

COMMITTEE OF INQUIRY ON CROFTING

FINAL REPORT

CROFTING
INQUIRY



RANNSACHADH
CROITEARACHD

COMMITTEE OF INQUIRY ON CROFTING

FINAL REPORT

Photographs Part 1 (all pictures) and Part 2 (middle pictures) courtesy of West Highland Free Press/Willie Urquhart (2007).

© Crown copyright 2008

ISBN: 978-0-7559-5723-1

Produced for the Committee of Inquiry on Crofting by RR Donnelley B55345 05/08

Further copies are available from
Blackwell's Bookshop
53 South Bridge
Edinburgh
EH1 1YS

The text pages of this document are printed on recycled paper and are 100% recyclable



FOREWORD BY PROFESSOR MARK SHUCKSMITH	1
PART 1	
INTRODUCTION AND OVERVIEW	
1.1 The Inquiry	3
1.2 Organisation of Report	3
1.3 Public Interest in Crofting	3
1.4 A Future for Crofting: Vision	4
1.5 What must be addressed to realise the Vision: Key Messages	4
1.6 Summary of main recommendations	9
PART 2	
THE CONTRIBUTION OF CROFTING	
2.1 What is Crofting?	14
2.2 Trends in population, economic activity, land use, other indicators	16
2.3 An individual or a social asset?	18
2.4 Why Crofting Matters – and how it could contribute even more	19
2.5 Population Retention	21
2.6 Improving economic vitality	24
2.7 Safeguarding landscape and biodiversity	25
2.8 Sustaining cultural diversity	28
2.9 Looking ahead: twenty-first century crofting?	29
PART 3	
THEMES AND KEY ISSUES EMERGING IN THE INQUIRY	
3.1 Key Land and Environment issues	31
3.2 Analysis	33
3.3 Recommendations	40
3.4 Key issues for Strong Rural Economies	41
3.5 Analysis	43
3.6 Recommendations	47
3.7 Key Affordable Housing Issues	47
3.8 Analysis	50
3.9 Recommendations	52
3.10 Key Governance Issues for Crofting	53
3.11 Analysis	57
3.12 Recommendations	61
3.13 Crofting Regulation and Enforcement	61
3.14 Analysis	63
3.15 Recommendations	68
3.16 Young People and New Entrants	69
3.17 Analysis	69
PART 4	
4.1 Economic Impact for our Proposals	72

ANNEXES

Annex 1: The Committee of Inquiry on Crofting: Membership	74
Annex 2: Inquiry Remit	76
Annex 3: Methods	78
Annex 4: Lists of Meetings	80
Annex 5: List of Written Evidence	84
Annex 6: List of Research Reports and Supplementary Papers	86
Annex 7: Grant Schemes	87
Annex 8: References	90

Quotes are from responses to the call for evidence unless otherwise identified. The quotes do not necessarily reflect the views of the committee.



FOREWORD

This report looks forward to a sustainable future for crofting and crofting communities. One of its principal concerns has therefore been to look to future generations, beyond the interests of individual crofters today, and to the prosperity of crofting communities in the 21st Century. Much is made of the history and heritage of crofting, and indeed these have a continuing resonance: but this report is directed towards crofting's future.

Fifty-four years ago the Taylor Committee argued that crofting was worth preserving "for its own intrinsic quality". We believe, on the basis of all the evidence that we have heard, that the potential contribution of crofting is even more important, nationally and internationally, than was realised half a century ago. The national interest today demands much more from the countryside than the post-war imperative of expanding food production. Scotland requires a well-populated countryside which sustains a diverse and innovative economy, attracts visitors, cares for natural habitats, biodiversity and carbon stocks, and sustains distinctive cultures. Crofting has had success in relation to these objectives, and – given the right support – has the potential to contribute much more.

Again, fifty-four years ago the Taylor Committee found few "reserves of knowledge, experience and leadership" amongst crofters and believed that "initiative must come from without". Today, in stark contrast, many crofting communities have shown their ability and resolve to take charge of their own destinies, whether through community buy-outs or other initiatives. There is no lack of leadership or ideas. It is also clear that in rural communities, throughout the western world, the greatest progress occurs where communities themselves are empowered to work towards their own futures, with proper support, as indicated in the OECD's review of Scotland's rural policy. Crofting communities also have the potential to be more sustainable if they enjoy control, responsibility and ownership.

In both these regards, then, crofting may be in tune with the spirit of the times more than at any period in its history. Together with broader land reforms in Scotland, crofting has the potential to offer a model for people and communities in rural areas elsewhere.

In this report we set out our evidence and our analysis and we present our proposals on how crofting can maximise these contributions and seize the opportunities which the new century offers. We recognise that our proposals are far reaching and will require changes to law, governance, procedures and practice. This is worthwhile, not just because of crofting's past, but because crofting offers an internationally unique and valuable approach to sustainable rural development which contributes to our society's objectives for the 21st century and beyond.

A handwritten signature in blue ink, reading "Mark Shucksmith", with a long horizontal line underneath.

Professor Mark Shucksmith



**PART ONE
INTRODUCTION AND OVERVIEW**





1.1 The Inquiry

1.1.1 Scottish Ministers announced their intention to create a Committee of Inquiry on Crofting in September 2006. The Chair was confirmed in December of that year, and our full membership, set out at Annex 1, was announced on 2nd April 2007. At our first Committee meeting in May 2007 we agreed our programme of work, and that we would give priority to seeking evidence from people in crofting communities.

1.1.2 The Inquiry's full remit is provided at Annex 2. The core of the remit was to develop a vision for the future of crofting, having drawn on evidence and provided an analysis of the extent to which crofting, with its current regulations and incentives, contributes to achieving the following outcomes across rural Scotland as a whole:

- sustaining and enhancing the population;
- improving economic vitality;
- safeguarding landscape and biodiversity; and
- sustaining cultural diversity.

1.1.3 We have considered a wide span of evidence both from members of the public and from a range of experts. During the Inquiry the Committee heard the views of about 2,500 people, with over 1,100 attending our meetings and the remainder responding in writing or through our public attitude survey. Members of the public giving their views to the Inquiry included croft tenants and owners, landlords, factors and housing, environmental and business organisations. Expert evidence we commissioned is available on our web site. More detail on our methods is provided at Annex 3, a full list of meetings held is provided at Annex 4 and a list of written evidence received at Annex 5.

'The meeting in Broadford was very inclusive in the way that it was conducted'
(Broadford public meeting)

1.2 Organisation of Report

1.2.1 In the rest of this section of the report we outline our key messages, including our vision for the future, issues which must be addressed and a summary of our main recommendations. In Part 2 of the report we provide more detail on crofting issues together with our assessment of evidence about what crofting contributes to each of the outcomes – population, economy, environment and culture – that we were asked to consider. We also identify what further potential contributions crofting could offer. In Part 3 we consider some key themes and issues that emerged in the course of the Inquiry and we set out our associated recommendations for how these should be addressed if our vision is to be realised. Finally, in Part 4 we explain the likely economic impact of what we are recommending.

1.3 Public Interest in Crofting

1.3.1 We believe that there is a national interest in Scotland having a well populated and well-managed countryside which sustains a diverse and innovative economy, attracts visitors, cares for natural habitats, biodiversity and carbon stocks, and sustains distinctive cultural practices. We have considered a wide range of evidence about crofting, as discussed in Part 2. It is our view that crofting has an important contribution to make, providing it is governed and regulated effectively in the public interest, reflecting sustainable rural development in remote and fragile areas and embracing economic, social, cultural and environmental dimensions of sustainability.

1.4 A Future for Crofting: Vision

1.4.1 Our vision is of growing, prosperous, inclusive and sustainable crofting communities which enjoy the capacity and the power to develop their own strategic plans and to pursue these with vigour subject to legitimate national interests. Crofters will be flexible and adaptable to change, building on their heritage to seize new opportunities, but essentially forward looking. There will be more crofting and more, active, resident crofters. The crofting communities of the future will continue to work the land, be rewarded for contributing valuable public goods¹ (environmental and cultural) and producing quality food, although for most people most of their incomes will tend to come from non-agricultural activities. Crofting will be effectively regulated in the interests of communities and the crofting system. These regulations will be simple and comprehensible. Government and others will support and enable innovation, enterprise, inclusion and the institutional capacity for community action to ensure crofting can make its full contribution to society's goals. But ultimately it is crofters themselves who have both the privilege of crofting and the responsibility for the future of crofting.

1.5 What must be addressed to realise the Vision: Key Messages

1.5.1 Crofting is a system of land tenure and a croft is a small land holding, regulated through the Crofting Acts, situated within one of the former crofting counties – Argyll, Invernesshire, Ross and Cromarty, Sutherland, Caithness, Orkney and Shetland. Crofters constitute around 11% of the population, and 10% of households, in remote rural areas (i.e. settlements of fewer than 3,000 people which are further than a 30 minute drive from a settlement of at least 10,000 people).

Sustaining and Enhancing the Population

1.5.2 Access to affordable housing is essential for population retention in crofting communities. Studies and official evaluations have consistently shown that the Crofters Building Grants and Loans Scheme (CBGLS) was the single most effective means of support for maintaining the population of crofting communities. The current Croft House Grant Scheme (CHGS) is pitched at too low a level to assist crofters unless they decroft to obtain a commercial loan and have good incomes. We discuss this in more detail in section 3.8.

1.5.3 It is important also to meet the more general need for affordable housing in crofting communities while also safeguarding the best inbye land. In our public attitude survey, 88% reported housing as unaffordable in their area, and the Scottish Government's Housing Paper, 'Firm Foundations: The Future of Housing in Scotland',² shows evidence of rapid price rises and worsening affordability in the Highlands in particular. In section 3.8.3 we consider some ways in which the housing contribution of Registered Social Landlords can be supported.

'People moving into the area have sold houses in the South pushing prices of existing properties outwith the range of locals'

1 A public good is defined by economists as a good that is non-rival and non-excludable. This means that consumption of the good by one individual does not reduce the amount available for others; and no one can be effectively excluded from using that good. As a consequence there is no market for such goods, and the only incentive for their provision tends to be through public funding, taxation or regulation.

2 The Scottish Government, 2007b.



1.5.4 A burning issue in most areas was the external demand for housing, and the consequences of this in terms of high prices offered for assignments of whole crofts or house sites on “good” croft land; the lack of affordable housing or affordable crofts for young local people; and the associated social and cultural changes. We address this through our recommendations on regulation in section 3.15.

1.5.5 Our survey provided strong evidence that crofters today see the need to assist new entrants and the succession of younger crofters as top priorities for thriving crofting communities. A strong demand for crofts should be helpful to the sustainability of crofting communities, contributing to increases in population, bringing in new ideas, energy and a commitment to manage the land well. It is also apparent that attracting population itself contributes to the prosperity of rural economies. Yet there appear to be few mechanisms through which potential croft entrants can find a croft: the Highlands and Islands Croft Entrants Scheme (HICES) makes no attempt to marry demand with supply, for example. Anyone who does obtain a croft then has a number of other obstacles to negotiate, including no allocation of Single Farm Payment (SFP) entitlement, other than through the purchase of entitlement, no automatic access to the Less Favoured Area Support Scheme (LFASS),³ and a lack of affordable housing. In this report we therefore make a number of recommendations which would address these issues.

Economic Development

1.5.6 Crofting’s future depends on the wider strength of rural economies to which it contributes. Crofting is not solely agriculture, and it has long been recognised that future crofting prosperity also depends on non-agricultural activities, as detailed in section 3.4. A strength of crofting communities has been their ability to adapt to changing opportunities – based on occupational pluralism, security of tenure and sheer determination. A key issue is how to support and strengthen this flexibility and capacity to adapt to changing circumstances, so that crofting communities themselves can grasp new opportunities as they arise.

‘Here no one depends on agriculture as a main source of income. Any profit is looked on as a Christmas bonus’

1.5.7 The most effective way of stimulating the broader rural economy of crofting communities is to build the capacity of these communities to develop their own enterprises. Building this capacity is critical for achieving long-term and sustained rural development, and is vital to the achievement of tangible outcomes such as new businesses. Social aspects of development, such as fund-raising and networking skills, should be given as much importance in schemes as economic aspects of development. We discuss this more fully at section 3.5.

Land and Environment

1.5.8 The relationship with the land is at the heart of crofting. Environmental conditions in the crofting counties are nationally significant in terms of species, habitats and landscapes. A much higher percentage of their area, compared to other parts of Scotland, is designated under UK and EU environmental legislation. Crofting areas also contain large reserves of carbon, making the management of these areas important to moderating the risk of climate change and to safeguarding landscape and biodiversity.

‘The impact on the natural environment by crofting is considerable, is changing, and will change again, driven by external forces’

³ In the current interim LFAS Scheme, payment is linked to the land and based on claims made in 2005.

1.5.9 Current global trends indicate that food security will become an increasingly important issue for all nations in the future. With the exception of the eastern coastal lowlands, the predominant agricultural use of crofting counties' land is for livestock, particularly sheep production. We note that since 2001 there has been a drop in number of beef cows and ewes in the Highlands and Islands Enterprise (HIE) area,⁴ and that this decline is higher than elsewhere (See section 3.1). Sheep production in the crofting counties is an important part of the Scottish sheep industry because it supplies a significant proportion of store or fattening lambs and high health status breeding stock to lowland farms. Major changes in livestock numbers within the crofting counties are therefore transmitted into the wider Scottish and UK agricultural economy.

1.5.10 A key issue is how to focus existing support arrangements more effectively to nurture crofting practices that protect the land and secure environmental and cultural objectives. It is vital that current changes in agricultural and rural policy do not result in loss of the landscape and environmental benefits of crofting, as these would be very expensive to restore. We discuss this more fully at section 3.2.

Cultural Diversity

1.5.11 People in the crofting counties told us that crofting matters to them because of its custodianship of the land for future generations; its associated way of life; and because it engenders a strong sense of community, which is sometimes linked to ways in which livestock are farmed. Maintaining and passing on skills and traditions including, in some areas, supporting Gaelic and dialect, were seen as important parts of this, adding to the perceived environmental benefits of crofting.

1.5.12 Crofting contributes to culture by maintaining populations in remote areas but its contribution to cultural diversity within Scotland seems to be fragile and some people said that cultural benefits are being eroded by the changing crofting practices, especially the decline in use of the common grazings.

1.5.13 Our consideration of evidence about these issues, together with the underlying public interest in crofting, has led us to recognise the importance of distinguishing between the interests of crofting, of individual crofters and of communities. Many people told us of their concern that a satisfactory balance is not being struck between individual interests and those of crofting. Regulation has sustained crofting by balancing the interests of the individual against those of the wider community, now and in the future. To secure the public interest in crofting and therefore its wider benefits, there must be effective governance arrangements linked to stronger, but simpler, regulation – understandable, enforceable and clearly directed to agreed policy goals. Unless there is a better balance struck than at present, giving wider interests, especially those of future generations, precedence over individual gains, crofting will ultimately disappear, and its potential contribution to sustainable rural development will be lost.

'The important thing about crofting is that it has kept people on the land, while farming, on the other hand, has been emptying the countryside'
(Angus Macleod, speaking in a 1987 TV documentary)

'The sheep were the glue which bound communities together' (Lewis stakeholder discussion)

'Crofting has to be protected from crofters'

⁴ The HIE area closely corresponds to the crofting counties.



Governance of Crofting

1.5.14 Crucial issues for the governance of crofting are transparency, source of legitimacy, accountability and the balance of central and local interests. Centralised arrangements, together with a lack of clear functional boundaries between the key institutions, particularly between the Crofters Commission and the Scottish Government, cloud the lines of public accountability for the effective governance of crofting. Recurring themes in the evidence were that the Commission should be more accountable; have greater area representation; should enforce regulations more effectively; should be better aligned with other relevant partners; and should have closer communication with local people and Grazings Committees.

1.5.15 Current crofting law identifies regulation and development as functions of the Crofters Commission and recognises the importance of an up to date Register of Crofts. We heard evidence from the Crofters Commission that in practice it devotes almost all its staff resources to detailed administration of complex regulations, and little to development. The Register of Crofts has never been complete or up to date and the Commission told us that it has neither the resources nor the powers to enforce people to provide the information needed to bring the Register up to date. A review of the effectiveness of the Commission found that available internal audits offered general reassurance about the Commission's processes and how it undertakes its regulatory duties, but a lack of evidence about the practical impact and additional benefit of Commission activities amongst external stakeholders and communities.

'The Crofters Commission need to keep abreast of changes. I'm still recorded as an absentee 5 years after returning to my croft'

1.5.16 Having considered the evidence, it is our view that governance arrangements need to change so that there is clear functional separation between bodies, including separation of regulation and development responsibilities, and that arrangements should devolve power and responsibility towards communities, within an appropriate national structure. We believe, from what people told us at both our summer 2007 and our winter 2008 public meetings, and from other evidence, that there is strong support for such a move. It would enable policy implementation, regulation and enforcement better to reflect local variations – an important consideration across the very diverse circumstances and traditions of the crofting counties. A realignment of responsibility for crofting regulation to more local level must have the confidence and ownership of crofters. To achieve this, we believe, requires arrangements founded on locally elected crofter representatives and involvement of other legitimate interests. At section 3.11.3 we set out our proposals for a new *Federation of Crofting Boards*, a single organisation consisting of 7-10 elected *Local Crofting Boards* and a central executive supplying staffing support, finance and other central services to the Local Boards.

1.5.17 The elected Boards will regulate crofting in the interests of sustainable crofting communities and the public benefits for Scotland. These Boards will interpret national crofting regulations and develop appropriate local policies, within these parameters, guided by local crofting plans (see section 1.5.18). More details are given in section 3.11. Central Government should fund the governance of crofting, as at present.

1.5.18 The responsibility for development of crofting should be given to an organisation with experience in this area so that crofting can contribute successfully to rural development. We discuss this further at section 3.11.11 and explain why our proposed new *Crofting and Community Development* body should ideally be part of HIE. We also set out our proposals for modernising community-level, grazings committees to become *Crofting Township Development Committees* with a remit to develop and agree strategic plans for local crofting development, and with more inclusive membership, elected at public meetings by all adult members of households in that township, although crofters must be in the majority.

1.5.19 Finally, it is important that those responsible for the regulation and development of crofting should keep the Scottish Parliament informed about crofting issues, trends affecting crofting communities and the contribution of crofting to sustainable rural development in Scotland. To achieve this, an annual “*State of Crofting*” report should be submitted to the Scottish Parliament by the Federation of Crofting Boards, having consulted with the Crofting and Community Development body.

Regulation and Enforcement


1.5.20 We believe new legislation is needed to replace, simplify and clarify the accumulated laws which set the framework for crofting today. People want a system that is sensitive to local circumstances and can both be understood and enforced: we were told consistently that the right balance was not being struck between individual gain and the wider crofting interest. The elements which crofters wish to see regulated more effectively include; that crofts should be worked; that crofters should be resident; and that sales, assignments and decrofting applications should be regulated in the wider crofting interest. Evidence about these issues is presented in section 3.13.

1.5.21 We take the view that no change should be made to those rights given to individual crofters in the 1886 Crofters Act, namely security of tenure,⁵ succession, fair rents and the value of their improvements, since these are fundamental to crofting. However we propose that these rights should once again only be enjoyed by those residing on or near their croft and actively working the land. Our proposals seek to ensure that all crofts will be occupied by an active, resident crofter. A key question for us was whether subsequent legislation (introducing rights to assign, to decroft, to buy the landlord’s interest, for example) has been damaging to crofting and the wider community as a market has developed in crofts and croft land. We have concluded that modification is needed to regulate these emerging tendencies.

1.5.22 A high residential demand for crofts and widespread complaints about neglect in many areas reflect a perception that currently these conditions of residing on the croft and working the land are not being enforced, and that the croft can readily be bought and the house and garden ground decrofted, so taking it beyond the reach of regulation and enforcement.

⁵ The right to security of tenure, conveyed to crofters in 1886, was not absolute but was conditional upon residence and good husbandry of the land. Only a 1917 court interpretation of the 1911 Act extended security of tenure to non-residents.

‘There is a desperate need for the regulations surrounding crofting to be modified and hopefully simplified which would encourage the advancement of crofting.’



'In the village in which I live there are 18 crofts, none of which have been worked for over 20 years. Of the 18 only 2 or 3 of the tenants/owners live in the village' (Broadford public meeting)

1.5.23 At section 3.14 we set out proposals for the allocation of crofts using agreed and transparent criteria, so that nobody will have to give up their home, but, which will lead, within a generation, to all crofts being in the hands of resident, active crofters. This will be achieved by attaching burdens to titles when crofts are transferred, and through enforcing residency and beneficial use. In return for removing a croft house from these conditions, and so increasing its value, a crofter must allow the resulting bare land croft to be assigned by the Local Crofting Board in the interests of crofting. We believe our proposals strike an appropriate balance between the rights of individuals, now and in the future, and the wider public interest in crofting.

1.5.24 An accurate and current Register of Crofts is a prerequisite for effective regulation of crofting. Responsibility for maintaining such a public, map-based National Register of Crofts should lie with an organisation with the skill set to fulfil this task. The Registers of Scotland is responsible for recording all land transactions in Scotland. They have legal and planning expertise as well as generic expertise in registration, are well-placed to set up and maintain a map based Register of Crofts and should be given the statutory authority to do so. Details of how they can achieve this are set out in section 3.14.

1.5.25 Taken together, we believe our proposals will create real opportunities for the public interest in crofting to be secured and for young people and new entrants to play their part in thriving, sustainable crofting communities that contribute effectively to rural development in Scotland into the 21st Century.

1.6 Summary of main recommendations

Land and Environment

1.6.1 We recommend that use should be made of potential flexibilities in the Common Agricultural Policy (CAP) Health Check Exercise including:

- revision of SFP rates to make their structure flatter, with consideration given to moving towards an area basis for payments, combined with an increase in modulation rates to increase moneys for rural development funding;
- use of extended national envelope provisions – to address disadvantages for small farmers and crofters in crofting areas, including possibly the funding of a bull hire scheme; and
- introduction of mechanisms which permit allocations of SFP entitlement to newcomers.

(See sections 3.2.7 – 3.2.10.)

1.6.2 We recommend that there should be a review of existing rates under the LFASS – to make them more reflective of the provision of public goods. Consideration should be given to increasing the minimum payment rate. New rates should be introduced by amendment to the Scottish Rural Development Programme (SRDP) in advance of the end of the current Programme. (See section 3.2.14.)

1.6.3 We recommend that in the forthcoming EU-led review of the Less Favoured Areas, there should be an examination of the possibilities for linking payment rates directly to the provision of public goods. Consideration should be given to the introduction of “mountain” classification for parts of Scotland. (See section 3.2.14.)

1.6.4 We recommend the elimination of constraints in the current arrangements which militate against newcomers. This should happen as soon as possible, and not later than the introduction of the new arrangements following the current interim LFASS. (See section 3.2.8.)

1.6.5 We recommend building further on the clear progress of the new SRDP by introducing:

- a non-discretionary measure under “Options” suited to crofters and other small businesses with the provisions we set out in section 3.1.12 of this report; and
- new free standing measures suitable to crofting under “Options” following commissioned research to identify suitable prescriptions, bearing in mind the diversity of crofting areas.

(See sections 3.2.11 – 3.2.13.)

1.6.6 The Crofting Counties Agricultural Grant Scheme (CCAGS) should be retained and consideration given to extending the provisions to include; (a) support for land-based enterprises other than agriculture; and (b) a 10% uplift in support to young entrants. (See section 3.2.15.)

Strong Rural Economies

1.6.7 We recommend focusing development investment on building the potential of communities to encourage them to develop their own capacities. This would involve building on the lessons of LEADER and Initiative at the Edge. (See sections 3.5.3 – 3.5.11.)

1.6.8 We recommend greater integration between the “strengthening communities” and “business support” aspects of HIE’s and local authorities’ work – with greater priority being given to small projects (especially microbusinesses), community businesses and social enterprises, together with targeting on the remoter parts of crofting areas. (See section 3.5.13.)

1.6.9 A strategic approach to in-migration, return migration and population retention should be encouraged – aimed at developing new enterprise and the establishment of the types of communities where people want to live. (See section 3.5.17.)

Population

1.6.10 An enhanced CHGS should be introduced – designed to permit house building or improvement without decrofting. (See sections 3.8.1 – 3.8.3.)

1.6.11 The enhanced CHGS should not be available to those who decroft. (See section 3.8.2.)

1.6.12 The provision of affordable housing for non-crofters should be supported by the measures detailed at section 3.8.4.

1.6.13 Local crofting development plans should set out in what circumstances housing may be built on inbye land and good common grazings in any local area. There should be a presumption against building on inbye land unless the local crofting development plans specify that this is essential together with any conditions. (See section 3.8.7.)



1.6.14 Measures to assist new entrants to crofting should be emphasised in the allocation of future funding. (See section 3.8.3.)

Governance for Crofting

1.6.15 We recommend a separation in the functions of (1) crofting regulation and enforcement, (2) crofting development and (3) the maintenance of the Register of Crofts. Greater local accountability and ownership is also required in the implementation of the regulation and enforcement function. (See sections 3.11.2 – 3.11.3.)

1.6.16 The Crofters Commission would therefore be wound up. We recommend that the regulation and enforcement function should be discharged in future by a new *Federation of Crofting Boards*, a single organisation consisting of 7-10 elected *Local Crofting Boards*, and an executive supplying staffing support, finance and other central services to these Boards. (See sections 3.11.3 – 3.11.9.)

1.6.17 Responsibility for development of crofting should be given to a powerful *Crofting and Community Development* body, ideally within HIE. (See section 3.11.11.)

1.6.18 At community level, Grazings Committees should be modernised to become *Crofting Township Development Committees* with a broader remit and more inclusive membership. Their primary function will be to develop and agree strategic plans for local crofting development, with the support of the new Crofting and Community Development body. (See section 3.11.12.)

1.6.19 An annual “State of Crofting” report should be submitted to the Scottish Parliament by the Federation of Crofting Boards, having consulted with the Crofting and Community Development body. (See Section 3.11.13.)

Crofting Regulation and Enforcement

1.6.20 We believe new legislation is needed to replace, simplify and clarify the accumulated laws which set the framework for crofting today.

1.6.21 No change should be made to those rights given to individual crofters in the 1886 Crofters Act, namely security of tenure, succession, fair rents and the value of their improvements. However these rights should only be enjoyed by those resident on or near their croft and using the land beneficially. (See section 3.14.1.)

1.6.22 We recommend that all croft houses be tied to residency through a real burden, which would be deemed to be included in the conveyancing when next assigned or purchased. This would run with the land in perpetuity. Decrofting the house site or purchasing the landlord’s interest will not extinguish this burden. Crofters may apply to the Local Crofting Board to have the burden removed only if this is in the wider community interest. (See section 3.14.3.)

1.6.23 A crofter wishing to assign or transfer their croft, or forced to do so through failing to fulfil the residency burden or enhanced burden, should be given three options as set out in section 3.14.4 of this report.

1.6.24 Owner-occupiers and tenants should be treated alike, simply as crofters, in all aspects of crofting. Each Local Crofting Board should have the power to suspend (or not) the 1976 Crofting Reform (Scotland) Act's right to buy. (See sections 3.14.5 – 3.14.7 and 3.14.10.)

1.6.25 All sub-lets and tenancies should require the consent of the Local Crofting Board, who should also be given the power to place a limit on the number of crofts or the amount of land which can be held or worked by any one crofter. The Boards' policies on these matters should reflect the content of local Crofting Development Plans, where these exist. (See section 3.14.8.)

1.6.26 Responsibility for the Register of Crofts would be taken over by the Registers of Scotland – following a consultancy exercise to assess the accuracy of the current Register, the specification required to maintain appropriate regulatory action in the future and a transition plan to bring the Register up to that specification. (See sections 3.14.13 – 3.14.17.)

1.6.27 Boundaries of crofts which in practice have been accepted for twenty years or more will not be challengeable. (See section 3.14.14.)

1.6.28 The Registration of Leases (Scotland) Act 1857 should be amended to make a crofting lease registrable and hence eligible for standard securities. (See section 3.14.18.)

1.6.29 All holdings similar to crofts within defined crofting parishes should, if their owners or tenants wish, become subject to crofting regulation. (See section 3.14.19.)

1.6.30 Government should consider back-dating the introduction of the real burden to all assignations and purchases made after May 12th 2008, so as to forestall any rush to avoid the provisions of the legislation.



PART TWO

THE CONTRIBUTION OF CROFTING



2.1 What is Crofting?

Historical Context⁶

'Crofting is a system designed for another age, which had a completely different set of problems'


2.1.1 The background to the 1886 Crofters Act is the process generally known as the Clearances through which Highland landlords evicted people to make way for sheep ranching, moving them either overseas or on to poor, marginal land. Tenanted small holdings (crofts) were created deliberately too small for crofters to subsist so that they would have to offer wage labour to their landlords. The poverty and famine which resulted once this labour was no longer required is well documented in the evidence given to the Napier Commission. The 1886 Act defined the legal status of crofters and gave resident crofters security of tenure, together with the right to a fair rent, the value of their own improvements and the right to bequeath the tenancy to a family successor. Land settlement in the early years of the Twentieth Century created further crofts and returned land to some families who had been dispossessed. Meanwhile, the Small Landholders (Scotland) Act 1911 extended the provisions of crofting legislation to all similar small holdings throughout Scotland, and replaced the original Crofters Commission with the Scottish Land Court.

2.1.2 Over the following decades, these provisions allowed marked improvements in standards of living among crofters, though the Highlands and Islands remained far from prosperous. Poverty became steadily more apparent during the 1930s depression – with people returning to their townships from unemployment in industrial areas – and in 1936 the semi-official Hilleary Committee met to consider the economic conditions of the Highlands and Islands. The remedy they prescribed in 1939 was economic development to provide employment opportunities ancillary to the croft, but this initiative was overtaken by the outbreak of war.

2.1.3 From the 1940s, in the context of post-war food shortages, a very different view was taken by the Scottish Office and many others – namely that the 'crofting problem' was, in essence, an agricultural one, arising from the small size of the holdings and the impediments to their amalgamation. It was in this context that the Taylor Committee's terms of reference were set in 1951. The Committee's Report proposed a new Crofters Commission whose "main function should be to stimulate the development of crofting communities in all possible ways", especially through the gradual reallocation of land from the less active to the more active members of crofting communities and through promoting the ancillary occupations necessary to provide a reasonable living. But the Government's focus on agriculture led to the new Crofters Commission being given a basic task of reviving agriculture, alongside a tortuous burden of administration and regulation. There was to be no new Highland Development Agency, despite the conclusions of both the Hilleary and Taylor reviews. This set the Crofters Commission and the Scottish Office on course towards proposals for the amalgamation of crofts to form "viable units", which were rebuffed by the Federation of Crofters Unions in the early 1960s.

'(The croft) is the four small acres my family broke in from the wild morass and rock, drained, manured and fed, over the years, with no help from the proprietor .. I hold this individual piece of land to be mine morally and to be disposed of as I wish'
Robert MacLeod Carloway,
evidence to the Taylor
Commission.

⁶ These paragraphs rely heavily on James Hunter's "The Claim of Crofting" Mainstream Publishing, 1991.



'Crofting was set up 120 years ago to prevent market values from displacing the people of crofting areas.'

2.1.4 The alternative view, that crofters should rely on ancillary income rather than become full-time farmers, then prevailed. The Highlands and Islands Development Board was established in 1965 to promote economic development. But the Crofters Commission argued that this was insufficient: crofters had to become owner-occupiers if they were to be able to obtain the commercial loans necessary for on-croft diversification. The Crofting Reform (Scotland) Act 1976 duly gave crofters the right to buy the landlord's interest in their crofts and a debate has raged ever since between those who argue that this is necessary to allow crofters to diversify their enterprises and those who see this as creating a free market in crofts which will lead to the demise of crofting. A further complication arose with the emergence of feeling in favour of community ownership of croft land. Although community ownership had existed in the particular circumstances of the Stornoway area since the 1920s, the modern movement in this direction dates from 1992 when crofters in Assynt acquired the ownership of the North Assynt Estate. Other community buy-outs followed – the crofters involved having an ownership stake, through membership of owning trusts, in both their inbye and common grazings, but remaining tenants of their respective trusts. Community ownership was given a further boost by the Land Reform (Scotland) Act 2003 which facilitated buy-outs of the Assynt variety and which led to a good deal more land, especially in the Western Isles, going into community ownership. The Crofting Reform Act 2007 sought to address some of the consequences of the emerging market in crofts, and provides the immediate context for this report.

2.1.5 A number of themes emerge from this brief review. First, there is the balance struck by crofting legislation and regulation between the interests of crofting, crofters and crofting communities – discussed further in the next paragraphs. Second, there is also the debate between those who see the future of crofting in terms of agriculture and amalgamation of holdings, on the one hand, and those who see its future in terms of non-agricultural sources of income and occupational pluralism on the other. Third, there is the difference in view between those who see the future of crofting in an Irish-style model of individualised owner-occupation and those who advocate a more collectivised model of community-owned estates and crofting tenants. Finally, there is a debate between those who see the future of crofting as lying in the hands of others (a recurrent argument has been that crofters lack the necessary ability) and those who advocate crofters themselves taking responsibility for the future of crofting and crofting communities.

'all croft land is a bequest to us from the past and it is our duty to pass it on to the future generation and not over exploit our inheritance for short term gain'

Crofting, crofters and crofting communities

2.1.6 In inquiring into the future of crofting we have encountered much confusion between (1) crofting land tenure and its associated land management and cultural practices, (2) the interests of crofters as individuals, and (3) crofting communities. It is vital to recognise these distinctions because the interests of crofting, individual crofters and crofting communities do not always coincide. The definition of each of these can be highly contested and of course there is no 'right' definition, but we have sought to interpret these terms in relation to our remit and the evidence we heard.

2.1.7 Our definitions primarily reflect how people in crofting areas told us they understand these terms.⁷ A crofter is seen as someone who works the land, resides and is active in a crofting community, and has a range of jobs or sources of income. By crofting communities we mean all those living in places where crofting features. In this we are taking a broader definition of crofting communities than that used in the Land Reform (Scotland) Act 2003 which takes these essentially to be communities of crofters resident in a township or within 16 kilometres of a township.⁸ Crofting land tenure is defined in statute.

'to be a crofter in the Highlands of Scotland, and particularly Skye, is a privilege and carries responsibilities both to the individual crofter, the immediate community, the larger environment and the island community at large. We must use it and not abuse it. We have it on trust for future generations: we must not betray that trust.'

⁷ Survey of Rural development and Crofting : (George Street 2007).

⁸ Land Reform (Scotland) Act 2003 Sections 71 (5) 71 (6) and 75 (5) refer.

'...the development of a de facto market in crofts which pays little or no heed to the crofting or community interest. Virtually every township has been adversely affected in crofting terms by the impact of that market and the infrequency of intervention by the Crofters Commission' Brian Wilson (2005) *Crofting People and Politics*, p. 50.

2.1.8 Our broader definition of crofting communities reflects clear evidence that non-crofters are accepted as part of the crofting community by the majority of crofters. This is because non-crofters are seen as providing essential services and being involved in communities – indeed many are related to crofters. Our survey of rural development and crofting found variation in views between regions, but crofters and non-crofters within individual crofting areas had shared perspectives. Nevertheless, public meetings sometimes revealed tension between place-based communities and the interests of crofters, especially in the most attractive areas for tourism. Responses to our call for evidence also revealed wide recognition of a tension between individual gain and sustainability of the crofting heritage – notably over assignments and house sites. Many people told us of their concern that a satisfactory balance was not being struck between individual interests and the interests of crofting.

The institutional context: a smallholding surrounded by regulations?

2.1.9 The old joke that a croft is a smallholding entirely surrounded by regulations resonates with the evidence we have gathered. The institutional structures and complex crofting regulations are understood by very few; communication by those with regulatory responsibilities is not sufficiently effective to help public understanding; and regulations are difficult and costly to enforce. An overlay of further complex regulations associated with agriculture and land management, planning, business, health and safety exacerbates this issue for crofters. Simplification, clarification and better communication are required. At the same time, crofting regulation is a policy instrument directed to making the land a means of living, available to sustain people in remote rural areas and to promoting broader public benefits. Regulation has sustained crofting by balancing the interests of the individual against those of the wider community, now and in the future. Far from favouring deregulation, we believe the future of crofting, and therefore its wider benefits, will be best secured by stronger, but simpler regulation – understandable, enforceable and clearly directed to agreed policy goals.

2.2 Trends in population, economic activity, land use, other indicators

2.2.1 There are around 17,700 registered croft holdings which account for about 17% of land across the crofting counties (former counties of Argyll, Caithness, Inverness, Orkney, Ross and Cromarty, Shetland and Sutherland). 80% of the land in these areas consists of large estate holdings.

2.2.2 The characteristics of crofting vary across areas. For example, in our survey of rural development and crofting almost all crofters in Orkney were owner occupiers, whereas in the Western Isles and North West Highlands a significant majority were tenants. Descriptions of individual areas are available in area pen portraits⁹ on the Inquiry website.¹⁰

2.2.3 The overall population of the Highlands and Islands has grown substantially since the 1960s to 441,000 in 2005. Between 2001 and 2005 there was an increase of 1.7% – almost three times that for Scotland as a whole. The overall population growth in the Highlands and Islands region masks some important differences – the population of Caithness and Sutherland and the Outer Hebrides fell over this 2001-05 period, while the population of Inverness and East Highland and Skye and Wester Ross each grew by over 3%.

⁹ George Street Research, 2007.

¹⁰ www.croftinginquiry.org.

Table 2.1: Resident population: 2001 - 2005

	2001	2005	% change (2001 base)
Argyll and the Islands	69,898	71,091	1.7
Caithness and Sutherland	38,426	38,262	-0.4
Outer Hebrides	26,450	26,370	-0.3
Inverness and East Highland	133,561	137,648	3.1
Lochaber	18,791	18,915	0.7
Moray	87,000	88,120	1.3
Orkney	19,220	19,950	1.9
Shetland	21,960	22,000	0.2
Skye and Wester Ross	18,142	18,765	3.4
Highlands and Islands	433,448	440,761	1.7
Scotland	5,064,200	5,094,800	0.6

Source: HIE, 2007

Although the Highlands and Islands population is growing, because young people are leaving and older people are moving in, there are higher percentages in the other age categories in the Highlands and Islands than in Scotland as a whole, as shown in Table 2.2.

Table 2.2: Distribution of population by age (% of total population)

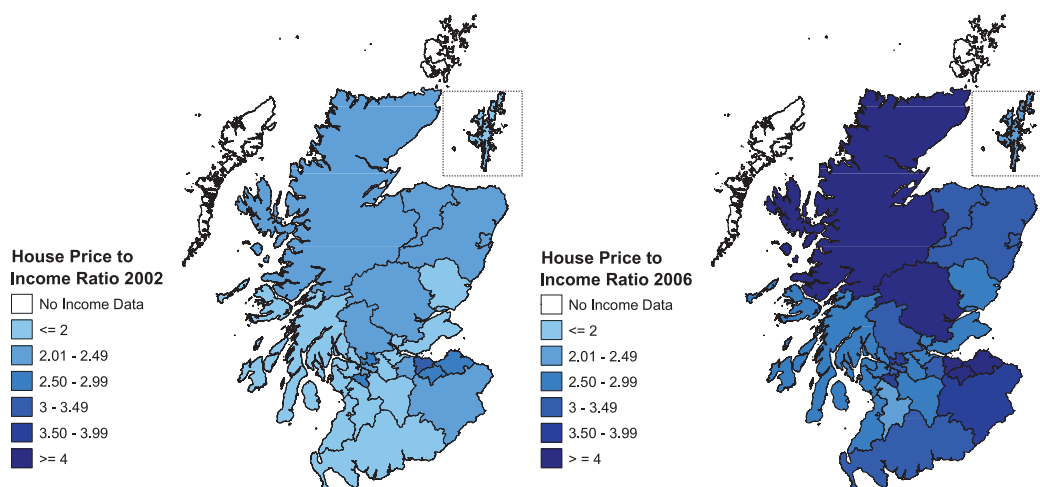
Age group	Highlands and Islands – 2001	Highlands and Islands – 2005	Scotland (2005)
0 – 4	5.4	4.9	5.2
5 -19	18.6	18.2	18.2
20 – 44	32.0	30.3	34.4
45 – 64	26.8	28.4	25.8
65 – 84	15.3	16.2	14.6
85 +	2.0	2.0	1.8

Source: HIE, 2007.

2.2.4 Over the same period there was a rapid increase in house prices in all areas except Shetland. Indeed, between 2001 and 2005 the house price increase for the region was above the national average (median) increase of 56%. Increases above the national average ranged from 58% in Lochaber to almost 85% in Skye and Wester Ross.

'Prices for both house sites and houses have rocketed over the last ten years. Demand for crofts is almost entirely driven by the desire to get a house site.'

Figure 2.1: Housing Affordability – House Price to Income Ratio



Source: Registers of Scotland and ONS Annual Survey of Hours and Earnings (ASHE) data in *The Scottish Government, 2007b*

'crofters have always generated income from other sources apart from agriculture. This is part of the crofting lifestyle.'

2.2.5 Employment in agriculture and fisheries in the region is about twice the Scottish average of 1.5%. Employment in sectors such as distribution, hotels and restaurants, and public administration, education and health is ten times more important numerically than these primary industries. While agriculture, fisheries and forestry are less important to the region financially than they were in the past, they remain major contributors to the environmental economy of the region and are an indirect support for tourism.

2.2.6 The relationship between these sectors is particularly important for crofting because income for any given crofting household is usually derived from a range of sources.

2.3 An individual or a social asset?

2.3.1 Many people have told us that a fundamental question on which we must take a view is whether a croft is an individual asset, to be bought and sold freely, or a wider social and cultural asset, for generations now and in the future.

2.3.2 Those who see a croft as their individual or family asset believe that they should be able to dispose of their croft as they wish because they or their family have lived on the croft and/or worked the croft land for generations. Others, who take a different view, argue that crofting is a system of land tenure which has associated practices – social and cultural as well as agricultural and environmental – which should be protected and sustained for future generations because they are collectively beneficial. Those who hold this view see the disposal of crofts solely on the basis of individual gain as gradually eroding crofting and placing its continuation at risk. People who attended our meetings tended towards the latter view, believing that crofting would disappear within twenty years or so if individuals continue to sell their tenancies or croft land to the highest bidder. The written responses to our call for evidence were more evenly divided, although even those who wished to be allowed to sell to the highest bidder recognised that this would quickly lead to the demise of crofting.

'selling at market price is the only fair and logical way'

'we don't think that it is morally right for a single outgoing crofter to profit at the expense of the crofting community and future generations'

'This (selling to the highest bidder) seems to ruin sustainable communities and creates division in the community'



2.3.3 Our view is that crofting has benefits and costs – to crofters, their communities and to Scotland. For those benefits to be fully realised, an appropriate balance between individual and wider interests must be struck. Ultimately, unless wider interests, especially those of future generations, are given precedence over individual interests, crofting will disappear and the potential benefits of its contribution to sustainable rural development will be lost. In this report, based on our consideration of the evidence before us, we set out our view on how that balance should be struck.

2.4 Why Crofting Matters – and how it could contribute even more

2.4.1 In recent years a number of research studies have explored the factors which distinguish thriving, sustainable rural communities across Europe from those which are less successful. A review of this evidence,¹¹ commissioned by the Inquiry, identified the following key indicators of sustainable communities:

- population and age structure maintained;
- economic base diversified beyond the primary sector;
- local primary sectors viable and sustainable;
- health of population as good as elsewhere;
- attractive environment and access to amenities;
- local sources of energy;
- pride and sense of identity and community that values its history, culture and environment;
- even property ownership and rights;
- effective and empowered local governance structures;
- resilience to external ‘shocks’; and
- community doing its own development.

2.4.2 We take account of these indicators in our discussion of crofting’s contribution to population retention, economic vitality, landscape and biodiversity and cultural heritage – key interconnected elements of ‘sustainable communities’ in the crofting counties of Scotland.

2.4.3 We have also taken note of the conclusions of the recent OECD Report, “*Rural Policy Reviews: Scotland, UK – Assessment and Recommendations*”.¹² While targeted at rural areas wider than crofting the conclusions have relevance to crofting areas. In summary some of the main issues identified in the OECD report are as follows:

- ...the analysis of rural Scotland reveals a high degree of spatial heterogeneity, calling for a flexible policy, tailored to the opportunities and needs of different places;
- Scotland’s approach to rural policy is innovative and rapidly evolving but it is still suffering from a sector-by-sector focus...;
- the SRDP is overall a sound strategy, setting clear objectives, but there are concerns with the high level of expenditure for agriculture, its sustainability and the predominantly environmental focus chosen...;
- centralisation and the lack of adequate bottom-up participation to rural policy hamper the design of measures adapted to the different parts of rural Scotland...;

‘rather than being a sentimental subsidy to a past way of life, official enthusiasm and support for crofting could be a solution to many of the economic, societal and environmental issues facing our modern world.’

‘small-scale agriculture increases biodiversity while intensive agriculture reduces it.’

¹¹ Bryden, 2007.

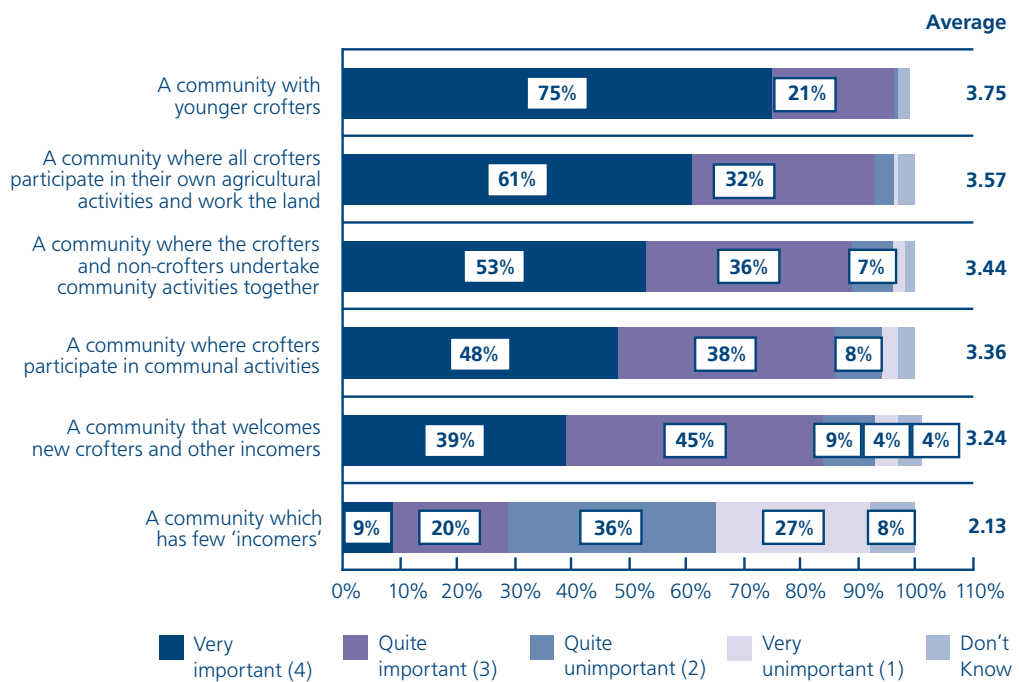
¹² OECD (2008) *OECD Rural Policy Reviews: Scotland, UK – Assessment and Recommendations*, Scottish Government, Edinburgh.

- Scotland needs a distinct, integrated rural development policy, with a decentralised, area-based delivery system...; and
- Scottish rural development strategy should find a better balance among interventions.

'at the moment crofting is seen as old men and sheep and is not attractive to youngsters, who could be attracted by other aspects such as the environment and diverse business opportunities able to be run from crofts'

2.4.4 We also asked crofters and non-crofters in the crofting counties what they felt was important to ensure thriving communities. The Survey on Rural Development and Crofting asked respondents how important various characteristics are in 'making a thriving crofting community'. As the chart below shows, having younger crofters was seen as the most important characteristic.

Figure 2.2: Importance of Factors in Making a Thriving Crofting Community



Source: George Street Research, 2007

Values shown in chart have been rounded and may not add up to 100%

'Crofting hits the zeitgeist – in terms of community, local food/slow food, ecotourism, etc, crofting is in tune with the moment.' (Oban stakeholder discussion)

2.4.5 Having considered a range of evidence, it is our view that crofting has made important contributions to population retention, improving economic vitality, safeguarding landscape and biodiversity and sustaining the cultural diversity of Scotland. The nature and extent of these contributions are closely tied to policy, its implementation and the effectiveness of regulation. Some individual benefits which can be derived from crofting could be delivered by other means, but crofting's distinction lies in its potential to contribute a configuration of benefits, including a heritage locally rooted in culture and practice. It is thus an important medium for sustainable rural development in remote fragile areas.

2.4.6 Many aspects of policy support crofting in delivering these benefits, now and for future generations, but we have found evidence that some aspects of policy and regulation have become ineffective in securing public goods such as landscape, biodiversity and cultural heritage and that these are threatened as a result. Below we set out our assessment of evidence about the significance of crofting and what has affected its impact.



2.5 Population Retention

2.5.1 People made it very clear to us at the Inquiry public meetings and in their responses to our Call for Evidence that crofting helps to sustain population levels because it provides access and a tie to the land, giving people a base from which they can earn a living in a variety of ways. In this way, crofting facilitates a connection to place, a sense of belonging and a desire to remain on, or return to, the land. In so far as crofting can provide an affordable home, some food and income, a good quality of life and a sense of purpose, we were told repeatedly that crofting constitutes a good mechanism for retaining population. Consistent with this view, the recent OECD Rural Policy Review of Scotland¹³ summarised at section 2.4.3 above, specifically noted the importance of crofting for giving access to rural housing and thereby helping people to remain in remoter areas.

'In 1886 people needed the land; now the land needs people.' (Lewis stakeholder discussion)

2.5.2 Other evidence on population retention is limited, because of the difficulties of isolating individual influences on population change in remote rural areas. Nevertheless, the direction of findings is consistent with public views. A small study comparing 16 crofting and 16 non-crofting parishes¹⁴ carried out in 1996 found that absolute population levels were typically higher in the crofting parishes, though rates of population decline were similar between the crofting and non-crofting parishes. However, a close inspection of one crofting and one non-crofting parish, identified a strong degree of continuity between land holdings and family names in the crofting townships. Crofting areas were found to be more attractive for people to move to because these areas had been better able to maintain a stock of landholdings to which in-migrants could move. Further, because the areas retained a higher absolute population, they had the 'critical mass' necessary to sustain service provision and a sense of community.

2.5.3 Census data show that during the last 30 years, the historical population decline in the HIE area¹⁵ has reversed and the area is now experiencing a growth in population. However, the growth has been uneven, being concentrated around major settlements while remote and fragile communities have generally continued to experience net population loss from out migration.¹⁶ This led Scottish Executive Environment and Rural Affairs Department¹⁷ to conclude that 'remote rural areas which are dominated by crofting have been losing population in both absolute and relative terms' and that crofting's contribution to conditions favourable to population growth is limited. However, their analysis did not explore any differences between remote crofting and remote non-crofting areas – an analysis which was felt by the Committee to be necessary before concluding on the contribution of crofting. A multi-variate analysis was commissioned by the Inquiry¹⁸ to test whether changes in population level were associated with crofting tenure. The study, which looked at population change between 1971 and 2001, indicated that the higher the proportion of crofts in a parish the greater the population growth would be in that parish, all other things being equal (contrary to the SEERAD report), but that this relationship was not statistically significant. That said, the analysis was unable to capture all the relevant factors so it was not possible to provide definitive answers about the relationship between population retention and crofting tenure. However, as far as can be determined from the work, crofting tenure does not have a negative effect on population retention.

'Crofting rarely provides an adequate income by itself, so attracting new people requires both an availability of crofts to be adopted and sufficient other employment to complement that meagre income'

13 OECD, 2008.

14 MacMillan, 1996.

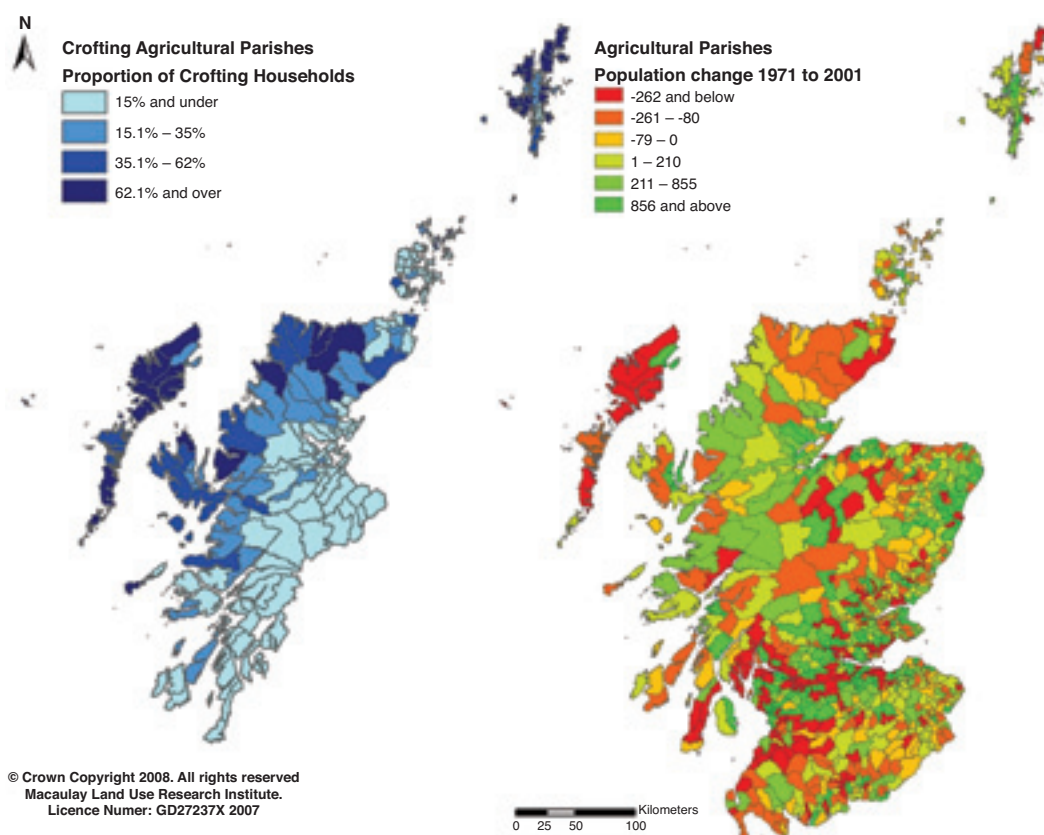
15 The HIE area coincides closely with the Crofting Counties.

16 NFO, 2004.

17 SEERAD, 2005.

18 Gilbert et al., 2008.

Figure 2.3: Proportions of crofting households by Agricultural Parishes



© Crown Copyright 2008. All rights reserved
Macaulay Land Use Research Institute.
Licence Number: GD27237X 2007

Source: Macaulay Land Institute – Crofting Tenure and Population, 2007.

'If it is the intention to encourage new entrants, the amalgamation of crofts or multiple croft holdings may reduce their opportunity'

2.5.4 MacMillan¹⁹ observed that because of its lower rates of amalgamation, crofting has retained more landholdings than other forms of land tenure. 61% of landholdings in Upland Grampian were amalgamated from 1951 to 1971. In comparison, the total stock of crofts throughout all of the crofting counties diminished by only 10.4% from 1960 to 1994.²⁰ Nevertheless, there are factors that restrict the availability of crofts and in practice enable the amalgamation of crofts. The extent to which people have multiple croft holdings varies from place to place and, in some areas, such as Shetland and Tiree, it is usual for crofters to be tenants of multiple croft holdings. We were told that in some instances the extent of multiple holdings is preventing others from acquiring a croft.

'market forces are selling crofts to people with no interest in crofting and who do not stay in the area.'

2.5.5 In many areas people told the Inquiry that high levels of absenteeism and neglect were resulting in a stock of unoccupied and/or unused crofts which are currently unavailable to others but which could be made available to others. Figures supplied by the Crofters Commission indicate that nearly 1,800 registered tenants of crofts are classified as 'absentees'²¹ and that numbers vary between different areas, as shown below.

¹⁹ MacMillan, 1996.

²⁰ MacMillan, 1996.

²¹ This includes cases where the croft is sub-let, so does not necessarily mean that the croft is unused.

'Absentee crofters should hand their crofts over to young people who want to take up crofting'

Table 2.3: Number of absentees by area

Area	Number of absentees	Absentees as a % of all registered crofts in an area
Argyll and Bute	60	13.5
Lochaber	82	
Barra	72	16.2
Caithness	41	4.1
Harris	89	15.8
Inverness	19	4.1
Badenoch and Strathspey	15	
Lewis	378	10.5
North and South Uist	162	11.5
Orkney	6	1.3
Ross-shire	248	13.8
Shetland	52	1.9
Skye and Lochalsh	262	14.0
Sutherland	312	15.4
Total	1,798	

Source: figures supplied by the Crofters Commission, March 2008.

The regional variations in crofting point to the need to ensure flexibility in policy. Measures to address issues raised about multiple croft holdings and availability of crofts will be discussed later in this report.

2.5.6 MacMillan also noted the importance of CBGLS²² and CCAGS²³ in helping crofting to contribute to population retention – highlighting the importance of these schemes. A consultancy review on CCAGS carried out in 1995 concluded the following:

“...we estimate that, if CCAGS was withdrawn, over a ten year period the resultant notional outflow of population from the crofting areas would be no more than 200. However there would be a fall of (pre-tax) crofter income of around £20 million in that period with consequences for the standard of living of at least 7,500 households.”

'Crofting has made land available to the ordinary person, in a way that no other system has done.'

An evaluation of the CBGLS²⁴ in 1994, found that the scheme had a ‘significant effect on enabling people to remain in crofting ... the impact of the scheme on the population of the crofting areas had been positive’. Shucksmith and Alexander²⁵ concluded that the ‘CBGLS anchors young people in remoter rural areas, offering them the means of staying in their own community’. We make recommendations about schemes in section 3.2.

22 Crofters Building Grant and Loan Scheme.

23 Crofting Counties Agricultural Grant Scheme.

24 Pidea (1994) undertook an evaluation of the Crofting Building Grant and Loan Scheme, which provided grants and loans towards building croft houses. The evaluation undertook interviews with 597 crofting households, a survey of construction companies (19 returned questionnaires), interviews with 5 lending institutions and analysis of secondary data.

25 Shucksmith and Alexander (1994) undertook a review of the support for crofter housing, based on an examination of CBGLS by the Scottish Crofters Union, an assessment of secondary data and interviews.

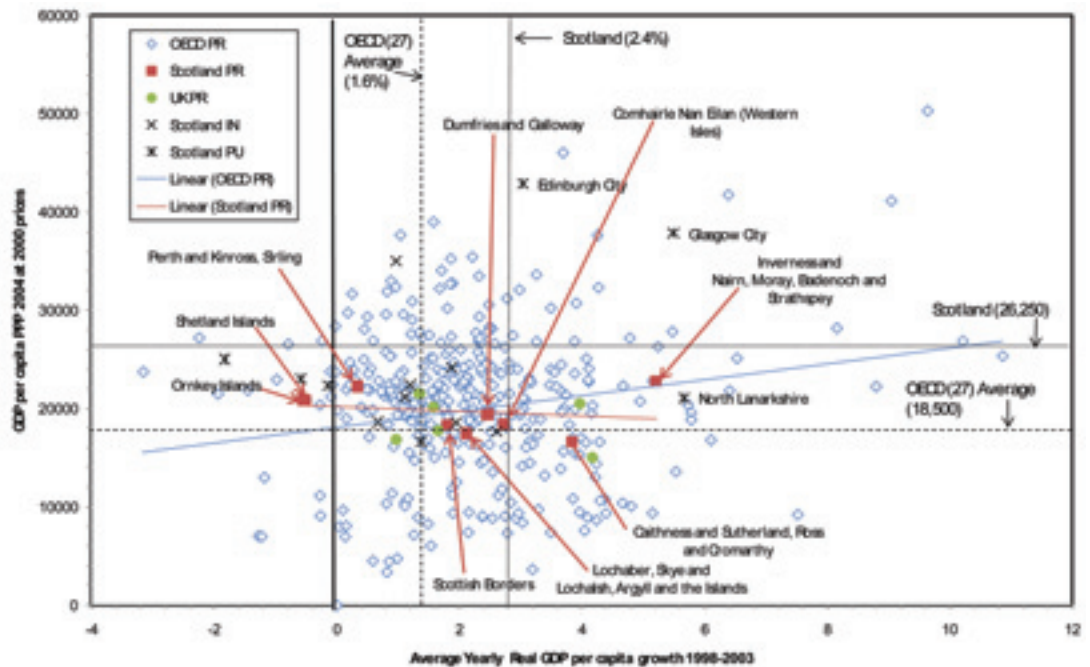
'more varied diversification and non-agricultural activities or tourism could possibly overtake agricultural income in the crofting counties.'

2.6 Improving economic vitality

2.6.1 A broad range of economic activities is needed for vibrant rural communities. Economic vitality is usually measured by the contribution to the economy of each individual producer, industry or sector per head of population (gross value added), business start-ups net of closures and the proportion of able bodied people in employment or self-employed.²⁶ The context of peripheral rural areas differs to that for other localities, making these measures less suitable for identifying economic vitality in these areas. Key performance indicators for rural Scotland are currently being commissioned by the Scottish Government.

Figure 2.4: Performance of Scottish Predominantly Rural (PR) Regions among OECD PR Regions

GDP per capita and GDP per capita growth



Source: OECD Regional Database

2.6.2 Figure 2.4, which comes from the recent OECD report, demonstrates starkly the variations in performance measures in different rural areas of Scotland – including those in crofting areas. While, as indicated, such aggregate measures are less suitable as measures of performance in peripheral areas, they demonstrate that individual peripheral areas are different in nature and require tailored approaches to encourage development.



2.6.3 One important indicator for economic vitality in remote rural areas is that the economic base should be diversified beyond the primary sector. Agriculture is generally a small proportion of crofting household economic activity, though where it involves livestock it can be an important source of healthy breeding stock for the Scottish agricultural sector.²⁷ Crofting households tend to be multi-occupational, contributing to diverse economic activity in rural areas and a multiplier effect that increases the local impact of these households beyond the value of the immediate goods that they produce. This helps to reduce the vulnerability of crofting areas to trends and shocks in individual economic sectors or industries.

'Crofting adds a vital and dynamic entrepreneurial mix into rural communities which would otherwise often be completely lacking'

2.6.4 The importance of cultural and social goods for economic vitality is highlighted by Bryden's EU-funded study of the dynamics of rural areas.²⁸ Cultural goods in particular, including landscape and music, contribute to tourism in crofting areas, as does wildlife, some of which is associated with habitats sustained by crofting practices. Tourism is very important to the economy of the Highlands and Islands, providing just over 25% of employment in 2005, second only to public administration, education and health.²⁹ As we have indicated, there is evidence that crofting is important for sustaining population levels in rural areas to the critical levels required to maintain service provision and associated jobs.

2.6.5 It is our view that there is considerable potential for crofting to contribute further to economic vitality particularly through meeting an increased demand for local, "natural food"³⁰ – i.e. wholesome, healthy and produced in an environmentally and welfare friendly way – and through producing and selling renewable energy, where appropriate.

'better promotion of Scottish produce could turn over crofting into a very profitable source of income'

2.7 Safeguarding landscape and biodiversity

2.7.1 Crofting's low intensity form of land management has had a significant positive impact on landscape and biodiversity. However changes in crofting practices have meant that these benefits are declining in many cases and under threat. In this section we consider the positive impact that traditional crofting has had and the value of the habitats to which it has contributed. In section 3.1 of this report, where we look at the key issues of land and environment, we highlight, the effect on the environment of changes in agricultural practices.

'crofting activities have over a considerable period of time shaped the environment... . The lack of cultivation and mixed stock rearing are beginning to have a detrimental effect on this environment and the disappearance of many wild birds'

27 Birnie et al., 2007.

28 Bryden et al. (2003).

29 HIE economic update, 2007.

30 By "natural food" we mean food which is "wholesome, healthy and produced in an environmentally and welfare friendly way" (Scottish Government, Choosing the Right Ingredients: The Future for Food in Scotland, Discussion Paper, 2008, p.2.).

2.7.2 Eighty percent of respondents to the Inquiry Call for Evidence³¹ felt that crofting activities had a positive impact on landscape and nature. Many respondents described what they saw to be a 'natural synergy' between the crofter and the land and crofters were seen as 'the original environmentalists' and 'stewards of the land'. In support of this, eighty percent of respondents to the survey on rural development and crofting³² felt that crofters are guardians of the environment. Other evidence submitted to us by environmental organisations supports the perception that practices associated with crofting have given rise to, and maintained, important habitats and an attractive landscape.

'crofters have always been stewards of the land'

2.7.3 Crofting areas are characterised by a landscape of planned and relatively regularly divided land holdings in a series of discrete townships, each of which has an extensive area of less intensively managed common grazings. This landscape has been enhanced by the variety and scale of land management practices – described by some attendees of our public meetings as a 'cultural landscape' reflecting some of the traditional practices associated with crofting.

2.7.4 Biodiversity is crucial to our survival, touching everyone. The mixed farming systems, small field sizes and non-intensive nature of traditional crofting practices have resulted in valuable habitats being found in crofting areas.³³ This is reflected in the number/extent of designated sites including Natura³⁴ sites and Sites of Special Scientific Interest (SSSIs).³⁵

'crofting can be very beneficial for biodiversity particularly if crops are grown. But cropping is no longer common practice in many areas where most of the inbye land has been turned over to sheep grazing.'

2.7.5 Crofting has provided shelter, cover and feeding for birds in close association with suitable nesting areas. Grass has been traditionally managed as hay, cut later than for silage, thus providing extended cover for ground-nesting birds as well as wild flower species such as globeflower, cranesbill, bistort and melancholy thistle. Cultivation was said to have been important where it has been small in scale and part of a long rotation; where shell sand and seaweed have been used in place of artificial fertilisers; and where the use of herbicides has been less predominant. The importance of cattle has been highlighted as part of a mixed farming system, with beneficial grazing patterns, under appropriate management, and often associated with on-croft winter fodder production.³⁶

2.7.6 SNH told us that much of the wildlife associated with crofting, such as the corncrake, lapwing, corn bunting, Greenland goose, the marsh fritillary, and several cornfield weeds, is rare or absent in other parts of Scotland. The corncrake is the best known of these with its entire UK population now restricted to the crofting areas. Although the population suffered a rapid decline associated with agricultural intensification and mechanisation in the 1980s and 90s, it has increased from 300 to 800 calling males largely due to wide uptake by crofters of a specific agri-environment scheme.

31 The Research Shop, 2007.


32 George Street Research, 2007.

33 SNH evidence.

34 A designation under the EU habitats directive.

35 Sites of Special Scientific Interest are designated under the Wildlife and Countryside Act 1981.

36 Beaufoy, 2004.



2.7.7 SNH also told us that common grazing tenure has helped to maintain some large areas of habitats, particularly machair, wetland and moorland, under sympathetic management regimes. The moorlands and peatlands of Shetland, Orkney, Caithness, Sutherland and Lewis are internationally important for breeding waders and birds of prey.³⁷ Many of the species require lightly grazed vegetation. The importance of Machair was highlighted by SNH, the RSPB and Plantlife.

2.7.8 Machair is a globally restricted habitat, entirely confined to the western and northern coasts of Scotland and western Ireland. It is semi-natural coastal grassland, extremely rich in biodiversity and owes its continued existence to extensive crofting agricultural management, notably cattle systems. Over two-thirds of the world's machair is found in crofting areas of Scotland, extending to about 13,300 hectares. Machair habitat, as identified in Annex 1 of the EU Habitats Directive, is a priority habitat under the UK Biodiversity Action Plan and areas are designated as Special Protection Areas (SPA) under the EU Birds Directive and Important Plant Areas (IPAs) by Plantlife. Machair supports internationally important populations of breeding and wintering birds, including waders, corncrakes, geese, terns and significant populations of nationally important and threatened seed eating passerines, in particular corn buntings, a species under threat of national extinction. Machair is also a stronghold for several nationally important invertebrates such as the great yellow bumblebee, northern Colletes bee and belted beauty moth. Machairs that are cultivated for animal fodder crops (now unique to North and South Uist) are critical strongholds for an assemblage of wildflowers traditionally associated with Scottish arable but now increasingly rare. While, in their evidence, SNH gave particular attention to Machair, the importance of peat land and moor land should also be recognised.

2.7.9 We have been told that crofting is critical to managing large carbon stocks and mitigating climate change. Crofting systems are intrinsically less damaging in climate change terms than higher intensity agricultural systems because crofting land management is typified by low nutrient and agrochemical inputs, low stocking densities and arable yields, low levels of land drainage and the use of fallow.³⁸ Scotland's peat soils are estimated to hold 2735 Mt of carbon and extensive tracts are under crofting tenure. To put this in perspective, Scotland's entire emissions from energy use in 2005 were equivalent to 49 Mt Carbon. If Scotland's peat soils were managed inappropriately large amounts of carbon³⁹ could be released into the atmosphere.⁴⁰ Sensitive management, such as appropriate grazing intensity and other measures which prevent the peat being eroded or drying out, are very important to prevent degradation and to maintain or increase sequestration capacity. In addition, the peat uplands play an important role in flood management because of their natural water holding capacity, and need to be managed to ensure that their water retention capacity is maintained.

2.7.10 As described, the environmental benefits of crofting are heavily reliant on particular types of land management. Recent changes in land management practices and associated changes in habitats and wildlife populations are described in section 3.1.6. Land management decisions have been heavily influenced by policy and the grants and subsidies available. In section 3.3. we lay out our recommendations about mechanisms to encourage land management strategies to help ensure that crofting continues to provide environmental public goods.

'Sometimes conservationists seem to overlook the fact that crofters are and have been an intrinsic and vital part of the valuable ecosystems that the environmental movement wants to conserve.'

'the traditional activity of crofters getting all their fuel from peat is today totally unsustainable'

37 RSPB and the Scottish Crofters Union, 1992.

38 SEPA evidence.

39 SEPA evidence.

40 SEPA.

'The many pieces of music, literature and other artwork which have a Highland or 'Celtic' feel show that this 'cultural landscape' has fed the wider world with its spirit and is now increasingly being recognised as vital to the Scottish sense of identity. Through events like the 'Celtic Connections' festival and the growing heritage tourism industry, it is also becoming a factor in the Scottish economy.'

'crofting is part of our culture and traditions with communities that still work together for mutual benefit.'

'crofting is open to people who are prepared to work the land and livestock. Gaelic doesn't come into the equation. Animals aren't bothered about what language the crofter speaks and Gaelic doesn't improve their crofting ability'

2.8 Sustaining cultural diversity

2.8.1 Cultural diversity embraces many elements and is a policy objective of the Scottish Government. Without crofting, Scotland would be less culturally diverse. The culture associated with crofting practices forms a distinctive part of the cultural heritage of Scotland. It includes Gaelic language and culture in the Western Isles and Nordic dialect and culture in the Northern Isles. It is recognised and valued internationally.

2.8.2 Participants in the Inquiry public meetings strongly supported the view that crofting is important in sustaining the cultural heritage of Scotland.

2.8.3 People told us about a cultural landscape distinctive to, and symbolic of, the practices of crofting and how specific crofting activities hold cultural significance such as sheep 'caas' and fanks (gatherings), shows, dog trials and spinning and knitting. As with music and dance, some of these activities are not peculiar to crofting but their local meaning may be bound up with it. Crofting was also said to contribute to culture by encouraging a connection between successive generations and a place, through the strong tie to the land, embodied in the crofting way of life and the provision for intergenerational transfer. Family lines were said to keep traditional cultural activities alive, sustaining a sense of identity, and, for example, supporting the Gaelic language, the Shetland dialect and traditional music and dance.

2.8.4 This is consistent with a range of studies⁴¹ undertaken in the 1970's and 1980's which highlighted the importance of Gaelic, particularly in the Western Isles.⁴² The studies found that at that time Gaelic was used predominantly for croft work and township meetings as well as for speaking with family and church elders and that a 'crofting core' was the most loyal towards Gaelic. Census analysis in 1981 showed a correlation between community involvement in crofting and the maintenance of Gaelic.⁴³ The importance of Gaelic as part of Scotland's national heritage is emphasised in the National Plan for Gaelic that sets out the Government's commitment to support this language.⁴⁴

2.8.5 Evidence from our public meetings and Call for Evidence also suggested that the cultural goods associated with crofting were under threat due to the decline in crofting activity. Policy measures that enable crofting communities to thrive, engage in communal activities and maintain a meaningful connection with the land are needed to ensure that the valuable cultural goods associated with crofting are not lost.

41 MacKinnon, 1974, 1991.

42 Nancy Dorian's study of the villages of Embo and Dervaig; Vallee's study of Harris between 1972 and 1974; a study of language and cultural transmission in 4 communities between 1976 and 1978; a national opinion survey of Gaelic related issues in 1980 – 1981; a study of language and speech in Skye and the Western Isles between 1985 and 1988.

43 MacKinnon, 1991.

44 Bord na Gaidhlig, 2007.



2.9 Looking ahead: twenty-first-century crofting?

2.9.1 In developing a vision for the future of crofting it is tempting to try to see into the future, to ‘crystal-ball gaze’. Many foresight studies have recently been undertaken in just this way to imagine possible futures for rural areas, in Scotland, UK and Europe. Recurring themes in such studies have included the possible scale and effects of climate change, such as flooding, migration and population displacement; further technological developments, notably in ICT, energy technology and biotechnology; and the effects on world markets and on food security of the growing economic power of countries such as China and India. Closer to home, we might foresee a continuing growth of the Scottish economy and of Inverness and its environs, as well as further community buy-outs of crofting estates. Each of these and many other changes could have important effects on crofting, creating new challenges and new opportunities.

‘With the right support from sensitive regulation and development, crofting can act as a model of local, small-scale communal agriculture to meet the social and environmental demands of the ‘post-carbon’ economy.’

2.9.2 This report does not attempt to predict the future in any detail. Rather our aim is to make recommendations which will give crofting communities the capacity to adapt and react to such changes, making the most of whatever opportunities emerge. Recent studies⁴⁵ have suggested that building the capacity of communities to act in this way requires three principal elements:

- knowledge: people who are well educated and trained;
- networks: trust, shared identity, and internal and external networks; and
- mobilisation capability: the capacity to act together collectively.

Many crofting communities, of course, have these strengths and have demonstrated these in mobilising to buy out crofting estates in the last few years, or in working together through structures such as the Scottish Crofting Foundation (SCF) or Grazings Committees. Sustaining the future of crofting communities will require these strengths to be developed in *all* crofting communities, so that crofters themselves can take on the responsibility for the future of crofting, whatever changes the twenty-first century brings.

45 E.g. Healey P et al, 2003, Shucksmith 2008.



PART THREE
THEMES AND KEY ISSUES EMERGING IN THE INQUIRY



3.1 Key land and environment issues

Introduction

3.1.1 In this section we consider how policy, as implemented through various agricultural and environmental support/funding schemes, has affected crofting's impact on the land and environment and assess what further actions are needed to maximise the benefits of crofting. The relationship with the land lies at the heart of crofting. Historically, stewardship of the land has been an integral part of agricultural activity, though stewardship of the land also requires activities distinct from agriculture and the importance of such activities is recognised separately.

3.1.2 Our survey told us that on average crofters derive about 20% of their net income⁴⁶ from agriculture,⁴⁷ yet working the land is at the heart of what it means to be a crofter. There is an important relationship between landscape and agricultural activity and the agricultural landscape forms an important part of the cultural heritage of the crofting areas.

3.1.3 Seventy eight percent of respondents to our survey on rural development and crofting identified 'someone who works the land' as being very important in describing what it is to be a crofter.⁴⁸ Written and oral evidence collected by the Inquiry also supported this. In mid Yell crofting agriculture was said to be important as the 'backbone of the crofting community and to fill the freezer'. Analysis of the Call for Evidence responses told us that three of the four features of crofting that matter most to people were related to the land: 'way of life that suits the land', 'custodian of the land' and 'working with animals'.⁴⁹

3.1.4 Agricultural practices and land use in crofting areas are changing. Responses to our Call for Evidence and participants at the Inquiry meetings mentioned a reduction in traditional land management, neglect of agricultural management, simplification of crofting to single enterprises, hay-making giving way to silage-making and both under-grazing and over-grazing. They linked these changes to a reduction in the environmental benefits associated with traditional practices. Analysis of agricultural census data shows significant trends.

- Between 1982 and 2007 on holdings of less than 30 hectares in the crofting counties, the cropped area of land fell by 49%. The area of oats fell by 83%; potatoes by 79%, barley by 46% and stock feeding crops by 51%;⁵⁰
- Grassland for grazing increased by 47% and grassland for mowing reduced by 24% between 1982 and 2007;⁵¹ and
- In the HIE area,⁵² the number of ewes dropped by 18% (from 1,185,256 to 971,442) between 2001 and 2006, representing 86% of the decline in overall Scottish ewe numbers and indicating a significant regional factor. There was an accelerated decline in numbers between 2006 and 2007 when they dropped by 6% in the HIE area (compared to 3.8% for Scotland as a whole) from 971,442 to 916,248.

'Being a crofter is about more than having a ride-on lawnmower.' (Glenuig Stakeholder Discussion)

'Our reward comes in the quality of food we eat for which we work seven days a week in a lifestyle dominated by weather, livestock and seasonal demands.'

'In the future we will rely on farming and fishing, as we always have.' (Tiree stakeholder discussion)

'Absence of cattle allows the bracken to flourish and invade 'good' land – it has a huge effect on wildlife, biodiversity and agricultural potential of land.'

⁴⁶ The survey asked respondents for their total household income, including net income from the croft, and what proportion of this comes from specific crofting related activities.

⁴⁷ agriculture includes sale of livestock (10%), sale of crops (1%) and subsidies (8%). A further 10% comes from non-agricultural on-croft activities.

⁴⁸ George Street Research, 2007.

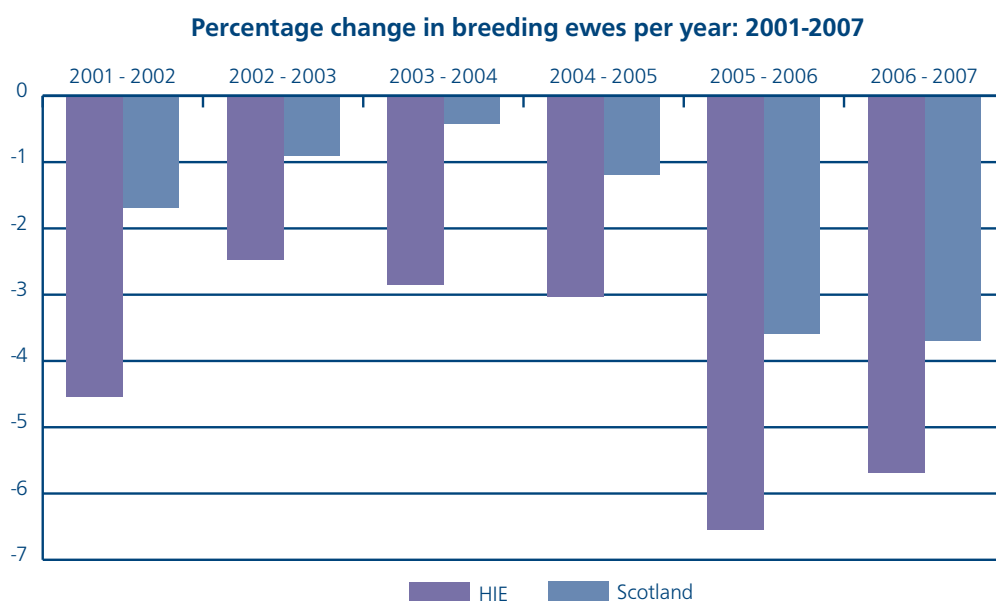
⁴⁹ The other was 'community spirit/community working'.

⁵⁰ Figures supplied by RERAD, February 2008.

⁵¹ Figures supplied by RERAD, February 2008.

⁵² As mentioned elsewhere, the HIE area closely corresponds to the Crofting Counties.

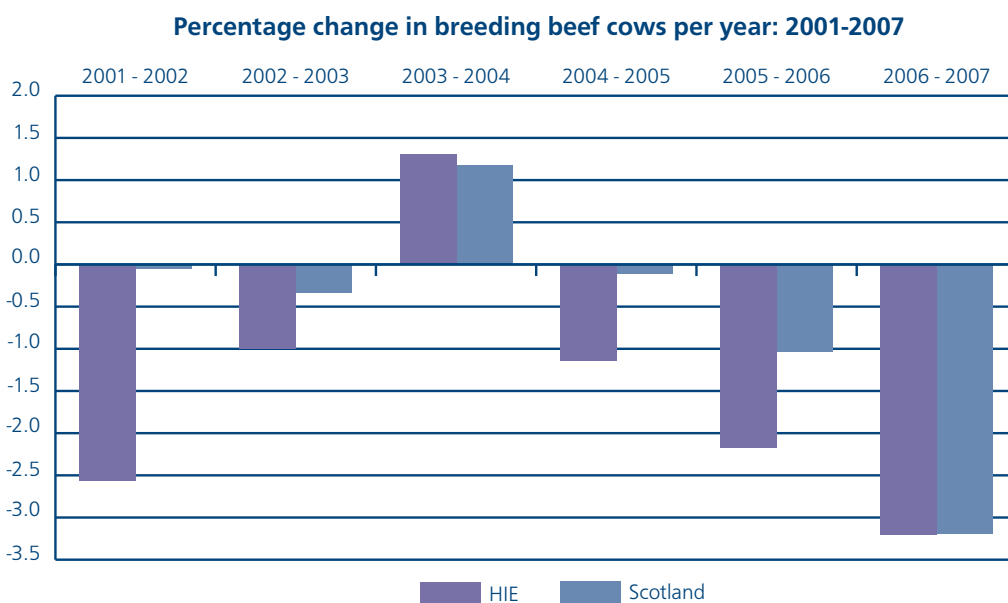
Figure 3.1: Changes in numbers of breeding ewes



Source: based on figures supplied by Peter Cook, 2008

Numbers of beef cows have also declined in the HIE area, falling by 5.5% between 2001 and 2006, from 115,416 to 109,075, and a further 3.2% between 2006 and 2007, from 109,075 to 105,573.⁵³


Figure 3.2: Changes in number of breeding beef cows



Source: based on figures supplied by Peter Cook, 2008

Note: the reasons for the increase in 2003-04 are not clear but may be associated with changes in subsidy regimes at that time

⁵³ Yuill and Cook, 2007 and additional analysis of 2007 June agricultural census by Peter Cook.



'already only few tenants breed sheep; increased restrictions and regulations (and fear of breaking them) is hastening this decline'

3.1.5 Interviews carried out found that the declining incomes for crofters from hill sheep enterprises and increasing full-time employment off the croft is leading to changes in sheep management.⁵⁴ In particular the lack of available labour results in declining use of hill grazings and with declining numbers, sheep are increasingly likely to be managed more intensively on in-bye land or apportioned hill grazings. This can have negative environmental impacts due to over-grazing of inbye/apportionments and under-grazing of abandoned common grazings. The abandonment of common grazing also threatens the communal practices and their social benefits.

'neglect of crofts and absenteeism has a huge impact on the environment and landscape'

3.1.6 Some of the specific impacts of changing management were detailed in evidence submitted to us by environmental organisations. With the exception of the corncrake, there have been serious declines in the populations of many birds associated with crofting such as the corn bunting and the twite.⁵⁵ Crofting areas have supported high breeding populations of waders, but there is evidence that these have declined in the Crofting Counties as elsewhere. Recent research noted by SNH into the ecology of two plants, the eyebrights (*Euphrasia* spp.) and the Irish Ladies' tresses (*Spiranthes romanzoffiana*), for which the crofting areas are very important, show declines in populations. A recent inspection of 34 Machair SSSIs by SNH found 16 to be in an unfavourable condition and, of these, 10 to be continuing to decline.

'Crofters (and other rural communities) should be financially supported where they had inadequate income. The main option would be grant support and should be aligned with mainstream grants for land management/stewardship, forestry, environmental improvement, sustainability, energy conservation etc.'

3.2 Analysis

3.2.1 The agricultural trends described in section 3.1 have been driven by changes in agricultural subsidies and grants, fluctuating exchange rates and a fall in prices. Agricultural subsidies were closely linked to production until the mid 1990s and, since then, have become 'decoupled'⁵⁶ with support, in the main, no longer related to how much is produced. The main source of funding comes from Europe through the Common Agricultural Policy. European funding from the 1970s – '90s generally encouraged farmers and crofters to increase livestock numbers. There have been a number of agri-environment schemes since 1992, designed to encourage environmentally beneficial land management practices. However, the majority of farmers and crofters do not participate in agri-environment schemes. In 2005, 29% of crofters and 30% of non-crofters who claimed SFP subsidies were recipients of agri-environment scheme payments,⁵⁷ see Table 3.1. Crofting land management is also supported annually by specific crofting grants of £3.258m.⁵⁸

54 Yuill and Cook, 2007.

55 SNH evidence.

56 Support to agriculture was formerly paid through a variety of subsidy schemes primarily on the basis of cropped area or headage of livestock. Under the Single Farm Payment scheme, the money is now received in return for maintaining certain minimum standards. This separation of the payment and the agricultural activity is known as decoupling.

57 This is based on figures supplied by SEERAD 2007.

58 The Crofting Counties Agricultural Grant Scheme budget for 2008/09 is £3m and the Crofters Cattle Improvement Scheme is £258,000.

Table 3.1: Recipients of individual schemes by Croft and Non-Croft, 2005

	Information missing ⁵⁹	Croft	Non-croft	Total
Pillar I				
Single farm payment	1,171	5,042	14,219	20,432
Pillar II				
Less Favoured Area Support Scheme	503	4,483	7,760	12,746
Land Management Contract Scheme	122	1,076	7,701	8,899
Agricultural Business Development Scheme	1	37	188	226
Countryside Premium Scheme	11	90	866	967
Environmental Sensitive Area Scheme	29	970	939	1,938
Farm Business Development Scheme	–	–	70	70
Farm Woodland Premium Scheme	25	73	1,155	1,253
Farm Woodland Premium	3	–	231	234
Scottish Forestry Grant Scheme	3	7	139	149
Habitats Scheme	3	12	55	70
Organic Aid Scheme – Conversion	–	1	35	36
Organic Aid Scheme – Management	–	–	41	41
Organic Aid Scheme	2	13	284	299
Rural Stewardship Scheme	33	394	2,460	2,887

Source: Figures from SEERAD, 2007

Note: Recipient figures are not additive since recipients can claim under more than one scheme. The total number of individual claimants is best estimated by the numbers claiming Single Farm Payment.


3.2.2 The EU consultation document⁶⁰ on the Health Check of the CAP Reform summarises the scope and objectives of the CAP as follows:

“The basic objectives of the Common Agricultural Policy (CAP) are set in the Treaty. Following successive reforms since the mid-1990s, they have since been adapted in the European Summits of Berlin and Göteborg. Today the CAP aims to achieve:

- a competitive agricultural sector;
- production methods that support environmentally friendly, quality products that the public wants;
- a fair standard of living and income stability for the agricultural community;
- diversity in the forms of agriculture, maintaining visual amenities and supporting rural communities;
- simplicity in agricultural policy and the sharing of responsibilities among Commission and member states; and
- justification of support through the provision of services that the public expects farmers to provide.

⁵⁹ Recipients which it was not possible to identify as croft or non-croft.

⁶⁰ EU Commission Brussels (2008).



Implementing the above broad objectives in more concrete policy terms, the 2003 reform marked a new phase in the CAP reform process by introducing changes in the CAP with three main objectives:

- enhance competitiveness with significant adjustments in market measures in the sectors of cereals, dairy and rice;
- promote a market oriented, sustainable agriculture by decoupling direct payments in the arable crops, beef and dairy sectors via the Single Payment Scheme (SPS); and
- strengthen rural development with the shift of funds from the 1st to the 2nd pillar of the CAP via modulation.”

3.2.3 The objectives of the Health Check of the CAP⁶¹ are to assess the implementation of the 2003 CAP reform, and to introduce only those adjustments to the reform process that are deemed necessary to further simplify the policy, to allow it to grasp new market opportunities and to prepare it for facing new challenges such as climate change, water management and bio-energy.

3.2.4 We believe that crofting has very significant public benefits to offer in ways that are wholly consistent with the Commission objectives both in the 2003 reform and the Health Check exercise. We also believe that these benefits are consistent with the declared objectives of the Scottish Government for rural areas, as set out for example in the Cabinet Secretary’s response⁶² to the OECD review of rural policy in Scotland in 2008.

3.2.5 Currently, the majority of the CAP budget is received by farmers through the Single Farm Payment (SFP), under Pillar 1,⁶³ as shown in Table 3.2. The Single Farm Payment is not linked to production. In Scotland the rate of payment is determined on the historical basis⁶⁴ and so more productive and intensively used land attracts a higher payment per hectare than land which has traditionally been extensively farmed, such as land in most crofting areas.

‘In my opinion SFP is the single biggest contribution to the demise of crofting.’

3.2.6 Pillar II of the CAP is delivered through the Rural Development Programme. In Scotland, LFASS makes up a significant proportion of the rural development budget. The declared aim of support to the LFA from the Council Regulation⁶⁵ is:

- to ensure continued agricultural land use and thereby contribute to the maintenance of viable rural communities;
- to maintain countryside; and
- To maintain and promote sustainable farming system which in particular take account of environmental protection requirements.

‘Scottish Executive and the EU Commissioners should recognise the model of crofting as an example of good civil and social behaviour and offer their utmost support.’

This is achieved by making payments to reflect additional costs and lower returns associated with farming in areas with natural handicaps. However, payment rates are also in part determined on the historical basis and so tend not to compensate the poorer quality land within the classified area. Most of Scotland is classified as less favoured and crofting areas generally receive less per hectare than more productive less favoured areas of Scotland.

61 EU Commission Brussels (2008).

62 The Scottish Government (2008b).

63 Pillar 1 is the market support element of the CAP which occupies 95% of the CAP budget.

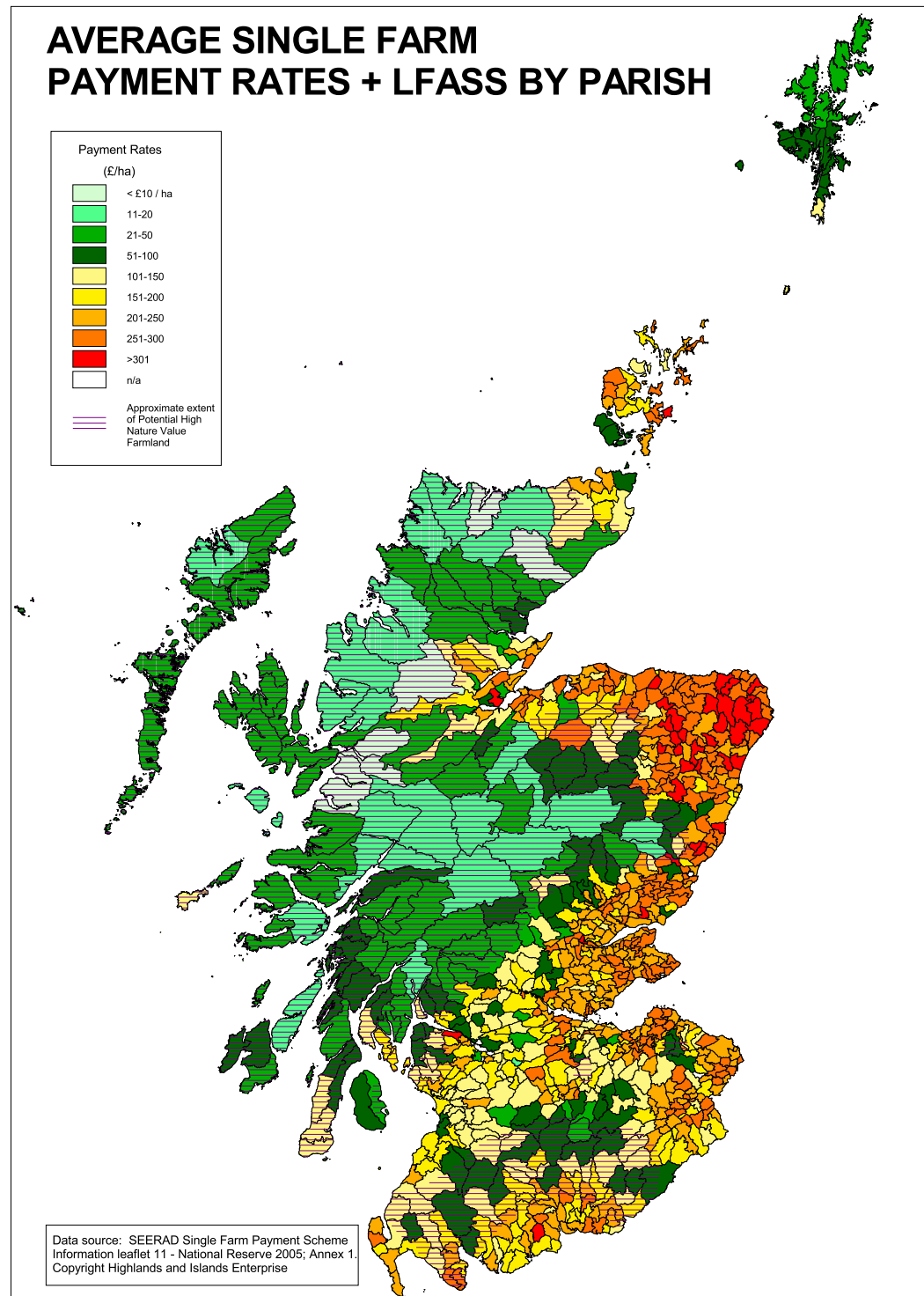
64 Single Farm Payment in Scotland is based on the average payments received annually during the years 2000-02.

65 Council Regulation (EC) No 1257/1999 (as amended).

'crofting is a traditional way of life. The reward is not financial – it's in knowing you have done a good job. Success is measured not in material goods but in satisfaction.'

3.2.7 The map at Figure 3.3 shows the distribution of SFP and LFASS payment rates per parish and also the areas considered "high nature farming value". While this does not reflect the whole story in terms of delivery of public goods, it does indicate a lack of targeting.

Figure 3.3 Distribution of Single Farm Payments and LFA Support, by parish



Source: HIE, 2007.

Table 3.2: Total payments of individual schemes by croft/non-croft, Scotland (2005)

Total Payments per scheme	Information missing⁶⁶	Croft	Non-croft	Total
Pillar I				
Single Farm Payment	12,088,963	18,889,349	385,898,596	416,876,908
Pillar II				
Less Favoured Area Support Scheme	1,408,677	7,733,973	51,392,931	60,535,581
Land Management Contract Scheme	93,974	1,195,066	13,320,224	14,609,264
Agricultural Business Development Scheme	34,011	389,898	1,746,859	2,170,768
Countryside Premium Scheme	46,509	444,754	3,227,875	3,719,138
Environmental Sensitive Area Scheme	124,937	2,349,172	4,672,686	7,146,794
Farm Business Development Scheme	–	–	636,305	636,305
Farm Woodland Premium Scheme	50,369	132,865	2,883,935	3,067,169
Farm Woodland Premium	17,669	–	421,103	438,771
Scottish Forestry Grant Scheme	20,561	4,903	194,834	220,299
Habitats Scheme	14,160	67,205	222,510	303,875
Organic Aid Scheme – Conversion	–	700	485,121	485,821
Organic Aid Scheme – Management	–	–	92,675	92,675
Organic Aid Scheme	6,328	53,602	1,905,223	1,965,153
Rural Stewardship Scheme	145,895	760,487	11,243,858	12,150,240
Total Pillar II	1,963,089	13,132,627	92,446,137	107,541,852
Total Pillars I and II	14,052,052	32,021,976	478,344,733	524,418,760

Source: figures supplied by SEERAD, 2007

3.2.8 Under Pillar II schemes other than LFASS, payments are linked to outputs. There is a range of schemes, with varying scope in terms of objectives and budgets. Please see Annex 7 for details. The limited budgets (less than 10% of the total CAP budget for Scotland in 2005) and limited geographic scope of some of the schemes has meant that, in terms of distribution of payments, although they can be important locally, they generally have made little difference to of the overall pattern which is set by the SFP and LFASS. Many of these individual schemes have now been closed to new applicants. The set of rural development measures which will apply from now on are included in the new Scottish Rural Development Plan recently announced.⁶⁷ This includes a range of measures – continuing some existing measures and introducing some new ones.

⁶⁶ Recipients which it was not possible to identify as croft or non-croft.

⁶⁷ The Scottish Government, 2007.

'I cannot keep up with the changes and I am 42 and computer literate and read most weekly publications.'

'I have not made great use of the grants regime but have found that there is little incentive to go through the incessant paperwork involved in obtaining grants and reporting to SEERAD.'

'The New Zealand approach should be adopted – abolish subsidies, adopt business practices.'

'Properly managed the Rural Stewardship Scheme would have been a good way to achieve this support. Sadly, it was hopelessly under-funded which meant that last year very few crofters or farmers got a chance to benefit from it.'

3.2.9 Turning to the reactions of Crofters, it was reported by respondents to the Inquiry Call for Evidence and participants at public meetings that subsidies were complicated, difficult to access and that there is a lack of awareness about what is available, partly due to the frequency with which schemes change. The Single Farm Payment was criticised for encouraging inactivity. Favourable comments were made about the Less Favoured Area Support Scheme (LFASS) although better targeting was recommended. Land Management Contracts (LMC) were thought to be ill-fitted to the needs of crofters as they have limited options for crofters, unattractive rates for the work involved in applying for those measures which are suitable, and they exclude common grazings from management options. On the other hand, the Rural Stewardship Scheme was said to have been good for the few crofters who had managed to secure funding through it. Praise was also given to the Crofting Counties Agricultural Grant Scheme (CCAGS), comments included that it was essential, simple and accessible. There was also praise for the Environmental Sensitive Area (ESA) scheme which, while only available in nominated areas, was non competitive, understandable and locally effective.

3.2.10 We believe that the distribution of funding described in paragraphs 3.2.5 – 3.2.7 will become increasingly difficult to justify the further we move away from an historic reference period.⁶⁸ The CAP Health Check⁶⁹ offers an opportunity at Scottish level to revisit how public funding to agriculture is distributed. Eventually, we would envisage support being moved towards a far more targeted system which pays for the delivery of specific non-market benefits from land management.

3.2.11 We believe that the basis of SFP support must be revised. We believe that there should be a gradual move away from the historic basis of payments towards a flatter rate of support per eligible hectare, and consideration subsequently of a move to the full area basis for payments. This would remove the anomaly of basing the SFP system on an increasingly outdated period (2000-02). Much of this report is focused on encouraging new and dynamic crofting, a key part of which is bringing in young people. The historic payment system is a major barrier and some means must be found in the short term to provide SFP entitlement – possibly through use of national reserve provisions – to new entrants.

3.2.12 But this itself is not enough. This would continue to have a very large part of the support to agriculture not based on buying specific public goods. We support therefore continuing increases in modulation – in line with emerging thinking in the Health Check exercise, to allow progressively more expenditure under Pillar II (rural development measures).

3.2.13 Also in relation to Pillar I support we believe that use should be made of any possible increases in flexibility under section 69 of Regulation (EC) No 1782/2003 – the national envelope provisions – “...to address disadvantages for farmers in certain regions specialising in the dairy, beef and sheep and goatmeat sectors ...”

3.2.14 We believe that the new SRDP moves policy in the right direction – greater focus on the purchase of public goods. We support the introduction of the two measures under “Small Units” which are clearly aimed at crofters. That said, we believe that non-discretionary measures under “Options” would have been preferable – rather than discretionary measures under “Priorities”.

⁶⁸ Currently, payments are based on activity in the years 2000-02.

⁶⁹ EU Commission Brussels (2008).



3.2.15 We believe that a non-discretionary scheme suitable for crofters and other small farmers, would have the following features:

- simple menu scheme with list developed through local consultation;
- single, simplified payment for small units;
- tiered to ensure that smaller units are adequately incentivised;
- easy to access (not web based nor restricted to electronic applications);
- simple plan; simple output; and
- based on outputs rather than prescriptive management.

3.2.16 We also believe that further detailed research should be undertaken to identify measures relevant to crofting areas and their diversity, and that are consistent with the Rural Development Regulation provisions. These measures might be introduced as non discretionary measures (ie Options) by amendment to the SRDP before the end of the current Plan period.

3.2.17 The forthcoming review of the Less Favoured Areas (LFA) in 2008-09, offers an opportunity to change the basis of classification⁷⁰ and to consider changes to payment rates which are more reflective of the provision of public goods. However, the current LFA support mechanism could also be altered under the existing arrangements for amending the SRDP. We believe this should be examined, particularly to achieve the objectives of retaining sustainable farming activity in some of the most marginal areas. One immediate possibility would be an increase in the minimum payment level. As with historic SFP entitlement, the historic basis under the interim LFASS militates against newcomers and some means must be found to address this problem in the short term.

3.2.18 The Crofting Counties Agricultural Grants Scheme was rated highly in evidence to us and described as essential. Although there were some concerns that it is not quite as straightforward as it used to be, it was mainly praised as accessible and simple. It allows for both small and large scale investment and has supported significant investments in fixed improvements crucial for crofting land use. We support suggestions that were made to us that CCAGS should be widened to include support for land-based enterprises other than agriculture and that a 10% uplift in support to young entrants should be part of the Scheme.

'The government may be subsidising crofting agriculture, but crofters subsidise it even more.'
(Lewis stakeholder meeting)

'A political recognition of the value to Scotland of active crofting would result from the Executive taking dramatic steps towards rectifying the iniquities which exist with the administration of LFASS.'

⁷⁰ The UK is one of only two European Members States in the EU-15) not making use of the 'mountain' classification for LFA, under which higher levels of payment per hectare are possible. It might also be possible, as other Member States have done, to classify islands in the 'special handicaps' category for the purposes of LFA.

'As a previous participant in the Bull Scheme I take this opportunity in expressing publicly how much it improved our stock and allowed us to survive through the post BSE/Foot and Mouth era.'

3.2.19 The bull scheme appears expensive, relative to private hire where this is available, although the importance of bull hire provision was highlighted to us in evidence. Only 2% of townships now participate in this scheme, with participation rates highest on the mainland and lowest in the Northern and Western Isles.⁷¹ Our view is that support for bull hire should only be made available in those areas where ownership of a bull is impractical and commercial opportunities for bull hire are lacking – ie. where market failure exists. Instead of a centralised facility serving the entire Highlands and Islands, support should be offered for private bull hire to meet the needs only of those areas where this would not be possible without this support. Through retaining cattle in such areas, it may contribute to beneficial environmental outcomes and supporting livestock quality. One possibility might be to fund this through moneys generated through increased flexibility in the national envelope provisions under the CAP Health Check exercise.

3.3 Recommendations

3.3.1 We recommend that use should be made of potential flexibilities in the CAP Health Check Exercise including:

- revision of Single Farm Payment rates to make their structure flatter, with consideration given to moving towards an area basis for payments, combined with an increase in modulation rates to increase moneys for rural development funding;
- use of extended national envelope provisions – to address disadvantages for small farmers and crofters in crofting areas, including possibly the funding of a bull hire scheme; and
- introduction of mechanisms which permit allocations of Single Farm Payment entitlement to newcomers.

3.3.2 We recommend that there should be a review of existing rates under the Less Favoured Area Support Scheme (LFASS) – to make them more reflective of the provision of public goods. Consideration should be given to increasing the minimum payment rate. New rates should be introduced by amendment to the Scottish Rural Development Programme (SRDP) in advance of the end of the current Programme.

3.3.3 We recommend that in the forthcoming EU-led review of the Less Favoured Areas (LFA), there should be an examination of the possibilities for linking payment rates directly to the provision of public goods. Consideration should be given to the introduction of “mountain” classification for parts of Scotland.

3.3.4 We recommend the elimination of constraints in the current arrangements which militate against newcomers. This should happen as soon as possible, and not later than the introduction of the new arrangements following the current interim LFASS.

3.3.5 We recommend building further on the clear progress of the new Scottish Rural Development Programme by introducing:

- a non-discretionary measure under “Options” suited to crofters and other small businesses with provisions set out in paragraph 3.2.15; and
- new free-standing measures suitable to crofting under “Options” following commissioned research to identify suitable prescriptions, bearing in mind the diversity of crofting areas.

⁷¹ Information from Crofters Commission.

3.3.6 CCAGS should be retained and consideration given to extending the provisions to include; (a) support for land-based enterprises other than agriculture; and (b) a 10% uplift in support to young entrants.

3.4 Key issues for strong rural economies

3.4.1 Crofting is so much more than simply agriculture, and it has long been recognised that its future prosperity depends on developing non-agricultural activities, yet for decades policy has tended to view crofting through an agricultural lens. The majority of crofters' household income for most crofters derives from non-agricultural sources, and the evidence consistently indicates that crofting's future depends on the wider strength of rural economies. Our survey found that, on average, 70% of household income was from non-croft sources.

'The reality (of crofting) is more often a part time occupation which needs to be underpinned by alternative and usually outside employment, supplemented by publicly funded grant support.'

Table 3.3: Income from croft-based activities

Area	Mean Proportion of Household Income from Crofting (%)
Orkney	43.48
Skye, Lochalsh, Lochaber	40.12
Tiree	35.37
North East Highland	32.86
North West Highland	29.92
Argyll and Bute (excl. Tiree)	28.52
Shetland	25.05
Inverness, Badenoch, Strathspey	24.52
Western Isles	22.82
All Areas	30.20

Source: George Street Research, 2007

3.4.2 Young people who spoke to us were clear that they would only stay in crofting if they find good quality jobs or self-employment.

3.4.3 Agriculture and fishing are closely associated with crofting and are highly visible forms of economic activity due to their influence on landscape and coastal features, as noted above. Nevertheless, they constitute a relatively small proportion of remote rural economies – although still higher than the national average. Instead, as with the national economy, employment and output in remote rural economies are dominated by service activities. 'Public administration, education and health' represents the largest individual sector, with 'distribution, hotels and restaurants' (broadly tourism) the second largest – and notably larger than the national average. Within this overall picture, there is considerable variation between different areas with the Western Isles having an exceptionally high percentage employed in public administration (43%) and both the Western Isles and Shetland having a much lower proportion employed in the tourism sector. Lochaber stands out as having a very high percentage employed in the tourism sector.

'one traditional supplementary source of crofting income in the islands was fishing. This is however now becoming increasingly restricted by the commercial quota system and conservation measures.'

Table 3.4: Employment by sectors percentage (2005)

Region	Agriculture and fishing	Distribution, hotels and restaurants	Public administration, education and health	Other sectors
Argyll and the islands	3.7	28.2	34.8	33.0
Caithness and Sutherland	2.0	22.0	32.6	43.4
Western Isles	3.7	19.0	43.0	34.3
Inverness and East Highland	1.0	26.9	32.9	39.2
Lochaber	3.0	34.2	30.6	32.2
Orkney	3.3	24.4	35.1	37.0
Shetland	4.0	17.7	35.6	43.2
Skye and Wester Ross	4.6	29.5	37.6	28.3
Highlands and Islands	2.3	25.6	34.4	37.7
Scotland	1.5	22.4	38.5	37.6

Source: HIE Economic Update, 2007, in Birnie et al., 2007.

'provided there is enough of a powerful Scottish Executive impetus, crofting will survive as an ever changing but sustainable lifestyle'

3.4.4 This economic profile has implications for the potential dynamism and stability of rural economies. First, whilst public sector employment is often secure and (in relation to local alternatives) can be relatively well paid, an overly large public sector can distort small local labour markets, diverting skills and entrepreneurship away from commercial activities. Secondly, tourism and primary production often suffer from both low labour productivity and weather and exchange rate related volatility in demand. This translates into relatively low wage rates (about 10% lower in remote areas compared to the national average) and unpredictable turnover and profits, often leading to risk-averse under-investment of capital in these sectors – which exacerbates low productivity problems.

Table 3.5: Gross Value Added for each full-time employee – Manufacturing (£)

	Manufacturing	
	1998	2005
Argyll and Bute	28,409	47,090
Highland	27,710	49,592
Moray	43,545	62,098
Orkney	63,932	28,776
Shetland	30,470	48,669
Western Isles	30,367	30,448
Scotland	38,969	49,590

Table 3.6: Gross Value Added for each full-time employee – Construction (£)

	Construction	
	1998	2005
Argyll and Bute	20,524	47,665
Highland	19,302	32,970
Moray	30,344	54,481
Orkney	24,419	43,008
Shetland	15,877	51,499
Western Isles	23,075	43,382
Scotland	23,224	40,761

Table 3.7: Gross Value Added for each full-time employee – Services (£)

	Services	
	1998	2005
Argyll and Bute	142	23,577
Highland	19,462	28,003
Moray	21,315	29,081
Orkney	15,392	21,017
Shetland	18,114	30,637
Western Isles	14,019	26,239
Scotland	22,397	29,747

Source: *Scottish Annual Business Statistics, 2007*

3.4.5 A strength of crofting communities has been their ability to adapt to changing opportunities – based on occupational pluralism, security of tenure and sheer determination. The key issue is how to strengthen this flexibility and capacity to adapt to changing circumstances, so that crofting communities themselves can grasp new opportunities as they arise. The following section discusses which policies can best support innovation, employment and self-employment in crofting areas.

3.5 Analysis

3.5.1 Our view is that the most effective way of stimulating the broader rural economy of crofting communities is to build the capacity of these communities to develop their own enterprises. Essentially this was the approach exemplified by the LEADER⁷² programme, CCDS⁷³ and the Initiative at the Edge (which shared the same approach and philosophy despite differences in implementation and funding). Essentially this approach was to build the capacity of local people to work together to find innovative solutions to rural problems, making use of their local knowledge. It is based on mobilising local people to develop a collective strategy for the future of their area, building on local resources and strengths. Each of these initiatives has been valued far beyond the limited budgets available,⁷⁴ with lottery funding and voluntary effort also making important contributions.

'Crofting has to adapt to survive. The crofter has to look to new skills in food production and animal rearing. He has to diversify to survive and above all he has to look to add value to his product.'

72 LEADER (Liaison Entre Actions de Développement de l'Économie Rurale) is an EU Community Initiative for Rural Development which has piloted successful new approaches to rural development across Europe since 1990.

73 Crofting Community Development Scheme.

74 Ray 2000, Atterton, 2008.

'There has to be financial support for crofting, not merely in the form of subsidies but also in the provision of an infrastructure which will enable the crofter to be productive and economically viable.'

3.5.2 We commissioned a review of key factors in the effectiveness of recent rural development initiatives:⁷⁵ The review found that these are:

- a focus on capacity building;
- local involvement which is genuinely inclusive;
- external links beyond the community;
- ability to build on existing skills and knowledge (human capital);
- entrepreneurship; and
- attention to establishing partnerships.

3.5.3 Building the capacity of rural communities is critical for achieving long-term, sustained rural development, and is vital to the achievement of tangible outcomes such as new businesses. Thus, this 'social' aspect of development should be given as much importance in schemes as 'economic' aspects of development. Building capacity can involve, for example, developing the skills to raise funds, set up organisations and draw on contacts and resources.

3.5.4 Rural development initiatives must be flexible and tailored to the varying characteristics of individual rural areas. This is supported by the OECD analysis, see section 2.4.3, which reveals a high degree of spatial heterogeneity in rural Scotland and calls for locally contextualised responses.

3.5.5 Local people, their knowledge, experience, skills and networks (i.e. human and social capital) are vital to successful rural development. The stock of human capital is itself critically dependent on migration of different people into and out of an area.


3.5.6 Policies and initiatives are required outside of remote rural areas to encourage local people to return to these areas. Many rural areas continue to experience young people moving out and older people moving in. This population movement can enhance development in remote rural areas because it is this movement away of young people that provides opportunity for them to gain the skills, resources and knowledge that can be brought back to invigorate these areas.⁷⁶

3.5.7 It is essential that entrepreneurship is fostered and supported through business support mechanisms that recognise the challenges and opportunities of business development in a rural context. In-migrants, whatever their age, can be an important source of new enterprise in rural areas. Such individuals tend to have wide economic and social networks that can give communities access to new markets and information, and often bring new skills and knowledge, for example, in leadership and IT.

'All possible assistance in grant aided schemes should be maintained and supported.'

⁷⁵ The Committee commissioned a review (Atterton, 2008) of the impact and effectiveness of rural development schemes to determine key features of successful initiatives.

⁷⁶ See Stockdale, 2006.



3.5.8 The social economy⁷⁷ is an important part of the economic vitality and development of a rural area, particularly in remote areas. Dispersed and small populations make the provision of some services expensive for the public sector and unprofitable for the private sector. The social economy can be crucial to the sustainability of communities as well as a route to economic and social well-being.⁷⁸ Factors identified as important in strengthening the social economy include capacity building and training.

3.5.9 Local people, including those who are disadvantaged, must be properly included in setting priorities, and plans for an area and in the implementation of those plans. This is crucial as it is not sufficient to rely on a few committed individuals. Inclusion should encompass the diversity that exists within particular communities and take account of people's unequal capacities to act. Achieving widespread engagement may be especially challenging if a number of disparate communities with no history of working together are brought together within one project.

3.5.10 For successful long-term rural development, rural communities need to be able to connect with and influence non-local organisations, including regional and national public sector organisations and partnerships, business networks and markets, as well as with networks between community groups operating in different locations.

3.5.11 Partnership working, both between groups and across sectors is widely accepted as critical to many bottom-up rural development schemes. This is strongly recommended in the OECD Rural Policy Review⁷⁹ which calls for effective mechanisms at various institutional levels to ensure that a range of rural people are involved on an equal footing. It is a means of effectively and efficiently using available resources, creating a shared vision of priorities and devising appropriate, co-ordinated methods for tackling them. Partnerships may include communities, local businesses, voluntary associations and representatives of public sector organisations at various levels of government. However, creating partnerships which are shaped from the bottom-up can be challenging. Often the funding conditions that give rise to the formation of partnerships in rural areas mean that they are assembled quickly, and are not as representative as they should be. The key to successful partnership working lies in all partners respecting the role and value of other partners. This may require a fundamental change of attitude amongst established organisations to recognise that community groups can and should participate fully, and actively to encourage this participation.

3.5.12 Other factors found to be important were: having clear achievable objectives, using community agents or 'animators' to initiate and assist community groups; receiving a high level of continuous engagement and commitment from relevant organisations, and benefiting from support of volunteers.

77 Taken to include neighbourhood and self-help groups and community and social enterprises.

78 In 2002, the social economy in the Highlands and Islands accounted for over 8,100 organisations, 10,700 FTE jobs and generated an income of £360 million (SQW, 2002).

79 OECD, 2008.

3.5.13 Such an approach requires greater integration between ‘strengthening communities’ and ‘business support’ aspects of the HIE network, greater priority to smaller projects and especially to community businesses and social enterprises, and greater priority to the remoter parts of the Crofting Counties. Those areas where depopulation continues apace should receive special attention through area-targeting. Small business development needs flexible support tailored to the specific strengths and needs of individual enterprises and the context in which they are operating.

‘Many crofters are trapped by legislation that prevents them using their land for non-agricultural use, thus making the best use of it’

3.5.14 Sound infrastructure is essential to support local development. This includes reliable broadband connection, transport links which enable people to travel easily and goods to reach markets, postal services which enable mail order and other businesses to respond promptly to their customers, and measures to address fuel poverty. More localised services should be encouraged, where appropriate, to minimise the need for certain kinds of travel, for example, abattoirs. People told us that they needed local slaughterhouses and the development of local food processing and marketing facilities, a reduction in red tape and regulations and a reduction in transport costs, better access to capital and more support for diversification.

3.5.15 Debates about the characteristics and measurement of rurality often cite differences between urban and rural circumstances as reasons to interpret standardised indicators of economic and social well-being with some caution. That is, precisely because of local contextual differences, analysis of well-being needs to account for variation between urban and rural areas but also between different rural areas in terms of the importance of particular facets of local life.

3.5.16 Whilst the Multiple Index of Deprivation offers a standardised basis for comparing levels of deprivation across Scotland, particular elements (or potential elements) of the index might merit greater emphasis in some places to reflect local factors.⁸⁰ For instance, access a private vehicle assumes greater importance in areas with a lack of public transport. Equally, a lack of access to mains gas together with greater exposure to winter weather can mean that heating bills are higher for isolated rural properties, increasing the risk of fuel poverty. Partially in acknowledgement of these types of issues, the Scottish Government has recently commissioned further research into key performance indicators for rural areas.

‘the fresh energy that is needed to sustain crofting communities has often come from people moving into crofting areas with understanding of and sympathy to the values of those communities.’

3.5.17 Population retention is crucial and this implies attracting return migrants and incomers, as well as enabling others to stay. Research⁸¹ in the Western Isles indicates that attracting people may be as effective as attracting businesses in creating employment and income. Crofting communities must be communities where people want to live, and this means nurturing the social and economic infrastructure which gives people a life outside their houses. These are also important factors in attracting tourists.

⁸⁰ See Shucksmith, 2005.

⁸¹ Hallaitken, 2007; Roberts and Thomson 2000.



3.6 Recommendations

3.6.1 We recommend focusing development investment on building the potential of communities to encourage them to develop their own capacities. This would involve building on the lessons of LEADER and Initiative at the Edge.

3.6.2 We recommend greater integration between the “strengthening communities” and “business support” aspects of HIE’s and local authorities’ work – with greater priority being given to small projects (especially microbusinesses), community businesses and social enterprises, together with targeting on the remoter parts of crofting areas.

3.6.3 A strategic approach to in-migration, return migration and population retentions – all aimed at developing new enterprise and the establishment of the types of communities where people want to live.

3.7 Key Affordable Housing Issues

3.7.1 Access to affordable housing is essential for population retention in crofting communities, as elsewhere. Studies have consistently shown the major significance of housing availability and support in retaining people on the land in crofting areas and in giving them a base in the community from which to make their living. The Crofters Commission⁸² described the Crofter Building Grants and Loans Scheme (CBGLS) as “one of the cornerstones of crofting support. The importance of the scheme in maintaining population in crofting communities can hardly be exaggerated.” Similarly, in an evaluation of the CBGLS for the Scottish Office in 1994, Piedad⁸³ concluded that “without the scheme there would have been a substantial fall in crofting numbers.” Several other studies and writers⁸⁴ have concluded similarly that the CBGLS has been the single most effective means of support for maintaining the population of crofting communities.

3.7.2 For those who obtain a croft, by inheritance or assignation, there is the question of how to finance their house. The CBGLS had great success over many years in enabling around 7,000 new houses to be built and 10,000 houses to be improved (Pieda 1994). However, the CBGLS has been replaced by the CHGS with much lower levels of support – grants of £11,000-22,000 but no loan element. This means that a commercial loan is now necessary in addition and this requires decrofting of the house site. The logic underlying the CHGS model is therefore unclear: if the support is so low that decrofting becomes necessary, then why is crofter-specific support offered at all? And if the CBGLS was so effective in population retention why was it replaced with a much less generous scheme? Its replacement, the CHGS, has been consistently underspent because the support is insufficient, encourages decrofting, and is only of assistance to those who can afford a sizeable commercial loan.

‘Croft house grants and rural home ownership grants help those on lower incomes to achieve a home of their own provided planning regulations are not too onerous.’

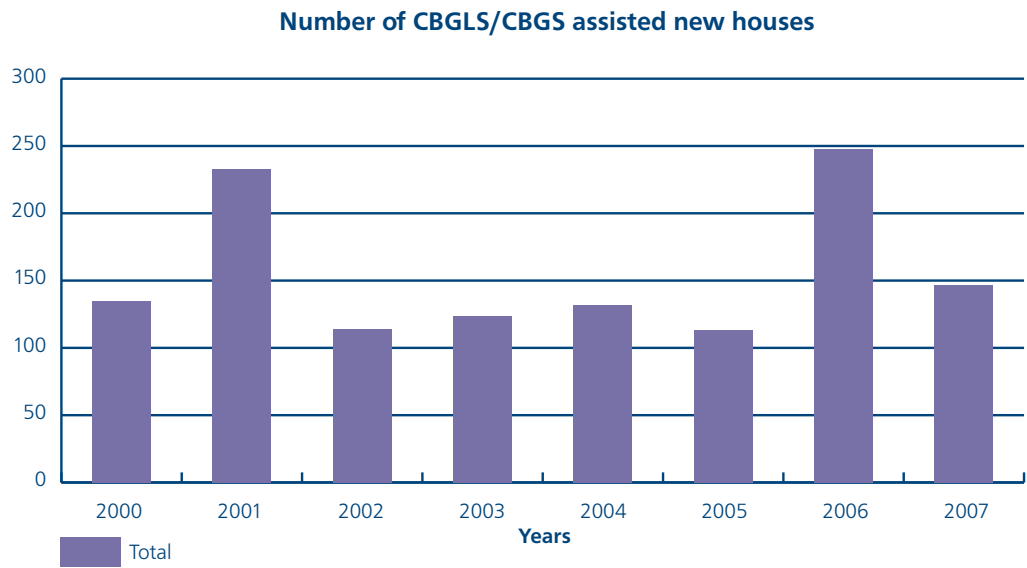
‘The Croft House Grant Scheme does not offer a solution to the affordable housing problem in Orkney.’

82 Crofters Commission Annual Report, 1981.

83 Piedad, 1984.

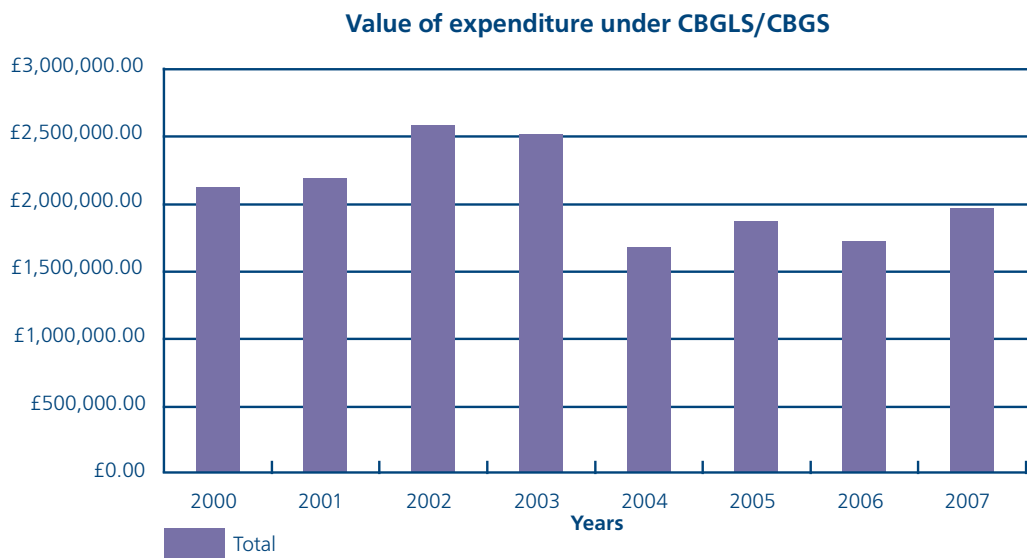
84 E.g. Shucksmith, 1987; Shucksmith and Alexander, 1994; Hunter, 1991.

Figure 3.4: Number of assisted new houses



Source: *The Crofters Commission, 2007.*

Figure 3.5: Value of grant expenditure



Source: *The Crofters Commission, 2007.*

Figure 3.6: House sites – the first two years of CHGS



House Sites - first 2 years of CHGS

2005 - Mar 2007

Legend

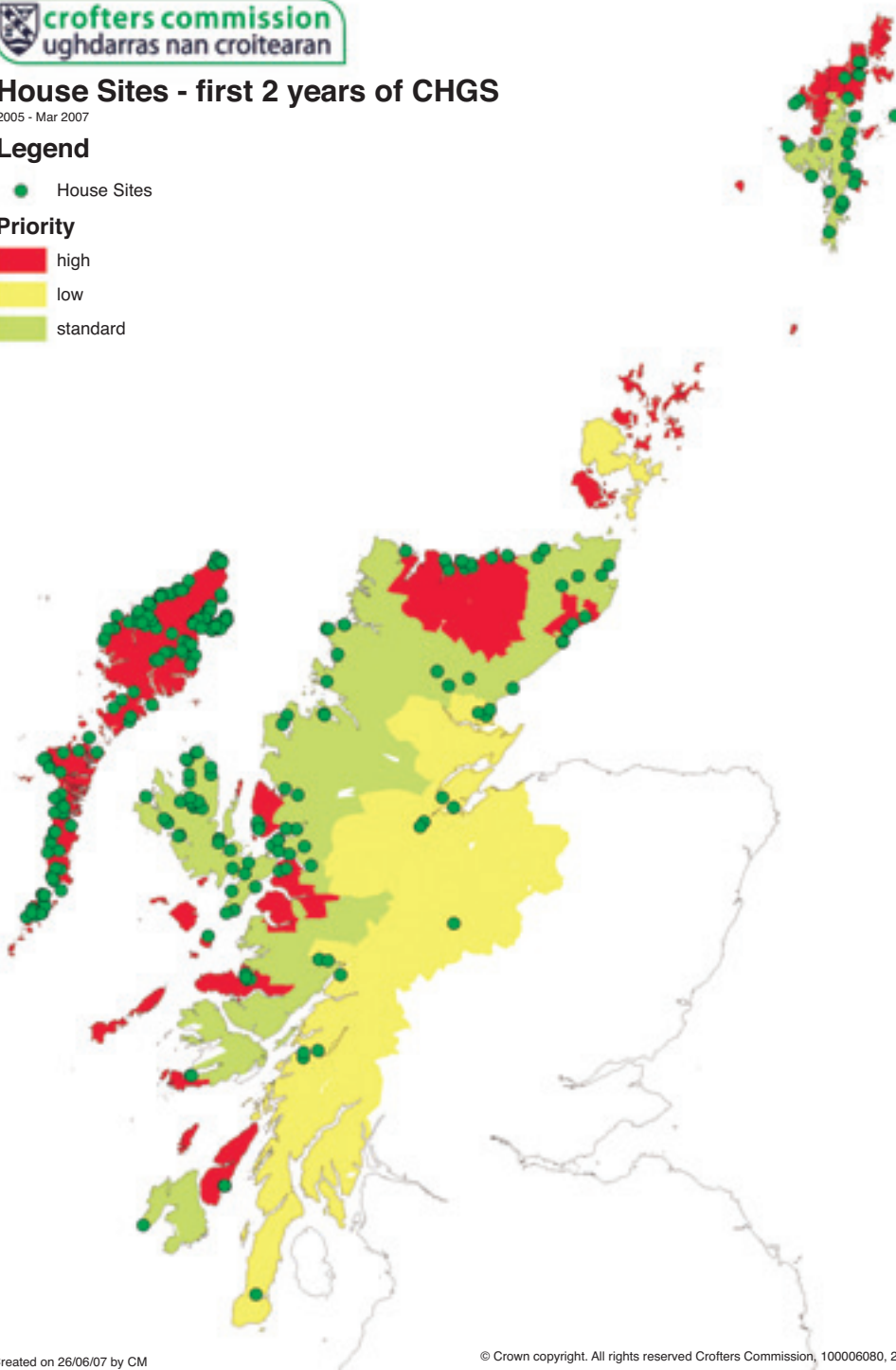
● House Sites

Priority

■ high

■ low

■ standard



Created on 26/06/07 by CM

© Crown copyright. All rights reserved Crofters Commission, 100006080, 2008.

Source: *The Crofters Commission, 2007.*

'homes in the village are now two thirds holiday lets/second homes. The future of crofting in the village is in a critical stage now. (Broadford winter meeting participant)

'Perhaps it is not so much a matter of affordable housing as affordable crofts'

'It is also essential to address the wider affordable housing shortage. Common grazing land, not in-bye land, should be considered for this purpose and the local population should have a key role in developing housing and in deciding who the houses go to.'

3.7.3 A burning issue in most areas was the external demand for housing, and the consequences of this in terms of the high prices offered for assignments of whole crofts or house sites on 'good' croft land; the lack of affordable housing or affordable crofts for young local people; and the associated social and cultural changes. These in turn threaten the viability of services such as filling stations, shops and post offices. A mix of age ranges involved in crofting is essential and that means that young people need to have better access to affordable housing in crofting areas. One key question is how to address the high prices offered for croft assignments or house sites, and that is considered below in section 3.14.

3.7.4 Another key question is how to meet the more general need for affordable housing in crofting communities, for non-crofters, crofters' children, retired crofters, teachers and many others, while also safeguarding the best inbye land. In our survey, 88% of people regarded housing as unaffordable in their area, and indeed the Housing Green Paper showed evidence of rapid price rises and growing unaffordability in the Highlands in particular. Rural house prices in Scotland have more than doubled in the past five years and were rising faster than homes in urban areas⁸⁵ and house price growth in Scotland was the fastest of anywhere in the UK at the end of 2007.⁸⁶ Yet many have argued that inbye land is so vital to crofting that it should not be released for house sites under any circumstances. 76% of respondents to our survey agreed with the statement that new houses should not be built on good inbye land. The inbye land is a small proportion of croft land that generally has better quality soil than other croft land because it has been 'improved' by work over many generations. It is also important to crofting agricultural systems to retain a balance of inbye and grazing land. Meanwhile, housing associations find it hard to build affordable housing in crofting communities, with sites hard to find, higher building costs, infrastructure constraints and lack of building capacity. The Government's 2007 Housing Green Paper, *Firm Foundations – The Future of Housing in Scotland*, seeks a step change in housing supply, and highlights housing provision in rural Scotland as an early priority. Our evidence confirms the relevance of these objectives to crofting areas.

3.8 Analysis


3.8.1 There is a lack of logic about the current CHGS, which is pitched at too low a level⁸⁷ to assist crofters unless they decroft and have good incomes, while the scheme it replaced, the CBGLS, was evaluated as successful in retaining population in crofting areas. Indeed it is widely thought to have been the measure which was most successful in this regard. If the motive for abolishing the CBGLS was to save money, this has been achieved with the CHGS now costing £0.8m net annually (taking account of loan repayments, etc.) compared to an initial annual budget of £3.6m, recently reduced to £2.6m.⁸⁸

⁸⁵ Reported in *The Herald*, 25/08/07.

⁸⁶ Reported in *The Herald*, 05/01/08.

⁸⁷ Grants are up to £22,000 in high priority areas, £17,000 in standard priority areas, and £11,500 in low priority areas. Typical building costs exceed £100,000 in all crofting areas.

⁸⁸ Information from the Scottish Government.



'To prevent the decrofting of house sites there needs to be a realistic government crofter loan scheme, as there was during the early days of the CBGLS, or there needs to be other sources of loans investigated.'

3.8.2 Our view is that a new enhanced scheme should now be introduced to assist crofters to meet their housing needs without decrofting. It should offer crofters a combination of means-tested grant of up to £30,000 (index-linked to keep up with inflation) and non means-tested loans at commercial rates. No area differentials would apply. The loan element could be private finance, administered and delivered by the private financial sector, with a loan guarantee from the Scottish Government, similar to the Small Firms Loan Guarantee Scheme run throughout the UK by the Department for Business Enterprise and Regulatory Reform.⁸⁹ This combination of grant and loan should be sufficient to allow 200 crofters per year to build or renew a house without decrofting, taking account of their other resources, in the long-term interests of sustainable crofting communities. But anyone who decrofts should not be eligible for this crofting support scheme. Instead, they would be eligible to apply to Communities Scotland for a Rural Home Ownership Grant (RHOG). Anyone receiving money under the proposed enhanced scheme – the Croft House Grant and Loan Scheme (CHGLS) – would not be eligible to receive further grant under it for 15 years.

3.8.3 In certain circumstances, where approved by the Local Crofting Board (see Section 3.11.3), support should be available for a second house on a croft – primarily where this will facilitate intergenerational transfer. A further idea put to us, which we deem worthy of exploration and piloting, is for “apprenticeship accommodation” to be built by Registered Social Landlords (RSLs) in a township where new entrants are offered bare-land crofts. A new entrant would reside in an apprenticeship house during a five year probationary period, and would then be eligible to receive the proposed CHGLS to build a new house on the croft if they had demonstrated their commitment to crofting.

3.8.4 For non-crofters, the primary source of affordable housing will be through RSLs and community trusts. There are a number of ways in which their contributions can be supported:

- public owners of land (including the Government, Forestry Commission and SNH) should be encouraged to assemble and make land available to RSLs at low cost;
- RHOGs should be actively promoted throughout crofting communities by local housing enablers and RSLs;
- in larger settlements, quotas of affordable housing should be required of private developers, even in small schemes, subject to the overall viability of the scheme; and
- new models should be developed appropriate to scattered settlements, such as a new shared equity/ RHOG model and community-initiated and owned housing similar to the ‘constellation model’ pioneered in the Western Isles in the 1990s.

⁸⁹ The Small Firms Loan Guarantee Scheme provides lenders participating in the scheme with a guarantee to underwrite 75% of a loan amount, for which the borrower pays a 2 per cent premium on the outstanding balance of the loan. It has the ability to guarantee loans of up to £250,000 and with terms of up to 10 years.

3.8.5 We also support the proposals by the Rural Housing Service to the Scottish Crofting Foundation⁹⁰ to encourage grazings committees to find sites on common grazings for affordable housing. An example of an initiative of this type is described in the box below.

'Young people and many others who are economically active are being excluded from the community due to vastly inflated house prices. Houses, when they become available, are being purchased by those with substantial buying power. This is storing up problems for the future as local demographics are becoming increasingly skewed towards an elderly population.

We have recently released 1.5 hectares of our common grazings to the local housing association to provide 24 rented units. Whilst this is being done to help alleviate significant housing pressure, many of our shareholders fear that this might not be a long-term sustainable solution (these houses may become subject to the tenant's right to buy if the current Pressured Housing Status is lost). Another concern is that 50% of the houses will be allocated by Highland Council which has a statutory duty to house those in greatest need. Local crofters are releasing land with a view to help a pressing housing need for local people, those with a connection to the area, and those already working there. It will not be a success in our eyes if these houses fail to alleviate our local housing needs.'

Source: taken from a response from Plockton to the Inquiry Call for Evidence

3.8.6 There should be no 'right to buy' social housing but instead alternative pathways to owner-occupation should be introduced which are not at the expense of future generations – for example shared equity with 'staircasing' subject to the rural burden.⁹¹

3.8.7 And finally, 'sustainable ruralism'⁹² must be embraced through a cultural change amongst planners which allows new housing to be seen as part and parcel of place-shaping⁹³ and sustainable development. Whether or not this is on inbye crofting land should be decided locally in croft development plans (see section 3.11.12) which must be given due weight in planning authorities' preparation of statutory development plans. Nevertheless, there should be a presumption against building on inbye land and better quality common grazings, unless no other suitable land is available or unless local circumstances, reflected in local plans, indicate that it is essential.

3.9 Recommendations

3.9.1 An enhanced CHGS – designed to permit house building or improvement without decrofting. (Details of enhanced Scheme in paragraphs 3.8.1 to 3.8.3.)

3.9.2 The enhanced CHGS should not be available to those who decroft.

3.9.3 The provision of affordable housing for non-crofters would be supported by the measures detailed at paragraph 3.8.4.

3.9.4 Local crofting development plans should set out in what circumstances housing may be built on inbye land and good common grazings in any local area. There should be a presumption against building on inbye land unless the local crofting development plans specify that this is essential together with any conditions.

⁹⁰ www.croftingfoundation.co.uk/index.php/publications/66.

⁹¹ This allows someone to part-own and part-rent their house, and to increase their owned share ('staircase') subject to the rural burden which requires resale to the RSL at a fair price.

⁹² "Sustainable ruralism" mirrors the term "sustainable urbanism" which occurs frequently in the Housing Green Paper. The term is intended to advocate the pursuit of policies which support and celebrate sustainable rural communities.

⁹³ Place-shaping is where members of a community (or place) work together to imagine how they would like their place to be in the future, and to devise and implement strategies towards achieving that shared vision.

3.9.5 Measures to assist new entrants to crofting should be emphasised in the allocation of future funding.

3.10 Key Governance Issues for Crofting

3.10.1 Transparency, source of legitimacy, accountability and how central and local power relations are balanced lie at the heart of governance issues for crofting.

3.10.2 Currently crofting is governed through a centralised institutional structure involving the Scottish Government, the Crofters Commission and the Scottish Land Court. The relationships between these institutions are complex and that contributes to lack of clarity about accountability for effective governance of crofting,

Governance of Crofting Today

3.10.3 The Scottish Government formulates policy and allocates budget to the Crofters Commission. The Government also implements some of the grant and subsidy schemes. The Crofters Commission oversees crofting legislation, develops crofting and makes the Government aware of crofting related issues. The Scottish Land Court resolves disputes and, through the case law that it generates, provides authoritative interpretation of Crofting Law. Both the Crofters Commission and the Land Court act as Tribunals on crofting matters. The Commission decides on assignation and bequest of holdings; decrofting; intestate succession; apportionment of common grazings; and the enactment of grazings regulations. The Land Court decides on questions relating to the status of holdings; rents; resumption and the associated right to compensation and to share in the development value; removal; compensation for improvements; and the crofter's right to acquire their croft under the 1976 Act. The Land Court can overturn Commission decisions on appeal⁹⁴ in which case it can remit the case back to the Commission to reconsider and may direct the Commission as to the outcome.⁹⁵ Landlords retain a governance role, for example, in imposing statutory conditions and in acting to tackle neglect.

Crofters Commission

3.10.4 The Crofters Commission is the focal organisation for the governance of crofting. It is an Executive Non-Departmental Public Body (NDPB)⁹⁶ and its Convenor and Commissioners are appointed by Scottish Ministers. Unlike most other NDPBs its funding is accounted for within the ambit of its Scottish Government sponsor Directorate, its staff are Scottish Government civil servants, and it draws on internal Scottish Government corporate services, including internal audit. As a public body it is answerable to Scottish Ministers, discharging its functions in accordance with any Ministerial directions of a general or specific character. The Commission submits an annual report which Scottish Ministers lay before the Scottish Parliament and which is published. As indicated above, the Crofters Commission is also, in some situations, a Tribunal.⁹⁷

'The Crofters Commission appear to be out of touch with the way crofting is carried out in many areas especially smaller remoter areas.'

'Crofters Commission should become more pro-crofter and less pro-quango.'

⁹⁴ Grounds of appeal are set out in the Crofting Reform etc. Act 2007 Section 33 (3). They are that in reaching a decision the Commission: *erred in point of law; based the decision on insufficient evidence; made a decision contrary to natural justice; took into account irrelevant considerations; didn't take into account relevant considerations; exercised their discretion unreasonably.*

⁹⁵ Crofting Reform etc. Act 2007 Section 33 (4).

⁹⁶ There are 5 types of Public Body in Scotland. An Executive NDPB is normally established by statute; carries out administrative, commercial, executive or regulatory functions on behalf of Government; provides specialist advice to Ministers and others; has a national remit; has a Board whose members are appointed by Ministers or by the Queen on behalf of Ministers and which meets at least quarterly; employs their own staff, who are not civil servants; manage their own budgets.

⁹⁷ Tribunals are established by statute; responsible for tasks relating to specialist areas of the law; decide, independently of the Scottish Government, about rights and obligations of private citizens towards each other or public bodies; carry out judicial functions – but are separate from the court system; have both specialist and lay members.

'I am a Crofters Commission Assessor but feel that the Commission could be more active in implementing various legislation or regulations.'

3.10.5 The Commission's functions, powers and duties, as set out in the Crofters (Scotland) Act 1993 Sections 1 and 2, include reorganising, developing and regulating crofting, as well as promoting the interests of crofters. The Commission's duties include keeping crofting and related matters under review; collaboration with those involved in economic development or social improvement of the crofting counties; advising Ministers on any crofting matter which they refer to the Commission or on which the Commission 'may think fit to submit advice'.⁹⁸ The Commission is to have regard to local circumstances and conditions in carrying out their functions. In fulfilling these functions the Crofters Commission works through a network of assessors which it appoints to provide advice. In addition, many townships⁹⁹ have Grazings Committees that are elected by shareholders in common grazings who also advise the Crofters Commission. The Commission also receives services from the Scottish Government, that are provided within a Service Level Agreement.¹⁰⁰

Accountability

3.10.6 The centralised arrangements, as described above, together with the lack of clear functional boundaries between the key institutions, cloud the lines of accountability.¹⁰¹ The Crofters Commission has undergone a series of reviews over 10-15 years without clarity emerging. The Commission has statutory accountability for its quasi-judicial functions; it has financial accountability to the Scottish Government for its budgetary management, including its administration of schemes; staff of the Commission are accountable, through its Chief Executive, to the Scottish Government; Commissioners are accountable to Ministers who, of course, are accountable to the Scottish Parliament. Democratic accountability is weaker because lines of accountability are centrally focussed and lack clarity.

3.10.7 People told us at our public meetings and in their responses to our call for evidence, that the exercise of crofting governance is experienced as something over which people can have little influence and that there is no clear accountability for its impact. While most people in our public attitude survey identified the Crofters Commission as an organisation that should be involved in taking crofting forward, most of those who commented on the Crofters Commission to the Inquiry, were critical and wanted to see changes. Often the Crofters Commission was seen as out of touch with crofters and lacking in credibility. Key recurring issues in the evidence were that the Commission should be more democratically accountable; have greater area representation; should be made to enforce regulations more effectively; should be better aligned with other relevant partners; should have closer communication with local people and grazings committees.

⁹⁸ Crofters (Scotland) Act 1993 Section 2 (c).

⁹⁹ A group of crofts which share in one common grazings.

¹⁰⁰ The SLA defines the crofting support services undertaken by Scottish Government Rural Payments and Inspections Directorate on the Commission's behalf. The work is undertaken by professional and technical officers within the Scottish Government's Area Offices in crofting counties, and is monitored both within Scottish Government headquarters and by the Crofters Commission. The details of the present Service Level Agreement are currently under review. The work in the current SLA includes:

- Professional support and technical reports in connection with regulatory activities: Decrofting; Subdivision, including Sublet and Relet; Assignment; Succession; Apportionment; Crofter Forestry;
- CCAGS activities, involving: Applications for building works; Applications for non-building works; Inspected claims; Non-inspected claims; and
- Additional activities mentioned include inspections relating to the Crofters Cattle Quality Improvement scheme, the Croft House Grant scheme, and liaison at public or assessors meetings.

¹⁰¹ For example, budget is transferred from government to the Crofters Commission who then contract out specific services, such as the administration of CCAGS to the relevant government department.

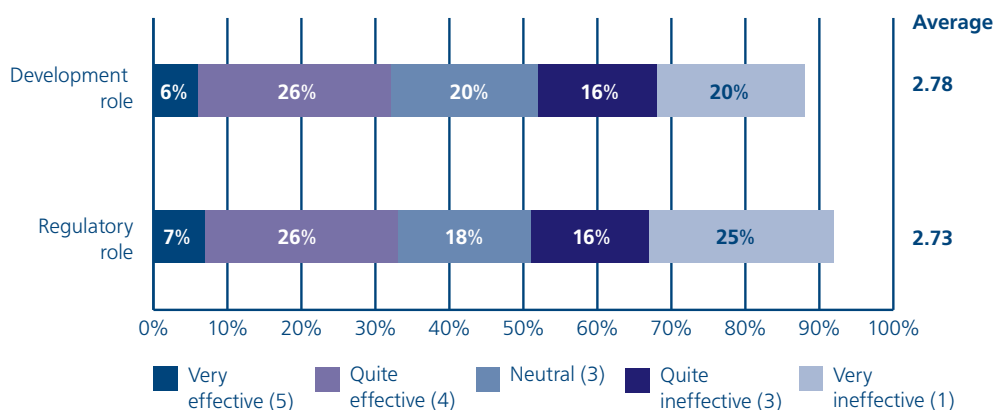
Effectiveness

3.10.8 We heard evidence from the Crofters Commission that in practice it devotes almost all its staff resources to detailed administration of complex regulations. The Register of Crofts, one of its core responsibilities since 1955, has never been complete or up to date and the Commission told us that it has neither the resources nor the powers to enforce people to provide the information needed to bring the register up to date.

3.10.9 We commissioned a review of what is known about the effectiveness of the Commission in implementing its regulatory role; and its developmental role.¹⁰² The review found that available internal government audits offered general reassurance about the Commission's processes and how it undertakes its various regulatory duties. However, the review found a lack of evidence about the practical impact and additional benefit of Commission activities amongst external stakeholders and communities. This is because although various input, output and process indicators are reported for both development and regulatory activities, no impact assessment appears to have been undertaken.¹⁰³

3.10.10 In our survey of rural development and crofting, 32% of crofters thought that the Commission is effective in its development role; whilst 36% of crofters thought that the Commission is ineffective in this role; and 33% thought it effective in its regulatory role, whilst 41% thought it ineffective.

Figure 3.7: Effectiveness of the Crofters Commission



Source: George Street Research, 2007

3.10.11 Crofters in Orkney, Shetland and Inverness, Badenoch and Strathspey were more likely to state that the Commission is effective (in both development and regulation), and those in Skye, Lochaber and Lochalsh, NW Highland and the Western Isles were more likely to state that the Commission is less effective. These regional opinions are generally reflected in differences in whether respondents wanted more or less regulation. More and stricter regulation was favoured by crofters from Skye, Lochalsh and Lochaber, and less and less strict regulation was favoured by Orkney and Shetland.

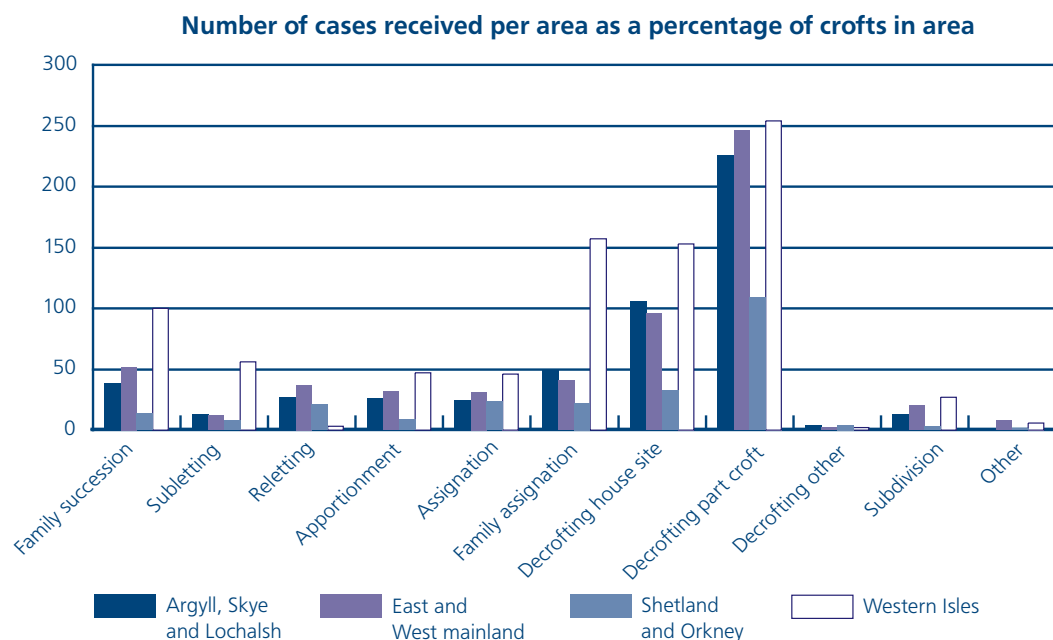
'Crofting was created by regulation, it has survived and developed by regulation and its very existence can only be perpetuated by regulation.'

¹⁰² Moxey, A., 2007.

¹⁰³ An Audit of the Commission's Sponsorship Branch within the Executive noted the prolonged and continued absence of a formal framework for gauging "economy, efficiency and effectiveness".

3.10.12 It is also of interest to observe the distribution of casework received by the Crofters Commission by type of case and area.

Figure 3.8: Case work received by the Crofters Commission (2007)




Source: Based on figures supplied by the Crofters Commission, March 2008.

3.10.13 Figure 3.8 shows higher levels of case work in Argyll, Skye and Lochalsh and the Western Isles, corresponding to the areas where the Crofters Commission is perceived to be less effective. It also shows the relatively high decrofting rates in Argyll, Skye and Lochalsh.

3.10.14 Grazings committees are important in managing common grazings, and some have been broader and more innovative in developing future strategy or engaging in agri-environmental schemes. However, not every area has common grazings, and further not every common grazing has a grazings committee. Our survey revealed 66% of crofters have grazings committees and 82% of these perceived their committee to be effective in its work. An important question is whether grazings committees more generally might be given broader powers and responsibilities, on the model of Crofting Community Development Scheme groups, to become local community development bodies working towards the sustainability of crofting communities in a broader and more inclusive sense. There is potential for their capacity to be developed to bring together the wider crofting community, such that crofting communities themselves could initiate and lead their own 'place-shaping'.¹⁰⁴

Through the Wester Ross Crofting Initiative, the Polbain and Dornie Grazings Committee have explored and prioritised project development opportunities which are both feasible and offer the greatest benefit to the community. Three initiatives have been agreed: peat track improvements and renovations; creation of a community coastal and woodland footpath linking into other existing paths; and croft woodland development.

¹⁰⁴ See footnote 93.



3.10.15 Effective governance of crofting requires a clear articulation between the functions that must be fulfilled and the institutional arrangements for carrying out those functions. The role of the institutions and the purpose of their involvement in crofting should be transparent, as should the lines and direction of accountability, and the nature and extent of any institutional independence. They must command local support, carrying local as well as national legitimacy. A better balance between central and local interests than at present is required to ensure that implementation of national policy reflects local circumstances – and is recognised as so doing.

3.10.16 In recent years a re-thinking of rural development in many countries has led to a widespread belief that for policies to meet diverse needs and circumstances there has to be local mobilisation of people, supported by government and its agencies.¹⁰⁵ Such an approach involves more participative governance with power and responsibility increasingly devolved towards individuals, communities and localities, while government adopts a more enabling and supportive role without abdicating its responsibilities. Our proposals below will suggest ways in which the governance of crofting can move in this direction.

3.11 Analysis

3.11.1 Empowerment of crofters and the fostering of innovation which will sustain crofting communities requires appropriate governance structures at all levels, devolving power to the most local suitable level while ensuring that other levels operate in ways which support local action and decision-making. In turn legitimate regional, national and supra national interests must be reflected in local decisions – for example, global climate change, national energy requirements and regional housing needs. In our survey there was strong support for decisions to be made more locally, with 46% saying regulatory decisions should be taken at local community level, 34% at local area level and 16% at local authority level. This is in line with current international thinking about ‘bottom-up’ rural development, and with our proposals for strengthening rural economies, above. A framework which devolves power towards communities, within an appropriate regulatory structure, would have the further merit of enabling policy implementation, regulation and enforcement to reflect variations in local circumstances – an important consideration across the very diverse circumstances and traditions of the crofting counties. The regulatory bodies will play a key role in safeguarding and sustaining crofting in their localities. It will be essential that they have knowledge of crofting, the confidence and ownership of crofters and that they have local accountability. While local authorities provide local accountability to some extent we do not believe that they bring this in relation to the localised communities involved, nor do they in general bring a knowledge of crofting or have the confidence or ownership of crofters in this regulatory role. Our view therefore is that there needs to be a realignment of the responsibility for crofting regulation founded on locally elected crofter representatives, alongside representatives of other legitimate interests.

‘Over the last 50 years successive governments have sought the assistance of all sorts of folk to solve the problem of crofting, from business leaders to academics. It is perhaps time for crofters themselves to take the lead on the decisions that affect them.’

‘A pre-requisite for sustainable development of crofting communities is the building up of community structures, skills and confidence so the crofters (and the wider community) can work constructively together on a shared agenda for the future.’

¹⁰⁵ OECD, 2008.

'In addition to its regulatory function, the Commission is also a development body. As it stands, these roles are incompatible.'

3.11.2 Another structural deficiency has been the tendency for the regulatory workload of the Crofters Commission to 'crowd out' its capacity for crofting development work, Whereas the Crofters Commission was foreseen by the Taylor Commission primarily as a powerful development agency to stimulate crofting, in practice almost all its staff resources are occupied in routine administration of the regulatory function. To ensure the necessary support is given to crofting development, the responsibility for crofting development should therefore be separated from the bodies which have responsibility for regulation, while ensuring that the exercise of the regulatory functions supports crofting development. This too will require a realignment of those functions currently discharged by the Crofters Commission. To achieve these two structural changes – ie. more localised and accountable regulation, and separation of regulation from development responsibilities – we therefore propose the following governance structure for crofting.

3.11.3 The Crofters Commission's current responsibility for regulation would be discharged in future by a new body – the *Federation of Crofting Boards*. This would be a single organisation comprising 7-10 elected *Local Crofting Boards* and a central executive supplying staffing support, finance and other central services. These staff would be dispersed in their location. The elected Boards would translate national crofting regulations into rules applying to the local areas they cover, within the parameters of the national regulations. The central body would be headed by a Chief Executive who would be the accounting officer and responsible for advising Local Crofting Boards on the parameters of national regulations. Decisions of Local Crofting Boards could be appealed to the Scottish Land Court. Consideration should be given to the setting up, within the Federation body, a non statutory appeals mechanism for resolving disputes before being taken to the Scottish Land Court.


3.11.4 Each Local Crofting Board would be responsible for regulating crofting within their area in the interests of sustainable crofting communities and the public benefits for Scotland of sustainable rural development in remote and fragile areas, embracing economic, social, cultural and environmental dimensions of sustainability. Training and support would be available to Board members to build their capacity.

3.11.5 The Federation of Crofting Boards would have a statutory right of consultation on primary or secondary legislation on crofting proposed by the Scottish Government. It would also have the right to offer advice on other matters affecting crofting. All such advice (on proposals for legislative change or other matters affecting crofting) would be published. The Federation of Crofting Boards would develop its own internal arrangements for agreeing single unified advice taking account of the views of the Local Crofting Boards.

3.11.6 The aim of these arrangements is to provide greater local flexibility and accountability in the regulatory function – as permitted within the national regulations – so that local circumstances can be taken into account. This brings greater local power and accountability, a concept which accords fully with the findings of the recent OECD Report¹⁰⁶ which highlighted the need for strong local participation.

'the current structure essentially leaves the Crofters Commission in Inverness as a 'back office' of SEERAD, primarily engaged in administrative and legal processing, while the higher level functions of policy making and answering Parliamentary Questions, for example, are retained at Pentland House.'
(Stakeholder meeting)

¹⁰⁶ OECD, 2008.



3.11.7 Each Local Crofting Board will comprise a majority of elected crofters along with appointed representatives by Scottish Ministers – chosen from nominations from local authorities and other bodies (representative of crofters and landowners). Hence a seven strong Board would have four crofters and three from nominations from the other representative bodies. Board members would receive a daily allowance and expenses. The Scottish Government should continue to finance the regulation of crofting, as at present.

3.11.8 Elections for the Local Crofting Board members would be by postal ballot every four years. Those eligible to vote would be crofters in the relevant area together with all members of croft households of voting age. The register of electors would be based upon the Register of Crofts with the names of members of croft households, other than the crofter, coming from statutory postal returns in advance of elections. Some checking of these registers with the electoral registers held by local authorities would be in order.

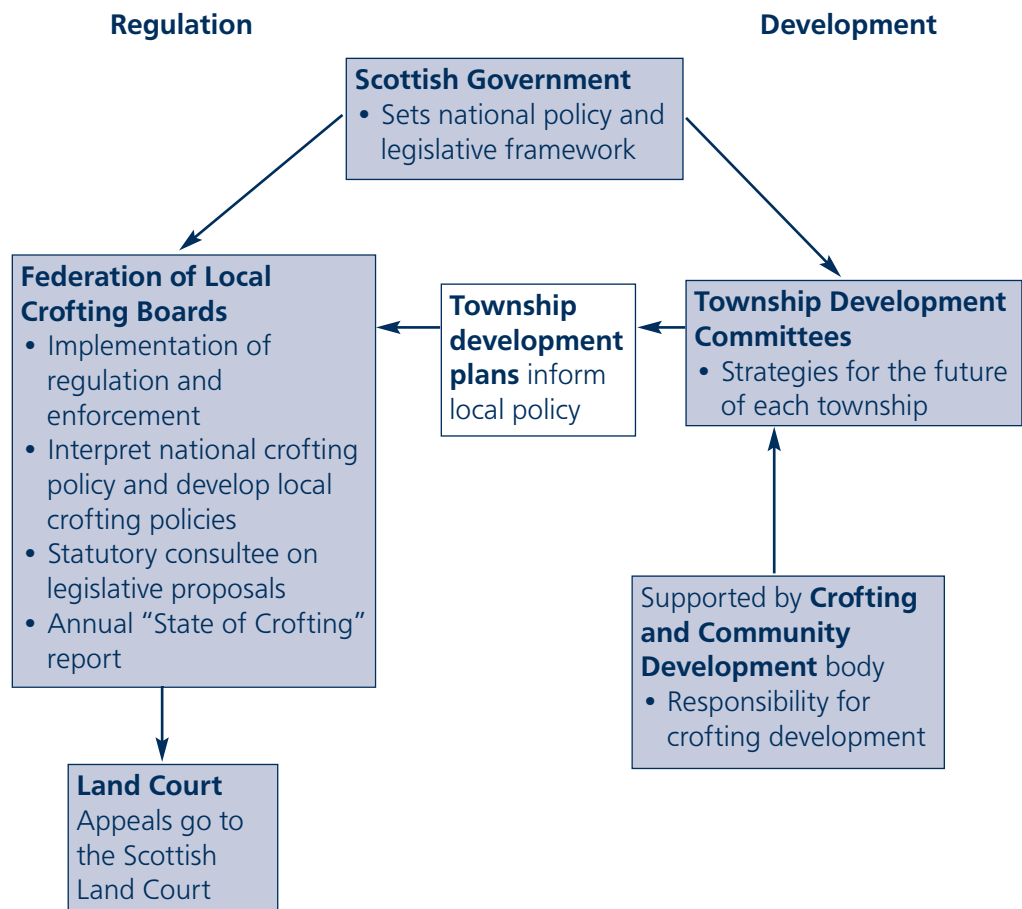
3.11.9 The elections would be run either by the Federation of Crofting Boards or by the Local Authorities.


3.11.10 Turning to the question of implementing the crofting specific grant schemes – the Crofting Counties Agricultural Grants Scheme and the proposed new Crofter Housing Grants Scheme – our view is that the Scottish Government should continue to retain responsibility for these schemes, and specifically that implementation should not be given to the proposed new Federation of Crofting Boards.

3.11.11 The responsibility for development of crofting should be given to an organisation focused on development so that developing both agricultural and non-agricultural crofting can be given the priority required for it to contribute successfully to rural development. The model of working developed by HIE's Community Land Unit has a record of success in building the capacity of communities to develop and pursue their own vision. Combining the development of crofting with the 'Strengthening Communities' division of HIE – which includes the Community Land Unit – would create a powerful new *Crofting and Community Development* body, unencumbered by regulatory burdens and able to devote its full energies to crofting development and the promotion of the economies of the remoter areas of the Highlands and Islands. In order to ensure the integration of this community development work with business support, this would sit best within HIE, subject to current restructuring, and HIE should be directed to prioritise the development of crofting communities in the exercise of its powers, through its proposed "Growth At The Edge" programme. The new *Crofting and Community Development* body will work closely with local authorities, LEADER groups, crofting township committees (see below), the Scottish Crofting Foundation (SCF), the National Farmers Union for Scotland (NFUS) and Local Crofting Boards. An appropriate portion of the current Crofters Commission's resource would be allocated to the Crofting and Community Development body to support this work, leaving the remainder to help fund the Local Crofting Boards. It is essential that this is additional to HIE's own resources, and not used to mask cuts in the resources allocated to HIE's normal business.

3.11.12 At community level, common grazings committees will be modernised to become Crofting Township Development Committees with a broader remit and more inclusive membership. They will be elected at public meetings by all adult members of all households in that township. The representatives they elect do not have to be crofters, although crofters must be in the majority on the Committees. Grazings Shareholders will continue to decide on common grazing management and manage relevant budgets, as at present. The primary function of Crofting Township Development Committees will be to develop and agree strategic plans for local crofting development, with the support of the new Crofting and Community Development body, ideally under HIE’s ‘Growth at the Edge’ programme. These strategies for each crofting community will guide Local Crofting Boards and local authorities in their regulation of crofting and land use, and will inform wider policies for crofting and crofting communities. Small grants should be available from HIE’s community grants scheme to facilitate the process of preparing local Crofting Development Plans, but the main support will be offered by staff employed under the Growth at the Edge programme to assist communities build their capacity to mobilise and work collectively for the benefit of the community. The fact that Local Crofting Boards will have to take account of Crofting Development Plans prepared at community level will be a powerful incentive for crofting communities to mobilise and work collectively, and at the same time this will build their capacity to work effectively to build a strong future for crofting communities across the Highlands and Islands.

Figure 3.9: Governance





3.11.13 Finally, it is important that those responsible for the regulation and development of crofting should keep the Scottish Parliament informed about crofting issues, trends affecting crofting communities and the contribution of crofting to sustainable rural development in Scotland. To achieve this, an annual “State of Crofting” Report should be submitted to the Scottish Parliament by the Federation of Crofting Boards, having consulted with the Crofting and Community Development body.

3.12 Recommendations

3.12.1 We recommend a separation in the functions of (1) crofting regulation and enforcement, (2) crofting development and (3) the maintenance of the crofting register. Greater local accountability and ownership is also required in the implementation of the regulation and enforcement function.

3.12.2 The Crofters Commission would therefore be wound up. We recommend that the regulation and enforcement function should be discharged in future by a new *Federation of Crofting Boards*, a single organisation consisting of 7-10 elected Local Crofting Boards, and an executive supplying staffing support, finance and other central services to these Boards.

3.12.3 Responsibility for development of crofting should be given to a powerful *Crofting and Community Development* body, ideally within HIE.

3.12.4 Responsibility for the Register of Crofts should be taken over by Registers of Scotland – following a consultancy exercise to assess the current accuracy of the Register, the specification required to maintain appropriate regulatory action in the future and a transition plan to bring the Register up to that specification.

3.12.5 At community level, grazings committees should be modernised to become *Crofting Township Development Committees* with a broader remit and more inclusive membership. Their primary function will be to develop and agree strategic plans for local crofting development, with the support of the new Crofting and Community Development body.

3.12.6 An annual “State of Crofting” Report should be submitted to the Scottish Parliament by the Federation of Crofting Boards, having consulted with the Crofting and Community Development body.

3.13 Crofting Regulation and Enforcement

3.13.1 People want a system that is sensitive to locality and can both be understood and enforced. It was apparent from the evidence submitted to us, and from all the public meetings, that the regulations surrounding crofting are far too complex to be generally understood or rigorously applied. There was considerable debate as to the reasons why regulatory powers, for example over neglect and absenteeism, were not applied or enforced: but whether the powers are insufficient or are simply not being used, the important point is that people felt the right balance was not being struck between individual gain and the wider crofting interest. A clear message emerging from our evidence is that crofters want simpler regulation although views about the need for greater strictness varied across areas, with Orkney and Shetland respondents to our public attitude survey wanting crofting regulation to be less strict and respondents from Skye, Lochalsh, Lochaber and Tiree favouring stricter crofting regulation. The elements which crofters wish to see regulated more effectively include: that crofts should be worked; that crofters should be resident; and that sales, assignations and decrofting applications should be regulated in the wider crofting interest.

‘Because of the abuse of current crofting legislation ‘loopholes’, land speculators are destroying crofting ethos.’

3.13.2 Historically, it was only a court decision in 1917 which permitted non-residents to enjoy crofting status, and it was only with the 1955 Act that crofters gained the power to assign their tenancies, subject to the approval of the newly established Crofters Commission which has to ensure that any non-family assignation is in the wider crofting interest. The 1955 Act was therefore the origin of the 'market' in crofts, with cash payments soon appearing. The 1976 Act took this a stage further, by giving crofters the right to buy their crofts and introducing decrofting possibilities. If these changes are now seen to be threatening the future of crofting, a central question for us is whether these rights (to assign, to decroft, to buy the landlord's interest) have worked to the detriment of crofting and the wider community as a market has developed in crofts and croft land.

3.13.3 As mentioned earlier, crofters are not solely affected by crofting regulation but also by the complex regulation associated with agriculture and environmental protection. Effective regulation requires the benefits of the regulation to be understood and accepted by most people as that secures the willingness of most to comply. It requires firm and prompt enforcement for those situations where compliance is an issue. The purpose of the regulation should be explicit – both when information is being provided and when the regulation is being enforced. A clearly explained purpose to the regulation, coupled with a statement of the value of crofting should help to anchor the benefits of compliance within communities and temper those occasions when individual preferences must give way to crofting requirements. Support mechanisms for compliance should be developed to complement the penalties for non-compliance which must also be clear.

3.13.4 We received a consistent message about the need for better regulation of both neglect and absenteeism from our survey, public meetings and responses to our call for evidence. In our survey of rural development and crofting we found that the most popular area for greater regulation was absenteeism. Some respondents (just under 20%) felt that absentee crofters should not be defined as crofters. Nine out of every ten responses to our call for evidence addressed absenteeism. No single accepted way to address this issue emerged, though people were clear – absenteeism should be handled sensitively, with local and individual circumstances being taken into account. Subletting was mentioned as a possible solution as was additional housing to allow people to move off crofts but remain in the area. People thought that sometimes there are legitimate reasons for crofters having to be away from their croft. Support, combined with the better enforcement of regulation, was what people wanted. Our proposal for the provision of apprentice accommodation (section 3.8.3) might also help reduce the problem of absenteeism.

The township of Wester and Easter Achnateird, Parish of Glenshiel, has a permanent population of 19 and 70 percent of the houses are holiday homes. There is no apparent crofting activity in the area and there is a strong demand for crofts from people living locally, including young people seeking to establish homes and work the land. The status of croft occupancy can be summarized as follows: 4 crofts have tenants or owners living in the township, 4 have tenants living locally, 6 have absentee tenants and 4 have absentee owners 3 of whom are deceased.

Source: Submission to the Inquiry, June 2007

'although it (The Crofters Commission) has done so (dealt with absenteeism) with discretion in the past few years, the time is now right to be more rigorous in dealing with absenteeism'

3.13.5 In some areas absenteeism was less an issue than was neglect. Crofts can sometimes be neglected if the crofter lacks interest, or is no longer able to look after the croft, because of illness or advancing years.

3.13.6 Sales of crofts and croft tenancies was the second most popular area for greater regulation identified in our survey with two-thirds of crofters feeling that there should be restrictions on sales or transfers of crofts. Most people were concerned about the affordability of housing in crofting areas. 46% of respondents to our survey thought that the price of crofts should be restricted to the value of improvements. Across our survey, public meetings and our call for evidence, most thought that crofters should not be able to sell or assign their crofts to the highest bidder. Orkney and Shetland respondents to our survey were more likely to disagree with the need for greater controls and those in Tiree, the Western Isles and North West Highland to agree to the need for more controls. Some felt that the right to sell to the highest bidder could not be removed but they did have reservations and felt that the right to sell should be regulated. There was general concern about decrofting for multiple house sites, the associated problem that crofts sell for development value and the subsequent impact of this on the community.

3.13.7 Most at the public meetings felt that multiple holdings and subdivision had a purpose to serve, but should not be used indiscriminately. People considered that decisions on subdivisions and multiple holdings should be based on agricultural and social criteria, a planned approach, and taken locally. Multiple holdings were said to increase croft viability but can restrict new entrants. It was felt that subdivision can be advantageous for families and can sometimes be the only way that young crofters can gain access to a croft, but it can lead to crofts being too small.

3.14 Analysis

3.14.1 We take the view that no change should be made to those rights given to individual crofters in the 1886 Act, namely security of tenure,¹⁰⁷ succession, fair rents and the value of their improvements, since these are fundamental to crofting. However, we propose that these rights should only be enjoyed by those resident on or near their croft and using the land actively or beneficially. We do not propose any change in the definition of residency (Section 22 of the Crofters (Scotland) Act 1993). Our proposals seek to ensure that all crofts will be occupied by an active, resident crofter.

3.14.2 The high residential (non crofting) demand for crofts and widespread complaints about neglect in many areas reflects a perception that these conditions of residing on the croft and working the land are not being enforced, and that the croft can readily be bought and the house and garden ground decrofted, so taking it beyond the reach of regulation and enforcement. It is this perception, and the practical reality of it, that must be changed if crofting communities are to be sustained and crofts made affordable to those who wish to work them. To achieve this we propose a series of measures.

'crofting is a system of land tenancy, not a means of a few individuals making a small fortune on land speculation on the back of their neighbours' Torcuil Crichton (2005) *Crofting People and Politics*, p. 61.

'individual accumulation is once again threatening the crofting community and it is to that issue that your committee must devote its efforts.'

¹⁰⁷ Note that the right to security of tenure, conveyed to crofters in 1886, was not absolute but was conditional upon residence and good husbandry of the land.

'consideration should be given to a ban on assignments to family members if the family member will be an absentee.'

3.14.3 First, all croft houses¹⁰⁸ will be tied to occupancy (ie. residency) through a real burden, which would be deemed to be included in the conveyancing when next assigned or purchased. This would run with the land in perpetuity. Decrofting the house site or purchasing the landlord's interest in future will not extinguish this burden. Crofters may apply to the Local Crofting Board to have the burden (ie the residency requirement) removed; the Crofting Board would set out rules on this reflecting the wider public interest as defined in section 1.3 of this report and as reflected in further legislation.¹⁰⁹ The burden, where not removed, must be rigorously enforced by the Local Crofting Board. Any new houses, whether or not decrofted, would have a similar burden imposed, and reflected in the planning consent enforced by the local authority. A second house with a burden of occupancy would be permitted on a croft. If there is a habitable house on a subsidiary croft it should also have an occupancy burden.

'If croft land is not available for those with a crofting interest then they usually move away and are lost to the community'

3.14.4 Second, subject to the landlord's interest, a crofter wishing to assign or transfer the croft, or forced to do so through failing to fulfil the residency condition, will have three options:

- the assignation or transfer of crofts will be permitted within families provided they satisfy the size/number criteria for occupying crofts set out from time to time for that area by the Local Crofting Board.

For non-family assignation or transfer the crofter has two choices:

- if there is a croft house or, a decrofted but burdened house with the croft,¹¹⁰ the unit can be transferred freely (subject to an enhanced burden¹¹¹ that would tie the new owner not only to occupancy but also to working the land);¹¹² or
- alternatively, the house can be detached from the croft, subject to the provisions at section 3.14.6 below, and retained or sold at open market value, but with the residency burden retained. In this event the assignation/sale of the bare land croft will be subject to rules set by the Local Crofting Board – again reflecting the public interest, which might mean assigning to a tenant selected by the Board, for example a new entrant.¹¹³ The price of the bare land croft will be set by the District Valuer as the open market value subject to requirements of residency and actively/beneficially working the land (ie. the enhanced burden).

3.14.5 Third, crofters (tenants and owner occupiers) who do not fulfil their obligations of residency and working the land (and who do not remedy this deficiency by a nominated deadline) will be required to assign or let their croft to a new tenant selected by the Local Crofting Board as described in the previous paragraph. However, no crofter would have their home taken from them; the Local Crofting Boards would establish rules in such situations – consistent with the public interest.

108 To include all existing houses covered by crofting legislation, but to exclude all housing where decisions have already been taken to remove them from crofting legislation prior to the proposed legislation in this Report.

109 The rules which the Local Crofting Board would follow will be determined by the Crofting Development Plan for the area and would take account of the public interest as inscribed in the legislation.

110 Or if the croft has no house.

111 The term "enhanced burden" in this report refers to both the residency requirement and using the land actively or beneficially; the basis of definition of these terms is covered in section 3.14.9.

112 Similarly, see section 3.14.9 below for an explanation of "working the land".

113 Similarly, the transfer of vacant crofts can be directed by the Local Crofting Board.



3.14.6 Fourth, no crofter will enjoy an absolute right to decroft their house and garden, but will require consent from the Local Crofting Board. Decrofting of house sites, in general, will be conditional upon a real burden being attached, as set out above. Again, the Board will consider the wider public interest in reaching its decision on decrofting applications, with particular regard to the Crofting Township Development Committee’s published strategy for the area.

3.14.7 Different areas have different views and different traditions concerning the owner-occupation of crofts. It is appropriate that each Local Crofting Board should have the power to suspend (or not) the tenant’s Right to Buy.

3.14.8 The emphasis given to new entrants and young people in the evidence requires that Local Crofting Boards should be able to determine whether land should be released from inactive crofters for new crofters to enter crofting, with a reasonable length of tenancy, or to enlarge the holdings of existing crofters. For this reason, no informal sub-lets will be permitted. Instead all sub-lets and tenancies will require the consent of the Local Crofting Board. Furthermore each Board should have the power to place a limit on the number of crofts or the amount of land which can be held or worked by any one crofter.¹¹⁴ The Boards’ policies on each of these matters should reflect the content of local Crofting Development Plans,¹¹⁵ where these exist, and this provides a strong incentive for crofters to mobilise and work collectively at township level through Crofting Township Development Committees.

‘The danger with the sub-letting approach is that we will end up with an ‘underclass’ of crofters who have less rights than existing crofters.’

3.14.9 As indicated at section 3.14.1, we propose no change to the definition of residency. However, the term active/beneficial use as reflected in the “enhanced burden” will have a wider meaning than the existing requirement that a crofter shall make purposeful use of the croft. We propose that it means undertaking a wide range of appropriate economic activity as defined in rules set by the Local Crofting Boards reflecting again the public interest as set out in the legislation and reflected in the local Crofting Development Plans.

‘Crofting is a model of communal living and land stewardship now at risk of possible destruction by ‘market forces’ acting in croft sales’

3.14.10 Any restriction on the right to buy will be left to Local Crofting Boards. Owner-occupiers should no longer be treated as landlords of vacant crofts. Owner occupiers and croft tenants should all be dealt with simply as crofters in all aspects of crofting.

3.14.11 A Local Crofting Board must publish a written Statement of Reasons for reaching its final decision on any matter, and its decisions may be the subject of appeal to the Scottish Land Court on a question of law (i.e. if the Board erred in law; based its decision on any incorrect material fact; acted contrary to natural justice or in breach of its procedures, or exercised its discretion unreasonably.) Prior to the Scottish Land Court stage these decisions should be capable of referral to the non-statutory appeals mechanism that we recommend the Federation of Local Crofting Boards sets up.

¹¹⁴ Existing multiple holdings would be unaffected until transfer.

¹¹⁵ So, for example, crofters in Tiree might agree a local Crofting Development Plan which stated there should be no limit on the number of crofts or area of land any one person might hold, and the Argyll Local Crofting Board’s regulation of crofting in Tiree would have to reflect this strategy.

3.14.12 Regulation will be more effective where there is good local understanding and commitment to what the regulation of crofting is intended to achieve. Thus, while Local Crofting Boards are responsible for the enforcement of regulation, the work of township development bodies, and training and information provided by HIE have a role in supporting this. In making decisions about enforcing regulation the Local Crofting Boards will use information from a range of sources including Township Development Committees' monitoring of crofting plan implementation and their annual reports on occupancy and use of crofts. It is anticipated that this approach will reduce, but not remove, the need for enforcement penalties.


3.14.13 An accurate and current legal register of crofts which indicates the interests in, and boundaries of, a property holding (including ancillary rights such as common grazings) is a prerequisite for the effective regulation of crofting. The Local Crofting Boards within the Federation of Crofting Boards (the Scottish Crofting Regulator) will be responsible for approving changes that affect a crofting interest; but responsibility for the registration of crofting interests and subsequent changes to those interests should be a responsibility of a separate body with the necessary expertise and experience to maintain such a register. Our recommendation is that the Keeper of the Registers of Scotland ("the Keeper") should take on this function since he already carries out similar functions in respect of the maintenance and administration of Scotland's two property registers, being the General Register of Sasines and the Land Register as well as 13 other registers, including the Register of Community Interests in Land. This will also provide the opportunity for developing a much closer interface between the Land Register and the Register of Crofts.

3.14.14 On any transfer it should be obligatory to provide a map or approved plan which has been prepared using an approved mechanism for plotting boundaries, that would have to be served on neighbours. Boundaries of crofts which in practice have been accepted for 20 years, or more, will not be challengeable, so simplifying this task and avoiding injustice. Where there is a need to establish boundaries there must be good dispute resolution arrangements together with clear minutes of agreement. The Federation of Crofting Boards should be responsible for dispute resolution arrangements, which should be set up in discussion with the Keeper and the Scottish Land Court.

3.14.15 Legislation will be required to enable the Keeper to maintain a Register of Crofts and to define his responsibilities in respect of the register. The focus of the Register of Crofts will be accurately to reflect, with reference to an appropriate map-base, the rights that have been conferred under crofting legislation. It will not be concerned with changes in ownership of the land, as opposed to the croft, as that is the role of the Land Register and to a gradually declining extent the General Register of Sasines. We consider that the Register of Crofts should be available for public inspection. To facilitate inspection the Register should be compiled and formatted to enable enquirers to conduct targeted searches to find relevant entries. Transferring responsibility for maintaining the crofting register from the Crofters Commission to the Keeper will require transitional arrangements. We propose that a consultancy exercise be carried out to undertake the following:

- (i) an assessment of the completeness and accuracy of the existing crofting register, and where there is inaccuracy or uncertainty an assessment of how this can be remedied or dealt with;
- (ii) the production of a specification for the type of information to be transferred to the Keeper (including map-based information, updating arrangements, etc.);

'A publicly accessible computerised register of crofts, including a digitised map, is of paramount importance. Given that drawing up such a register was one of the founding requirements of the Commission more than fifty years ago, no cost should accrue to crofters.'

- 
- (iii) consideration of the technical and administrative requirements to enable the transfer to the Keeper; and
 - (iv) the production of a timetable, work programme and cost estimates for moving from (i) to (iii).

This study would be commissioned by the Federation of Crofting Boards, which would assume responsibility for updating the Register in the interim. The work would be carried out in close consultation with the Keeper and to the standards he would require to enable him to take over the Register.

3.14.16 Work to implement the results of the consultancy exercise would be carried out, again by the Federation of Crofting Boards in conjunction with the Keeper, to establish the required Register. Responsibility for maintaining the updated Register would then pass to the Keeper. Our proposal is that the cost of the consultancy, the updating exercise and the costs of establishing the new Register would be borne by the Scottish Government with the subsequent maintenance and administration costs incurred by the Keeper being met, on a cost recovery basis, from charges for the service. No detailed figures are available but we understand that the cost of the updating could be of the order of £2-3m with a consultancy fee on top. The cost of updating the Register in terms of individual transactions would be based on cost recovery principles and would be met by the party applying for registration. We do not anticipate that this fee will be prohibitive.

3.14.17 The intention is that the Keeper will maintain and administer a Register that accurately reflects the rights of the crofter named therein. To achieve this we recommend legislation should make it mandatory for the Federation of Crofting Boards (or the landowner or crofter) to intimate to the Keeper details of transactions that effect a change to the Register. The legislation would make provision for the specification of the information the Keeper would require in this regard. Any landowner or crofter who failed to supply the Keeper with the required information would prejudice their entitlement to a share of any development value and could have their crofting tenancy rights challenged.

3.14.18 To facilitate crofters' ability to obtain loan finance without the necessity of decrofting, we recommend an amendment to the Registration of Leases (Scotland) Act 1857 to make a crofting lease registrable and hence eligible for standard securities.

3.14.19 There are many small land holdings which are similar to crofts but are not crofts for one reason or another. Given the evidence we have gathered of the contribution of crofting to sustainable rural development, we now propose that all holdings similar to crofts within defined crofting parishes should, if their owners or tenants wish, become subject to crofting regulation.

3.14.20 Finally, we recommend that Government should consider back-dating the application of the real burden to all assignments and purchases with effect from May 2008.

'Without urgent action the crofting system will have collapsed beyond all repair within 20 years.'

3.15 Recommendations

3.15.1 We believe new legislation is needed to replace, simplify and clarify the accumulated laws which set the framework for crofting today.

3.15.2 No change should be made to those rights given to individual crofters in the 1886 Act, namely security of tenure, succession, fair rents and the value of their improvements. However these rights should only be enjoyed by those resident on or near their croft and using the land beneficially.

3.15.3 We recommend that all croft houses be tied to residency through a real burden, which would be deemed to be included in the conveyancing when next assigned or purchased. This would run with the land in perpetuity. Decrofting the house site or purchasing the landlord's interest will not extinguish this burden. Crofters may apply to the Local Crofting Board to have the burden removed subject to the provisions in section 3.14.3.

3.15.4 A crofter wishing to assign or transfer their croft, or forced to do so through failing to fulfil the residency burden or enhanced burden should be given three options as set out in section 3.14.4.

3.15.5 Owner-occupiers and tenants should be treated alike, simply as crofters, in all aspects of crofting. Each Local Crofting Board should have the power to suspend (or not) the 1976 Act's Crofting Reform (Scotland) right to buy.

3.15.6 All sub-lets and tenancies should require the consent of the Local Crofting Board, who should also be given the power to place a limit on the number of crofts or the amount of land which can be held or worked by any one crofter. The Boards' policies on these matters should reflect the content of local Crofting Development Plans, where these exist.

3.15.7 Responsibility for the croft register would be taken over by the Registers of Scotland – following a consultancy exercise to assess the accuracy of the current register, the specification required to maintain appropriate regulatory action in the future and a transition plan to bring the register up to that specification.

3.15.8 Boundaries of crofts which in practice have been accepted for twenty years, or more, will not be challengeable.

3.15.9 The Registration of Leases (Scotland) Act 1857 should be amended to make a crofting lease registrable and hence eligible for standard securities.

3.15.10 All holdings similar to crofts within defined crofting parishes should, if their owners or tenants wish, become subject to crofting regulation.

3.15.11 Government should consider back-dating the introduction of the real burden on all assignments and purchases made after May 12th 2008, as to question any rush to avoid the provisions of the legislation.



3.16 Young People and New Entrants

Key issues

3.16.1 Our survey provided strong evidence that the need to assist new entrants and the succession of younger crofters are the top priorities of crofters today. People saw this as the priority for thriving crofting communities, and measures to assist new entrants were emphasised in the allocation of future funding. Since 1991, there have been 761 people registered on the New Entrants demand list for crofts and of these 346 have obtained crofts.¹¹⁶ We also heard of many more who were seeking crofts or who wished to work a croft if any should become available in the locality. This demand for crofts should be helpful to the sustainability of crofting communities, helping to increase population, bringing in new ideas and youthful energy, and a commitment to manage the land well. It is also apparent that attracting population itself contributes to the prosperity of rural economies. Yet there appear to be few mechanisms through which potential croft entrants can find a croft: the croft entrant scheme makes no attempt to marry demand with supply, for example. Anyone who does obtain a croft then has a number of other obstacles to negotiate, including a lack of SFP entitlement or access to LFASS, and a lack of affordable housing. We have made a number of suggestions which would address these issues throughout this Report.

'To protect the integrity of the crofting system, the retention of our young people is vitally important. At the moment many young people are being priced out of the housing market because of the free market in crofts and croft tenancies.'

3.17 Analysis

3.17.1 First, we have proposed a number of measures which will address the supply and price of crofts. Under the current legislation it is envisaged that some new crofts will be created, including forest crofts. Our proposals to require that all crofters reside on the croft and actively work the land, enforced rigorously, should make many more crofts available for new entrants at realistic prices. So should our proposals for Local Crofting Boards to adopt policies on whether people may occupy more than a given number of crofts – weighing whether in their area more new entrants or more multiple holdings is in the wider crofting interest. And giving Local Crofting Boards the power to direct to whom some crofts should be assigned, taking into account applications on the Croft Entrant Register, will help to match up demand from those eager and willing to work crofts with the supply of crofts. Taken together these measures should make many more crofts available at more affordable prices.

3.17.2 Second, we have set out proposals to stimulate the broader economies of crofting communities in the knowledge that non-agricultural sources of income and rewarding employment or self-employment are vital to the prosperity and sustainability of crofting communities. Young people will only stay in crofting if they can make a reasonable living.

3.17.3 Third, we have made a number of suggestions regarding housing, both on and off the croft. A new means-tested scheme, as proposed in section 3.8.2, offering crofters grant and loan sufficient to build or improve a house without decrofting, will be a substantial help to new entrants, as will be the proposed change to the Registration of Leases (Scotland) Act 1857 which will make it easier to borrow from banks.

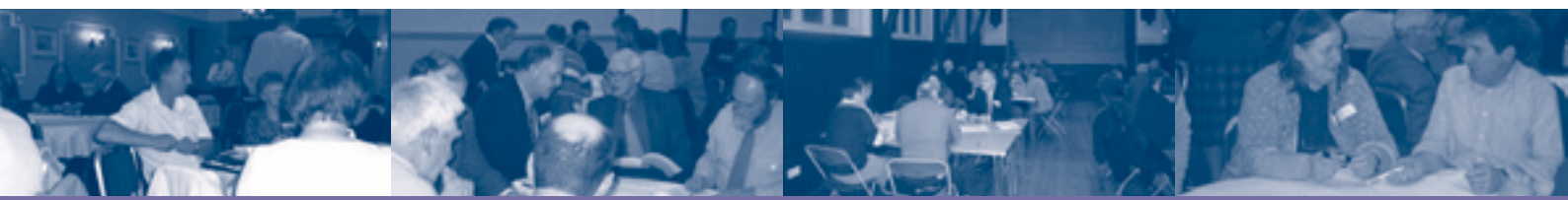
¹¹⁶ Crofters Commission HICES demand list. It should be noted that the list is not 'live' in that some of those on the list may not be still interested in acquiring a croft.

3.17.4 Finally, we have emphasised the need for the SRDP to support crofting agriculture more effectively, and to enable new entrants to benefit from agricultural support, whether LFASS or SFP.

3.17.5 The urgency of assisting new entrants (of whatever age) and the succession of younger crofters has been a principal theme both in the evidence we have received and of this Report. The recommendations we have made in earlier sections, summarised above, would work concertedly to create opportunities for younger, more active crofters to take their place alongside committed and active crofters from older generations.



PART FOUR



4.1 Economic Impact of Our Proposals

4.1.1 The ideas and recommendations presented in this Report reflect a mix of inter-related issues, including social equity, community dynamism and the maintenance of cultural and environmental public goods. An economic analysis of these issues and the effects of the recommendations is included on the Inquiry's website. A summary of the four broad categories of analysis/recommendation with economic impact is set out in the paragraphs below.

Public finances


4.1.2 Table 4.1 summarises the estimated additional costs of the recommendations – both one-off set up costs and ongoing annual costs:

Table 4.1: Additional public costs of our proposals

£m	Initial One-Off Cost	Ongoing Annual Cost
Land and Environment¹	0	0
Strong Rural Economies²	0	0
Population		
– enhanced Croft House Grant and Loan Scheme ³	01	
– affordable housing for non-crofters ⁴	0	0
Governance For Crofting⁵		
– elections for Local Crofting Boards ⁶	0.20.03	
– payments for Local Crofting Board Members ⁷	00.105	
– cost of non-statutory appeals mechanism (section 3.11.3.) ⁸	0	0.1
Crofting Regulation and Enforcement		
– transfer of croft register ⁹	3	0
Totals	3.2	1.235

Notes to Table 4.1

- 1 We do not envisage any increase in crofting expenditure. Rather the effect of the recommendations, if adopted, would be some redistribution of expenditure.
- 2 The recommendations here are directed at focus of activity rather than new funding.
- 3 The upper limit of expenditure under the enhanced scheme would be £6m per year (ie 200 at £30,000). But we expect that not all applicants would be eligible for the maximum grant. Our assumption is that the average grant will be £20,000 giving a total annual spend of £4.0m. This is £0.4m above the budget of £3.6m or £1.4m above the revised budget of £2.6m. (see section 3.8.1). The loan element of the enhanced scheme we assume will not add to public expenditure – over time. Given uncertainties about uptake and effect of means-testing we have assumed a figure of £1m for the additional expenditure.
- 4 The recommendations on non-crofter housing in themselves relate to focus and practice – with no changes to expenditure.
- 5 We expect that the separation of functions of the Crofters Commission and allocations to different bodies will not add to costs.
- 6 The estimated set up cost of £0.2m for the first year of operation. Thereafter a cost of 50,000 voters at £2.5 per voter every fourth year. (ongoing figure annualised.)
- 7 Cost of 7-10 Local Boards (say 7 Board members per Board) at a daily rate of £150 per Board Member assuming 6 meetings of two days each per year. Taken as £105,000 on average.
- 8 The £0.1m is the (assumed) cost of a small secretariat to run the non-statutory appeals mechanism.
- 9 Cost of the change (section 3.14.15) from existing croft register to updated register maintained subsequently by Registers of Scotland. Fees would cover on-going cost of maintaining croft register.



The recommendations are estimated to lead to modest one-year set-up costs of some £3.2m with ongoing annual costs of £1.235m. These costs follow largely from two of the recommendations. By far the biggest element of the one-off cost is in the transfer of the Register of Crofts to the Registers of Scotland - some £3m, which could be spread over several years. This is an uncertain cost since it is not clear exactly how much updating will be required to bring the register up to the specification required by Registers of Scotland. The biggest element of the ongoing costs is the enhanced Crofter Housing Grants and Loans Scheme (estimated at £1m) per year. To a large extent the scale of this cost will be determined by the provisions of the enhanced scheme. None of these cost estimates include potential offsetting savings – for example, Crofters Commission’s current costs; any difference in costs between the Crofters Commission’s current operation in Inverness and the operation of the new Federation of Crofting Boards; and the proceeds from sale of the stud farm.

Public goods

4.1.3 The gradual demise of traditional land management practices in remote rural Scotland has diminished the supply of associated cultural and environmental public goods. Decoupled support payments by themselves will not ensure the continuation of particular land management practices, although enforcement of a requirement for “working the land” may retain some public good provision on crofts. However, given the need to observe EU (and WTO) constraints on recoupling, the recommendation for increasing ease of access to, and funding of, Pillar II measures for crofters probably offers a more transparent and workable method of targeting particular public goods.

Croft housing and land values

4.1.4 It is generally acknowledged that lack of affordable housing is an issue in remote rural areas. The proposed enforcement of tighter occupancy and assignment rules will ease this situation in crofting areas both by increasing the supply of available crofts and by dampening an element of speculative demand. The additional requirement to “work the land” might reinforce this. That is, depending on how the restrictions are specified and how significant a cost (inconvenience) they would represent to absentee and non-crofting households, a number of currently unoccupied/unworked crofts should become available whilst greater obstacles to non-croft use and to selling will deter wider market interest, implying lower values for crofts and croft land (although this may further increase price pressure on non-crofts).

Development dynamics

4.1.5 The use to which croft resources – croft land but also the experience, skills and other forms of capital held by crofters – are put, and therefore their local economic effect and value, depends on a number of factors and may be influenced by some of the recommendations in this Report. In particular, partly through its effect on affordable housing, the proposed tightening of regulatory enforcement could increase – or at least help to retain - “critical mass” needed to sustain local economies in terms of both consumer demand and the supply of labour. That is, provided that in aggregate, the capacity and propensity of new croft households to generate and spend income locally exceeds that of absentee crofters and non-croft households that might otherwise have occupied particular crofts, then local economic dynamism will improve. Within this, whilst “working the land” may support some public goods and make a contribution to local economic activity, the multiplier effects of other activities undertaken by crofting households may be more significant.

Annex 1 – The Committee of Inquiry on Crofting: Membership

Professor Mark Shucksmith – Chair

Professor Mark Shucksmith is Professor of Planning at Newcastle University, and was until recently, Professor of Land Economy and Co-Director of the Arkleton Centre for Rural Development Research, University of Aberdeen, and Co-Director of the Scottish Centre for Research on Social Justice.

He is a Board Member of England's Commission for Rural Communities (formerly the Countryside Agency), and was a member of the Government's Affordable Rural Housing Commission. He is Adviser to the Joseph Rowntree Foundation (JRF) on rural issues, and was Secretary to JRF's Rural Housing Policy Forum. He is also Visiting Professor at the Centre for Rural Research, University of Trondheim, Norway. He has been adviser to the Environment and Rural Development Committee of the Scottish Parliament and was a member of SEERAD's Strategic Science Advisory Panel. He is currently Vice President of the International Rural Sociology Association.

Other Committee members

Jane Brown

Jane Brown is a crofter in Shetland. Her husband is a full-time crofter and they also have a consultancy business which supports crofters and farmers in Shetland by acting as their agents. The business specialises in all aspects of crofting administration and support schemes. She has also been involved in a wide range of crofting and community organisations and previously involved in rural community work.

Fred Edwards, LVO

Fred Edwards, the President of Scottish Environment Link, served on the Board of the Scottish Environment Protection Agency (SEPA) from 2000–2006. Mr Edwards, a Chartered Environmentalist, lives in the Lothians and is a full-time voluntary worker with a special personal interest in the environment. He is widely involved in a range of organisations concerned with international development, ecological, conservation, and social justice matters. He is a Board member of Friends of the Earth Scotland and a Trustee of New Lanark. He has experience in industry and of rural island and urban areas gained from his time in the public sector as a social work director.

Professor James Hunter (until 29th May 2007)

Jim Hunter is Director of the UHI Centre for History. He is the author of several books about the Highlands and Islands. Professor Hunter has long been active in the public life of the North of Scotland. He was the first Director of the Scottish Crofters Union, now the Scottish Crofting Foundation. From 1998 until 2004 he chaired the Board of Highlands and Islands Enterprise.

Susan Lamont

Susan Lamont is employed by the National Farmers Union of Scotland (NFUS) as a part time Group Secretary for Tiree and is an agent for NFU Mutual Insurance. She is a member of the Royal College of Veterinary Surgeons and is married to a full-time crofter.



Norman A MacDonald

Norman MacDonald has worked with many organisations throughout the Western Isles community, as a volunteer, full-time community worker and latterly as a Councillor, for the last thirty years. He has considerable experience of strategic and project planning, and financial management; and was a Director for Western Isles Enterprise from 1998–2004. He is a fluent Gaelic speaker and has been the Chairman of the Gaelic Language and Culture Forum and the Director of the European Bureau of Lesser Used Languages since 2003. Since joining Comhairle nan Eilean Siar (CNES) in 1997 he has been the Vice Chairman of Environmental Services, chairman of Transportation and has held the post of Vice Chairman of Policy and Resources since 2003.

Professor Donald MacRae, FRSE

Professor MacRae is the Strategy and Finance Director for Lloyds TSB Scotland and Visiting Professor of Business and Economic Development in Abertay's Dundee Business School since 2000. He joined Lloyds TSB Scotland in 1986 following posts with ICI and the University of Newcastle-upon-Tyne and is the author of Lloyds TSB's Scotland Business Monitor, which surveys the Scottish economy on a quarterly basis. He is also a Board member of Scottish Enterprise and a member of the Scottish Government Economic Statistics Advisory Group. He is a past Chairman of the Business Forum Scotland, a past Board Member of Scottish Homes, a current a Trustee of the David Hume Institute and a Board Member of Interface.

Agnes Rennie, MBE

Agnes Rennie lives with her family on her croft at South Galson on Lewis and is a native Gaelic speaker. She is self employed and is a consultant in rural development as well as working her croft. Agnes has recently been elected as a Councillor with Comhairle nan Eilean Siar and was formerly a member of the Crofters Commission. She has been involved in a number of community initiatives and served on the boards of several national and local organisations. Agnes is also Vice Chairman of Urras Oighreachd Ghabhsainn (UOG), which is the new community owner of the 56,000 acre Galson estate.

Becky Shaw

Becky Shaw grew up on a hill farm on the Isle of Bute and is the Land Use Programme Manager with the Scottish Crofting Foundation. She works from her home in Golspie, Sutherland.

Secretariat

Dr Fiona Spencer (Secretary)

Dr J. R. Wildgoose (Acting Secretary, March–April 2008)

Keith Graham (Legal Advisor)

Debbie Davidson (Senior Business Manager, July 2007–April 2008)

Rory Dutton (Business Manager, February–December 2007)

Phoebe Cochrane (Information Officer)

Fee Brown (Administrative Assistant)

Annex 2 – Inquiry Remit

Terms of Reference

The Committee of Inquiry on Crofting will engage proactively with crofting communities and others with an interest in sustainable rural development in the crofting counties and other areas of Scotland where crofting may have a role to play.

The Committee will identify and report on the features of crofting which distinguish it from other systems of land tenure and which are unique to the context of sustainable rural development in Scotland.

The Committee should draw on evidence and provide an analysis of the extent to which crofting, as currently regulated and incentivised, contributes to achieving the following outcomes across rural Scotland as a whole:

- sustaining and enhancing the population;
- improving economic vitality;
- safeguarding landscape and biodiversity; and
- sustaining cultural diversity.

Having regard to the mainstream programmes of the Scottish Executive, local authorities and other agencies, and in the light of its engagement with rural stakeholders, the Committee should identify a vision for the future of crofting in contributing to the goals outlined above. It should have specific regard to:

- the nature and impact of European and domestic programmes of public sector support for rural Scotland;
- the realities of existing, and likely future, funding levels;
- the constraints imposed by European law, European Community rules and the reserved powers of the UK Parliament and Government;
- the economic contribution of crofter agriculture to the local economy, and the significance of current public support in that contribution;
- the extent to which occupiers of small farms and crofts generate income from sources other than primary agricultural production, and the availability of financial assistance to encourage that;
- the demand for, and availability of, affordable housing generally in the crofting counties, and the role of croft house grants in contributing to local housing supply; and
- the market for crofts, in particular their availability for exploitation by young people and new entrants.



In the light of the analysis and vision, the Committee should identify any administrative or legislative changes needed in:

- the basis for regulation;
- the role and functioning of the Crofters' Commission as a regulator; and
- the role of other regulations and incentives with an impact on crofting.

The Committee should provide a clear economic analysis of the impact and sustainability of the changes it recommends, including on the market in crofting land and housing.

Annex 3 – Methods

1. Establishment of the Committee

The Chair for the Committee of Inquiry on Crofting was appointed at the end of 2006. The other committee members were appointed in April 2007. The Committee held monthly committee meetings throughout the period of the Inquiry.

2. Engagement with Crofting Communities and Collection of Evidence

Public and other meetings

The Inquiry held two series of public meetings, as well as ‘stakeholder’ meetings and meetings with young people, to gather the views and opinions of those interested in crofting and its future.

A series of summer meetings took place from June to mid August, 2007.

Table 1 Attendance at summer public meetings

Meeting	Number of people attending
Lewis	20
Harris	17
Benbecula	16
Barra	25
Skye	129
Poolewe	65
Lairg	67
Glenuig	50
Oban	15
Inverness	35
Orkney	50
Mid Yell	32
Lerwick	70
Tiree	23
Islay	4
Arran	92
Grantown-on-Spey	40

The Inquiry also held many other meetings with specialists and representatives from relevant organisations to seek advice and opinions on a wide range of issues.

Call for evidence

6,000 consultation packs were distributed through a wide range of outlets and bodies in June 2007 including: Common Grazings Clerks and Assessors, Scottish Crofting Foundation, NFU Scotland, Libraries, Community Halls, Post Offices, Highland Games, Scottish Executive Offices, Community Councils, Farming and Wildlife Advisory Groups, The Royal Highland Show and the Inquiry meetings. The packs were also sent to MSPs, MPs, local authorities and other organisations and individuals with an interest in the future of crofting. The invitation to submit written responses was publicised at each of the public meetings and through press releases throughout the North and West of Scotland and on the Islands.

Overall, 298 written responses were received and considered by the Inquiry.

Commissioning specific pieces of work

The Committee of Inquiry commissioned specific pieces of work to help provide information to enhance their understanding of crofting and its wider context. Work commissioned:

- The Contribution of Crofting in the 21st Century;
- Sustainable Rural Communities in Crofting Areas;
- Assessment of Evidence about the Effectiveness of the Crofters Commission;
- Assessment of Trends and Patterns of Land Use in the Crofting Counties of Scotland;
- Analysis and Reporting on the Committee of Inquiry for Crofting Call for Evidence;
- Survey of Rural Development and Crofting;
- Legal Advice on Human Rights Issues;
- Quantifying the Relationship between Crofting Tenure and Population Retention;
- Assessment of Evidence about the Effectiveness of Rural Development Schemes; and
- Assessment of the Economic Impact of Proposals by the Committee of Inquiry on Crofting.

The reports of all these studies are on the Inquiry website: www.croftinginquiry.org.

3. Deliberations of the Committee

During this phase the Committee considered the evidence submitted and collated, developed an agreed Vision for the Future of Crofting and discussed the means of realising this Vision.

4. Testing proposals and reporting

In early 2008, the Inquiry published its Vision paper, *Towards the Future of Crofting*, and held a further five public meetings to seek opinions on key issues still under deliberation.

Table 2 Attendance at winter public meetings

Meeting	Number of people attending
Arisaig	26
Broadford	39
Inverness	62
Lerwick	45
Stornoway	41

The Committee also received 34 written responses to its Vision paper. Following these meetings, the Committee finalised its recommendations and drafted the final report.

Annex 4 – Lists of Meetings

January 2007

15th	Meeting with the Minister, Sarah Boyack MSP, Edinburgh
------	--

February 2007

22nd	Meeting with Crofters Commission, Inverness
------	---

	Meeting with Highlands and Islands Enterprise (HIE), Inverness
--	--

March 2007

1st	Meeting with Scottish Executive, Edinburgh
-----	--

May 2007

8th-9th	Committee of Inquiry on Crofting Committee Meeting One, Inverness
---------	---

June 2007

4th-5th	Committee of Inquiry on Crofting Committee Meeting Two, Stornoway
---------	---

	Open Meeting, Voluntary Action Lewis (VAL), Stornoway
--	---

5th	Discussion with Young People, The Nicholson Institute, Stornoway
-----	--

	Open Meeting, Harris Hotel, Harris
--	------------------------------------

6th	Stakeholder Discussion, VAL, Stornoway
-----	--

	Open Meeting, Dark Island Hotel, Benbecula
--	--

7th	Stakeholder Discussion, Dark Island Hotel, Benbecula
-----	--

	Meeting with Young People, Lionacleit School, Benbecula
--	---

	Open Meeting, Castle Bay School, Barra
--	--

8th	Stakeholder Discussion, Castle Bay Community Centre, Barra
-----	--

15th	Meeting with Brian Wilson, Glasgow
------	------------------------------------

19th	Meeting with Scottish Executive, Edinburgh
------	--

19th-20th	Committee of Inquiry on Crofting Committee Meeting Three, Edinburgh
-----------	---

	Meeting with George Campbell and Mandy Gloyer, The Royal Society for the Protection of Birds (RSPB)
--	---

	Meeting with Richard Lochhead MSP, Cabinet Secretary and Michael Russell MSP, Minister for Environment
--	--

	Meeting with the Royal Society of Edinburgh's (RSE) Hills and Islands Inquiry, Edinburgh
--	--

21st	Meeting with Scottish Natural Heritage (SNH), Royal Highland Show
------	---

	Meeting with Scottish Rural Property and Business Association (SRPBA), Royal Highland Show
--	--

	Visit to Scottish Crofting Foundation (SCF) stand, Royal Highland Show
--	--

	Meeting with National Farmers Union Scotland (NFUS), Royal Highland Show
--	--

	Meeting with Forestry Commission, Royal Highland Show
--	---

25th	Stakeholder Discussion, Broadford Hall, Skye
	Open Meeting, Broadford Hall, Skye
26th	Stakeholder Discussion, Poolewe Village Hall, Poolewe
	Meeting with Young People, Gairloch School, Gairloch
	Open Meeting, Poolewe Village Hall, Poolewe
27th	Stakeholder Discussion, Lairg Community Centre, Lairg
	Open Meeting, Lairg Community Centre, Lairg

July 2007

4th	Stakeholder Discussion, Glenuig Village Hall, Glenuig, Lochailort
	Open Meeting, Glenuig Village Hall, Glenuig, Lochailort
5th	Open Meeting, The Corran Halls, Oban
	Stakeholder Discussion, The Corran Halls, Oban
	Dinner with Michael Russell MSP, Minister for Environment, Oban
	Open Meeting, The Corran Halls, Oban
16th	Meeting with Scottish Estates Business Group (SEBG), Inverness
	Open Meeting, Craigmonie Hotel, Inverness
17th	Open Meeting, Kirkwall Town Hall, Orkney
	Stakeholder Discussion, The Ayre Hotel, Orkney
18th	Stakeholder Discussion, Shetland Museum, Lerwick
	Open Meeting, Mid Yell Community Hall, Mid Yell
19th	Committee of Inquiry on Crofting Committee Meeting Four, Shetland
19th	Open Meeting, Shetland Museum and Archives, Lerwick
20th	Meeting with Young People, Lerwick
	Meeting with Drew Ratter, Crofters Commission, Lerwick
23rd	Meeting with Jennifer Young, TUS and Phil Beaumont, PROSPECT, Glasgow
24th	Stakeholder Discussion, An Talla, Tiree
	Open Meeting, An Talla, Tiree
25th	Stakeholder Discussion, Ionad Chaluim Chille Ìle, Bowmore
	Open Meeting, Ionad Chaluim Chille Ìle, Bowmore
26th	Stakeholder Discussion, Brodick Community Hall, Arran
	Open Meeting, Brodick Community Hall, Arran

August 2007

14th	Meeting with Di Alexander, Highland Small Communities Trust and Susan Torrance, Highland Housing Alliance, Inverness
15th	Meeting with Jim Hunter, Inverness Meeting with HIE, Inverness
16th	Stakeholder Discussion, Craigmonie Hotel, Inverness Meeting with Communities Scotland, Inverness Open Meeting, Grantown on Spey Grammar School
17th	Meeting with Jim Mackinnon, Chief Planner, Scottish Executive, Edinburgh
30th	Committee of Inquiry on Crofting Committee Meeting Five, Glasgow.

September 2007

5th	Cross Party Group on Crofting, Scottish Parliament – presentation from Mark Shucksmith
6th	SCF Conference, Dingwall – presentation from Mark Shucksmith
25th	Meeting with SRPBA, Edinburgh

October 2007

1st-2nd	Committee of Inquiry on Crofting Committee Meeting Six, Glasgow.
1st	Ministerial announcement of Consultation on the Extension of Crofting Counties, Lamlash, Arran
3rd	Meeting with Barbara Templeton, Communities Scotland, Edinburgh
9th-10th	Committee of Inquiry on Crofting, Edinburgh

November 2007

5th	Meeting with Alasdair Allan, MSP, Scottish Parliament Meeting with Sarah Boyack, MSP, Scottish Parliament Meeting with Hugh Raven, Soil Association, Edinburgh Meeting with Scottish Government, Edinburgh
13th-14th	Committee of Inquiry on Crofting Committee Meeting Seven, Edinburgh
27th	Meeting with Scottish Government, Edinburgh
29th	Meeting with Michael Russell MSP, Minister for Environment, Scottish Parliament

December 2007

3rd	Meeting with Sir Crispin Agnew, Edinburgh
4th	Crofters Commission Assessors Seminar, Inverness – presentation from Mark Shucksmith
10th-11th	Committee of Inquiry on Crofting Committee Meeting Eight, Inverness Meeting with Crofters Commission, Inverness Meeting with Michael Russell MSP, Minister for Environment, Inverness



January 2008

14th-16th	Committee of Inquiry on Crofting Committee Meeting Nine, Glasgow
25th	Meeting with HIE, Edinburgh

February 2008

5th	Meeting with Registers of Scotland, Edinburgh
11th	Open Meeting, Astley Hall, Arisaig
12th	Open Meeting, Broadford, Skye
19th-20th	Committee of Inquiry on Crofting Committee Meeting Ten, Inverness
19th	Open Meeting, Craigmonie Hotel, Inverness
20th	Open Meeting, Shetland Hotel, Lerwick, Shetland
26th	Committee of Inquiry on Crofting Committee Meeting Ten (continued), Stornoway
26th	Open Meeting, Caberfeidh Hotel, Stornoway

March 2008

11th-12th	Committee of Inquiry on Crofting Committee Meeting Eleven, Edinburgh
17th	Meeting with Electoral Commission, Edinburgh
20th	Meeting with Scottish Government, Edinburgh

April 2008

2nd	Meeting with Jo Durno, Stewart Wood, Lisa Webb, NFUS, Edinburgh
-----	---

Annex 5 – List of Written Evidence

The following people/organisations have submitted a response to our call for evidence or vision paper and are happy to have their names listed publicly.

A. M. Annan	Dr Rodney A. Lee
Agnes J. E. Leask	Dr Jean Balfour
Aird Township	Duncan D. G. Murchison
Airds, Kirkton and Bawndorr Grazings Committees	Duncan Mulholland
Alan Jardine	Finlay J. Matheson
Alan McIntyre	Frank Buckley
Alasdair Euan Wright	Gabhan MacA’Phearsain
Alasdair Maciver	Geoffrey F. Linnitt
Alastair Culbertson	Gerry McGarry
Alexander Mearns	Gordon Andrew Robertson
Alistair Yates	Graham Hamilton
Allan MacColl	Habost Grazing Committee
Allan Macleod	Harry Tulloch
Andrew & Anne Gillies	Highland & Islands Enterprise
Angus MacDonald	Highland Council
Angus Smith	Hugh Donaldson
Argyll & Bute Council	Ian G. Macdonald
Arran Estates	Isle of Gigha Heritage Trust
Arthur Macdonald	Ivan Oliver
Assynt Crofters Trust	J. Macdonald
B. E. Hart	J. Margot MacGregor
Beth Gerrard	James McPherson
Bill Ritchie	Jean Lindsay
Borve & Annishader Grazings Committee	Jessie M MacNeil
Braes Estates	Jim McGillivray
C. J. G. Fforde	Jock Gordon
Cairngorms National Park Authority	John A. MacAulay
Callanish Common Grazings Committee	John Alex Cromarty
Camuscross Township	John Grieve
Caroline Robinson	John Inglis
Catherine MacPhail	John M. Macleod
Chris Whealing	John MacKenzie
Claudia Nicholson	John Mackenzie
Colin & Doreen Gunn	John MacKintosh
Colin Chrisholm	John Mackintosh
Comhairle nan Eilean Siar	John McMorran
Crofters Commission	John Morrison
D. G. Schofield	John Porteous
David Forbes	John Ridland
David R. A. Anderson	John Sinclair
David Smith	John Whittaker
Donald M Macleod	Katharine Stewart
Donald Macdonald	Keith Aitchison
Donald William Ross	Kenneth MacDonald
Dr John A. J. Macleod	Kincraig & Vicinity Community Council
	Laid Grazings Committee



Lewis and Harris Cattle Producers Group
 Liz & John Fenwick
 Malcolm C. Boyd
 Malcolm Sinclair
 Mari McFarlane
 Marian MacDougall
 Martin Anderson
 Melness Crofters Estate
 Michael MacKay
 Michael MacRae
 Michael Otter
 Michael Stott
 Michael Summers
 Morris Black
 Morven Community Development Agency
 Mr & Mrs Jackson
 Mr Bernard MacLaren
 Mr Donaldasdair M Smith
 Mr Duncan Macdonald
 Mr Ian Macintyre
 Mr W Murray
 Mrs J MacLeod
 Mrs Mary Louise Bunyan
 Murdo Macleod
 Murdo MacRae
 National Trust for Scotland
 Ness Community Council
 Netta Mackenzie
 NFU (Shetland)
 NFU Scotland
 NFU Scotland (Tiree Branch)
 North Ballachulish Township
 North Harris Trust
 North Highland Forest Trust
 Northmavine Development Company
 Ollaberry Grazings Committee
 Orkney Islands Council
 Peter Ford
 Peter J. F. Dodge
 Plockton Grazings Committee
 R. B. Coope
 Roger Evans
 Ronald J. Campbell
 RSPB Scotland
 Ruaridh Ormiston
 S. C. Gibbs
 Sallie Tyszko
 Sandy Granville
 Scottish Crofting Foundation
 Scottish Estates Business Group
 Scottish Natural Heritage
 SCVO
 Southside Strathfleet Grazing Committee
 SRPBA
 Stephen MacIntyre
 Steve McCombe
 Steve McCombe
 Stuart & Catherine Johnson
 Swainbost Grazing Committee
 The Nadair Trust
 Thomas L. I. Miller
 Tiree Rural Development Ltd
 W. F. Neilson
 West Highland Housing Association
 Wester Ross Alliance
 William Anderson
 William F. Neilson
 William Glover

Annex 6 – List of Research Reports and Supplementary Papers

Atterton, J. (2008) Assessment of Evidence about the Effectiveness of Rural Development Schemes. A report commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Birnie, R. Shannon, P. and Schwarz, G. (2007) Trends, Patterns and the Environmental Consequences of Land Use across the Crofting Counties. A report commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Bryden, J. (2007) Sustainable Rural Communities in Crofting Areas. A Paper commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

George Street Research (2007) Survey of Rural Development and Crofting. Study Commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Gilbert, A., Gelan, A., Potts, J. and P. Shannon (2008) Quantifying the Relationship between Crofting Tenure and Population Retention. A study commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Mackenzie, F. (2007) The Contribution of Crofting in the 21st Century. A Paper commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Pareto Consulting (2007) Assessment of Evidence about the Effectiveness of the Crofters Commission. A paper commissioned by the Committee of Inquiry on Crofting.

Pareto Consulting (2007) Assessment of the Economic Impact of Proposals by the Committee of Inquiry on Crofting. A report commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

The Research Shop (2007) Crofting Inquiry: Analysis of Written Responses to the Call for Evidence. Commissioned by the Committee of Inquiry on Crofting, www.croftinginquiry.org

Tierney, S. (2007) European Convention on Human Rights (ECHR) Advice. A paper commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org



Annex 7 – Grant Schemes

CAP Pillar I

Single Farm Payment Scheme (SFPS)

The Single Farm Payment Scheme is the principal delivery mechanism for support from Pillar 1 of the CAP. It is decoupled from production. Payment is made for meeting certain cross-compliance conditions. These include regulations relating to the environment; the identification and regulation of livestock; public, plant and animal health; animal welfare and food safety. In Scotland, payment is currently made on the 'historic' basis, based on reference years 2000–02.

Scottish Beef Calf Scheme (SBCS)

The Scottish Beef Calf Scheme was introduced in 2005 to help the beef industry adjust to the new decoupled support regime. The Scheme's objectives are to sustain quality beef production (particularly in remote and fragile areas) and protect the environment. Producers who breed and keep male and female calves on their Scottish land continuously from birth for at least 30 days can submit claims. To be eligible for payment, calves must be registered with British Cattle Movement Service (BCMS), have a valid cattle passport and be at least 75% beef bred. The payment rate for eligible animals varies each year depending on the total number claimed in the calendar year. The first 10 animals claimed by a business will be paid at a higher rate than any other eligible animals claimed in the same year.

Scotland Rural Development Programme 2007–13

Less Favoured Areas Support Scheme (LFASS)

About 85% of Scotland's agricultural land is designated as being within a less favoured area (LFA). The objective of this measure is to compensate land managers in LFAs for the particular disadvantages that they face, and thereby sustain farming, crofting and the associated economic, social and environmental benefits that are dependent on continued land management in these areas.

Rural Development Contracts – Rural Priorities (RDC RP)

The Rural Priorities Scheme is part of the Scotland Rural Development Programme 2007–13. It is an integrated funding mechanism, which aims to contribute to improved business viability and competitiveness; improved water quality; adaptation to, and mitigation of, climate change; protection and enhancement of biodiversity and landscapes; and sustainable rural communities. Regional Priorities will be identified by stakeholders in each of the 11 SRDP regions and funding awards will be made to those applications best able to deliver these priorities.

Rural Development Contracts – Land Managers Options (RDC LMO)

This scheme is the non-competitive element of Rural Development Contracts in the Scotland Rural Development Programme 2007–13. The scheme will provide support for the provision of economic, social and environmental improvements across Scotland. It is open to all land managers in Scotland, who are registered for IACS and have control of the land for the duration of the agreement. Each participant has a maximum annual allowance.

Crofting Counties Agricultural Grants Scheme (CCAGS)

This scheme is designed to provide assistance towards improving the infrastructure of crofting and other eligible small businesses operating in the Highlands and Islands. The scheme provides grants of up to 50% towards a range of investments, including agricultural buildings, land management, and facilities for feeding and handling livestock. CCAGS now forms part of the Scotland Rural Development Programme 2007–13.

LEADER (Liaison Entre Actions de Développement de l'Economie Rurale)

LEADER is now part of the Scotland Rural Development Programme. It aims to promote economic and community development in rural areas. LEADER is a bottom-up method of delivering support for rural development through implementing a local rural development strategy.

Other SRDP assistance

The Scotland Rural Development Programme also contains a number of schemes:

- Skills Development Scheme;
- Food Processing, Marketing and Co-operation Scheme;
- Woodlands In and Around Towns; and
- Forests For People Challenge Funds.

Other Crofting Specific Schemes

Croft House Grant Scheme (CHGS)

Under this scheme, grants for construction and improvement of dwelling houses are available to eligible crofters in the former crofting counties. Grant levels are geographically targeted. Support is provided to enable a crofter to live and work on the croft.

Highlands and Islands Croft Entrant Scheme (HICES)

This partnership scheme aims to ensure sustainable population in the crofting areas, by providing assistance to a young entrant in the form of a management incentive payment and may also assist the outgoing crofter with advice and assistance with legal costs in retaining the croft house.

Crofters Cattle Quality Improvement Scheme (CCQIS)

This scheme aims to maintain and bring about improvement in the cattle stock in the Crofting Counties by supplying bulls of high genetic value. The scheme is open to groups, providing them with the option of hiring a bull. The hiring fee is offset by a 50% grant.



Schemes which are now closed to application, but mentioned in the report

Land Management Contract Menu Scheme (LMCMS)

This scheme ran in 2005–07 as part of the Scotland Rural Development Plan 2000–06. It provided assistance, on a non-competitive basis, to farmers, crofters and other land managers for a range of measures suited to the diversity of land management activity and land types throughout Scotland. It has been broadened and renamed the Rural Development Contracts Land Managers Options Scheme in the Scotland Rural Development Programme 2007–13.

Rural Stewardship Scheme (RSS)

This scheme was the principal delivery mechanism for agri-environment support in the Scotland Rural Development Plan 2000–06. It was a competitive scheme, available Scotland-wide, with a wide range of options for agri-environmental management.

Annex 8 – References

Anderson, E. (ed) (2003) Developing a high nature value farming area indicator. Internal report. EEA, Copenhagen.

Atterton, J. (2008) Assessment of Evidence about the Effectiveness of Rural Development Schemes. A report commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Beaufoy, G. (2004) How to Maintain High Nature Value Livestock Farming in Upland Regions across the EU? A report to RSPB and WWF.

Bord na Gaidhlig (2007) National Plan for Gaelic. www.bord-na-gaidhlig.org.uk/national-plan-for-gaelic

Birnie, R., Shannon, P. and Schwarz, G. (2007) Trends, Patterns and the Environmental Consequences of Land use across the Crofting Counties. A report commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Bryden, J. M. and Hart, J. K. (2003) *Why Local Economies Differ? The Dynamics of Rural Areas in the European Union*. The Edwin Mellon Press.

Bryden, J. (2007) Sustainable Rural Communities in Crofting Areas. A Paper commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

DEFRA (2004) Quality of Life Counts: 2004 Update. Sustainable Development Unit, DEFRA, London.

Department of Agriculture for Scotland (1954) Report of the Commission of Enquiry into Crofting Conditions. Her Majesty's Stationery Office, Edinburgh. (Taylor Enquiry.)

European Commission (2008) The Health Check of the CAP reform Impact Assessment of Alternative Policy Options. EU, Brussels.

George Street Research (2007) Survey of Rural Development and Crofting. Study Commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Gilbert, A., Gelan, A., Potts, J. and Shannon, P. (2008) Quantifying the Relationship between Crofting Tenure and Population Retention. A study commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Hallaitken (2007) *Outer Hebrides Migration Study Final Report*, Report prepared for Comhairle nan Eilean Siar, Western Isles Enterprise and Communities Scotland, Glasgow.

Healey P., de Magalhaes C., Madanipour A. and Pendlebury J. (2003) Place, identity and local politics: analysing partnership initiatives, pp.60-87 in Hajer M. and Wagenaar H. (eds) *Deliberative Policy Analysis: Understanding Governance in the Network Society*, Cambridge University Press.



- HIE (2007) Economic Update: Highlands and Islands. HIE, Inverness.
- HMSO (1993) Crofters Scotland Act 1993. HMSO, London.
- Hunter, J. (1991) The Claim of Crofting. Mainstream Publishing. MacKinnon, K. (1991) Gaelic – a Past and Future Prospect. Saltire Society, Edinburgh.
- MacKinnon, K. (1974) The Lion’s Tongue. Club Leabhar Ltd.
- MacMillan, G. (1996) An Evaluation of Crofting Policy as a Tool for Maintaining the Welfare of Rural Populations in Marginal Areas.
- NFO Social Research (2004) In-migration to the Highlands and Islands. Prepared for HIE, 30 January 2004.
- OECD (2008) OECD Rural Policy Reviews: Scotland, UK. Assessment and Recommendations. OECD.
- Pareto Consulting (2007) Assessment of Evidence about the Effectiveness of the Crofters Commission. A paper commissioned by the Committee of Inquiry on Crofting.
- Pareto Consulting (2007) Assessment of the Economic Impact of Proposals by the Committee of Inquiry on Crofting. A report commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org
- Pieda plc (1994) Evaluation of the Crofters etc Building Grants and Loans Scheme. Pieda plc, Edinburgh.
- RERAD (2007) Common Agricultural Policy Payments and Crofting.
- Roberts, D. and Thomson, K. J. (2000) Sources of Structural Change in Peripheral Rural Areas: The Case of the Western Isles, 1988/89 to 1997. Paper presented at the ‘European Rural Policy at the Crossroads’ conference, University of Aberdeen, June 2000.
- The Research Shop (2007) Crofting Inquiry: Analysis of Written Responses to the Call for Evidence. Commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org
- RSPB and the Scottish Crofters Union (1992) Crofting and the Environment: A New Approach.
- St Andrews Economic Consultants (1995) Crofting Counties Agricultural Grants Scheme: An Evaluation.
- The Scottish Executive (2003) Land Reform (Scotland) Act 2003. The Scottish Executive, Edinburgh.
- The Scottish Executive (2007) Crofting Reform etc Act 2007. The Scottish Executive, Edinburgh.
- The Scottish Government (2007) Scotland Rural Development Programme 2007–13.

The Scottish Government (2007b) Firm Foundations: The Future of Housing in Scotland: A discussion document. The Scottish Government, Edinburgh.

The Scottish Government (2008) Choosing the Right Ingredients: The Future for Food in Scotland, Discussion Paper. The Scottish Government, Edinburgh.

The Scottish Government (2008b): Press Release, 20th February 2008: Review of Rural Policy.

Ray, C. (2000) Introduction to special issue on LEADER, *Sociologia Ruralis*, 40, 2,163-171.

SEERAD (2005) Crofting and its Role in Population Retention, Income Generation and Environmental Conservation.

Shucksmith, M. (1987) The Crofter Housing Grants and Loans Scheme: An Independent Report, SCU, Broadford.

Shucksmith, M. (2005) 'Indicators of Rural Deprivation', Evidence submitted to Scottish Parliament's Environment and Rural Development Committee, September 2005.

Shucksmith M (2008) *Desintegrert bygdeutvikling? Utvikling nedanfrei usikker verd (Disintegrated Rural Development)*, in *Den nye bygda*, Tapir Akademisk Forlag, Oslo, Norway.

Shucksmith, M. and Alexander D. (1994) A Review of Support for Crofter Housing: Report to Scottish Homes and Scottish Crofters' Union. Scottish Homes, Edinburgh.

SQW (2002) Assessment of the Social Economy of the Highlands and Islands. A Final Report to Highlands and Islands Enterprise.

Stockdale, A. (2006) Migration: Pre-requisite for rural economic regeneration? *Journal of Rural Studies* 22 pp. 354–366.

Tierney, S. (2007) European Convention on Human Rights (ECHR) Advice. A paper commissioned by the Committee of Inquiry on Crofting. www.croftinginquiry.org

Yuill, B. and Cook P. (2007). Trends in Agriculture and Supporting Infrastructure within the HIE area 2001-2006.

