored by the Scottish Government and considers the following bodies to be related parties:

The Scottish Government's Environment & Forestry Directorate (the Sponsor Directorate) and the Scottish Land Commission had significant financial transactions during the year. Financial transactions with the Directorate comprised grant-in-aid as disclosed in the Changes in Taxpayers Equity statement. In addition a significant amount was paid to the Scottish Government for the provision of accommodation, Internal Audit Service, HR, IT and for the services of a seconded employee.

The Cairngorms National Park Authority began providing the Commission with HR services from January 2018 during a set-up phase prior to providing a fully operational service commencing 1st April 2018.

None of the Commission members or key managerial staff have had any related party transactions during the year.

## 8 Financial Instruments

Due to the non-trading nature of the Scottish Land Commissions activities and the way in which Government departments are financed, the Scottish Land Commission was not exposed to the degree of financial risk faced by business entities. The Scottish Land Commission has no borrowings and relies on grants from Scottish Government for its cash requirements. The Scottish Land Commission is therefore not exposed to liquidity risks. It has no material deposits and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or currency risk.

Financial assets are recognised on the Statement of Financial Position when the Scottish Land Commission becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred. The Scottish Land Commission has no financial assets other than trade receivables. Trade receivables do not carry any interest and are stated at their nominal value less any provision for impairment.

Financial liabilities are recognised in the Statement of Financial Position when the Scottish Land Commission becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired. The Scottish Land Commission have no financial liabilities other than trade payables. Trade payables are not interest bearing and are stated at their nominal value.

## 9 Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods. Obligations under operating leases from 31 March 2018 comprise:

Buildings	£000
Not later than one year	34
Later than one year and not later than five years	34
later than five years	-

The Scottish Land Commissions Lease at Longman House is currently held until 2020.

## 10 Subsequent Events

Events taking place after the authorised for issue date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

# Accounts Direction



Scottish Government  
Riaghaltas na h-Alba  
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## THE SCOTTISH LAND COMMISSION DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with Section 19 of the Land Reform (Scotland) Act 2016, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2018, 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 financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

A handwritten signature in black ink, which appears to be "Kathleen Conboy".

10 May 2018