



**The Contribution and
Socio-Economic
Role of Scottish Estates**

**Summary Report
January 2004**

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1. Summary

- This report seeks to explore the contribution, in economic, social and environmental terms that rural estates make to Scotland.
- Estate ownership, management and activity vary throughout Scotland. Estates main activities are dictated by the objectives of the estate owners and the opportunities afforded by the estate resources.
- Interrogation of a sample of some three thousand land holdings and estates allowed development of a sampling frame that categorised estates into three types **Small, Medium and Large**. Adjusting the areas of different land cover types to account for their relative economic activity, conservation merit and labour sustainability allowed the estates to be categorised. Random selection of three estates within each category provided the co-operators for this study.
- The co-operators were visited by the study team and a questionnaire was completed that allowed collation of data on their objectives, economic profile, contribution to the local economy and their support to communities and the environment.
- The construction of profiles for the three estate types highlighted the similarities between small and medium estates. Typically these estates cover some 5,000 hectares (12,355 acres) and directly employ between 5-10 people. Their primary objective is to improve the economic and aesthetic value of the estate. This is completed through the running of a diversified land based business which derives income from activities such as in-hand farming; agricultural, domestic and commercial lets; and commercial business activities. Generally a range of public good and community activities involving the estate are undertaken.
- Although the large estates displayed a similar profile, they were particularly characterised by their larger scale of some 10,000 hectares (24,710 acres) their support of more direct employment (100 employees), their larger property and commercial portfolio and an enhanced commercial focus. Large estates are very much diversified land based commercial businesses.
- A functional and economic audit of the three estate types showed a diversity of income streams and varying importance of economic activity. Small and medium estates were particularly focussed on activities generating income from agricultural land supported by income from property and other property based commercial activities. Large estates, on the other hand, were more dependent on income from property and property based commercial activities with income from agricultural land of secondary importance.
- Expenditure profiles by land use broadly matched the income profiles with all estate types displaying a viable and sustainable business. Cross subsidisation of some activities was necessary to support loss-making activities and support the estate infrastructure.
- Analysis of the spatial distribution of expenditure showed a propensity to spend with businesses located within a 25-mile radius of the estate in all estate types. Estates, therefore, have a particularly important role in sustaining local businesses and supporting the sustainability of their surrounding communities.
- The provision of rural housing was an important social as well as economic activity in all three estate categories. Workers and retired employees used some 25% of the total residential property portfolio. Rents for properties let on a commercial basis concurred with that found in other studies and rents were generally below market rates.

- The social role of estates in providing a large portfolio of affordable rural housing should be recognised. This is in addition to the role estates have, proven by the case studies, in supporting and encouraging entrepreneurship in the local community.
- The generation of Type I and Type II Economic Multipliers allowed quantification of the average additional contribution that estates make to the wider economy. The **small estates** surveyed contributed on average an additional **£0.43 million** to the wider economy. This fell to **£0.35 million** for the **medium estate** but rose to **£5.67 million** for the **large estate**.
- Development of multipliers for typical rather than individual estates (using the initial sample of estates) indicated that the estates additional contribution was **£0.25 million for a typical Small estate, £0.46 million for a typical medium estate and £2.81 million for a typical large estate**. The differences between the typical and the co-operator estates reflect differences in functional mix and size of estate between the co-operators and the average of the sample.
- In addition to the diversity of business activity, and their important role in sustaining the viability of the rural communities in which they operate, estates were seen to benefit from their integrated approach to land and conservation management. They are successful, through this approach, in improving the conservation value of the land and water they manage. Investigation of the conservation merits of the co-operator estates through the use of case studies has quantified some of the actual conservation benefits being achieved by the estates.
- An important characteristic of the estates investigated as part of this study lie in the diversity of business activities undertaken and in the scope that their resources allow for this diversity to be exploited. In addition estates, have been seen to manage their land based businesses on a commercially viable footing which provides funds for re-investment and further business development, often in partnership with entrepreneurs within the local community. This presents opportunities for further development of these commercial activities.
- The complementary nature and inter-dependence of their activities brings significant economic, social and environmental benefits to the local community. In turn, the community is dependent upon the estate to varying degrees for its well-being and sustainability.
- Challenges and dangers faced by Scottish Estates, include further enhancement of the landlord/tenant partnership and reduced dependence on cross subsidisation to fund loss making activities and for support of the estate infrastructure. There must be a positive attitude to addressing these issues along with the potential dangers arising from changing economic and legislative circumstances if the estates are to continue to exist and prosper.
- The small sample has made the development of benchmark indicators difficult and greater co-operation between estates would make key economic and social indicators such as output and expenditure by activity more robust.
- This study helped to highlight:
 - ❑ the large range of activities that are undertaken by estates and their relative importance in sustaining the estate
 - ❑ the benefits of the integrated and complementary nature of estate activities in economic social and conservation terms
 - ❑ the commercial necessity for an estate to be a diversified land based business
 - ❑ the socio-economic role that estates have in sustaining viable rural communities.

2. Introduction

The Scottish countryside, managed by its owners and tenants is recognised as an asset that serves and sustains many diverse interests and industries. Farmers are responsible for looking after nearly 80% of our land and farming has major impacts on our environment. Farm landscape underpins tourism and other rural activity. Well-managed farms and estates are an essential element of an attractive countryside and contribute to the quality of life of rural residents and visitors.

Within the rural community, the renting of agricultural land and property, whether from traditional rural estates, institutional landowners, state landowners or individuals with one property, is a significant feature of the structure of rural land management in Scotland.

Farming is undergoing change as different economic circumstance impact upon it and these changes will continue as new pressures affect the agricultural industry and rural communities. If farming, and therefore the estates sector, is to remain viable, farmers will need to address the issues affecting their businesses, particularly as innovative, financially secure, diverse and environmentally responsible land-based businesses play a large part in enhancing opportunities for rural people and promoting strong, sustainable rural communities.

The role of the estates in supporting sustainable rural communities has not been assessed. This study is the first of its kind and has been undertaken to investigate and quantify this role.

The aim of the study was:

To determine the contribution in economic, social and environmental terms that estates make to rural Scotland.

This was achieved by:

- Drawing a sample of estates for the study from the membership of the Scottish Estates Business Group and the Scottish Landowners' Federation.
- Categorising the estates by size based on an adjustment to land area to account for relative economic activity, conservation merit and labour sustainability of different land cover types (LFA 1:1½, Rough Grazing 1:5, Commercial Woodland 1:4, Deer Forest 1:10). This gave rise to an Average Adjusted Estate Area for each estate.
- Selecting three estates within three different size categories (**small** <1,000 adjusted hectares, **medium** 1000-3000 adjusted hectares and **large** >3,000 adjusted hectares) to allow inclusion of a range of example estates.
- Collating information using a questionnaire during a visit including:
 1. Management objectives.
 2. Overall resources.
 3. Economic contribution to the rural economy.
 4. Economic contribution to the immediate local rural economy.
 5. Support to local communities and the environment.
 6. Involvement and changing contribution to the local economy and communities.

- Calculating regional multipliers weighted according to the expenditure patterns of the estates to give an estate multiplier.
- Calculating a typical estate multiplier.
- Identifying the environmental contribution through case studies.
- Suggesting challenges and dangers facing Scottish estates.
- Identifying benchmarks and best practice.

3. The Estates Sector

3.1 Estates in Scotland

There are no official (e.g. Scottish Executive) statistics on the number of estates in Scotland. Part of the reason for this is that there is no formal definition of an 'estate'.

There is a range of businesses/properties that fall within the classification of an estate. Estates are generally characterised by features such as a large house with surrounding policies for amenity areas, land owned with part or all let out to tenants, actively managed forestry, commercial woodland and possibly deer forest.

This study, on the basis of the co-operator estates, has allowed profiles for different sizes of estate to be developed. As the small and medium estates were found to be remarkably similar, two typical profiles are suggested.

Typical Small and Medium Sized Estate Profile

Introduction

A small or medium sized rural estate is typically less than 5,000 hectares in size. It comprises less than 15 distinct farm units of which one or two are farmed in-hand and the remainder let out. A number of small parcels of in-hand woodland are typically found on the estate but amount to less than 500 hectares. The estate has interests in around two dozen rural properties, including a mansion house, workers cottages and other houses let on assured tenancies.

The estate provides direct employment for 5-10 people working on the in-hand farm(s), or in support of sporting activities, estate maintenance and estate administration. The landowner and his family typically have a very direct, hands-on, role in the management of the estate.

Objectives

The estate is managed with the primary objective of improving the economic and aesthetic value of the estate for the next generation and contributing to the well being of the local community by:

- Creating direct and indirect employment.
- Providing farms for let and the opportunity for first time farmers to run a business.
- Providing rented residential accommodation.
- Providing public access where practical and feasible.
- Developing the estate within the constraints of the time.
- Acting as guardian for the next generations.
- Making a profit.

Agricultural Management

Tenants are able to pursue their own business interests without interference. Nevertheless, the small scale of the estate results in close contact with the tenants and assistance for investment in improvements or new buildings is available in certain circumstances while encouragement and support of environmental grant schemes is common.

In-hand farming operations are integral to the workings of the estate and are undertaken in a commercial manner. However, management reflects the wider estate objectives. Additionally, cross subsidisation/support of other departments (sporting, forestry etc.) is commonplace, particularly in relation to labour and machinery.

Woodland Management

Shelter blocks and larger areas of woodland are common. However, their size and distribution around the estate is such that commercial exploitation is limited. Consequently, the woodland provides a dual purpose of providing shelter for sport and amenity with commercial timber production secondary and its management reflects these constraints. Older planting tends to be conifers but newer planting is predominantly broadleaved. Some forestry operations are carried out by estate staff, with specialist work contracted out. Tenants seeking to establish woodland would receive a sympathetic hearing, although land would be likely to be resumed unless planting was small scale or of an amenity nature.

Sporting Interests

Both commercial and recreational sporting activities are commonplace and a significant number of jobs are created by these activities both directly and indirectly. Shooting interests are strategically important to the estate. Pheasant rearing and shooting is particularly important although other game (partridge, snipe, duck, pigeons, rabbits, hare etc.) provide alternative interests. If resources allow, grouse shooting is also a valuable asset. Significant resource is expended to develop the shooting interests on the estate. Land and forestry management is sympathetic to conserving and enhancing shooting potential. The significance of angling in the overall sporting interests of the estate depends upon resources. Nevertheless, if river frontage or open water resources are present, the income potential is maximised and its contribution to the sporting revenue can be significant.

Reservation and management of sporting rights on let ground allows the resources to be more effectively managed. Significant investment is made developing the resource and in its day-to-day management. Because the sporting rights cross let land, an estate's sporting interests would be very vulnerable to changes in estate structure.

Residential and Commercial Property Management

The estate has a small portfolio of cottages and houses for use by estate employees and for residential lets. Estate workers occupy some estate houses. It is not common for residential property in the management of the estate to be used for tourism accommodation. Instead the majority of the houses are let on short-term assured tenancies; however, soft rents are sometimes made available to retired workers or tenants where resources allow. Redundant farm cottages have often been resumed from the tenant(s) for an adjustment in rent and are commercially exploited by the landowner to generate valuable income and guarantee adequate maintenance of the property, often completed by local sub contractors.

Where resources have allowed, commercial property has been developed and exploited. The use to which these properties are put will vary in nature e.g. fish farming, golf courses, and industrial units. On occasion, providing access to property at favourable terms while the business is established may support local business start-ups.

The principal residence of the estate is often of historical and architectural merit this is reflected in the management and maintenance of the immediate surrounds.

Public Good and Community Activities

The estate owner is typically resident on the estate and is generally considered to be a significant member of the local community. However, as the owner often has business or personal interests outside the estate, and often the immediate locality, time for involvement in community activities is limited. Nevertheless, a range of public good and community activities involving the estate can be found.

Typically the estate encourages responsible public access and resources, such as picnic sites and car parking is provided. However, waymarked access to woodland and other amenity areas is not always provided. Similarly, the landowner often has interests in community or charitable projects that have often been aided by provision of property at favourable terms or access to other estate resources for example administration skills.

Typical Large Estate Profile

Introduction

A large mixed rural estate typically covers in excess of 10,000 hectares. The portfolio of farms can exceed 50 properties and although the estate has significant in-hand farming interests over 90% of the farm portfolio is let. The estate owns a significant area of Forestry and it also has a substantial residential property portfolio that can exceed 150 premises along with a small but significant number of commercial properties typically rural shops and workshops. The estate is likely to have significant commercial interests in local commerce and tourism and recreation businesses operated solely by the estate or in partnership with others.

The estate is likely to be one of the biggest employers in the local community often providing over 100 full and part-time jobs. The landowner typically takes a non-executive management role and delegates the day-to-day management of the estate to a professional team of land and property managers.

Objectives

The large estate typically seeks to sustain the long-term viability of the estate, its business activity and heritage. It aims to achieve this by creating a strong rural business in ways which sustain the well being of people who depend on it and the quality of the environment in which they live. The typical objectives of a large rural estate are:

- To sustain the long-term viability of the estate.
- To enhance the benefits for employees, business partners, stakeholders and the community.
- To safeguard the rural heritage.
- To promote understanding of the estate's business and land use objectives.

The estate can only meet these objectives if it can make profits on a consistent basis. To this end, the estate has often moved progressively away from the traditional agricultural, or rural, estate towards a business that, in revenue terms, capitalises on its non-agricultural property assets and where possible, diversifies into other commercial ventures, including countryside pursuits, leisure and tourism.

Management of the Agricultural Estate

The agricultural estate is primarily a let estate although some of the land area is farmed in-hand. The estate works closely with tenants to improve the physical infrastructure of the farm businesses and regularly makes significant capital contributions to new buildings and building improvement work. This does not always result in rental increases as rationalisation of farm assets has resulted in redundant farm cottages being taken back in-hand and added to the residential property portfolio.

The estate places minimal restrictions on the tenants' agricultural activities but often actively promotes any government funded conservation or farm development grant schemes that would benefit the management objectives of the estate. Where a tenant informs the landlord that they are interested in conservation or land management schemes, the estate works with tenants to achieve environmental or conservation gains. Similarly, if a tenancy is given up, the estate may introduce farm management limitations on new tenants, which achieve mutual benefits. Examples include agreed stock reduction schemes on hill and moorland grazing for tenants to benefit from stewardship grants and support payments based on stocking density criteria.

Although the estate does not actively promote countryside management schemes among its tenants, it does support any tenant who chooses to enter such schemes. The support may include the provision of trees for hedgerow planting and small-scale amenity planting. Assistance is also often available to tenant farmers from the estate forestry staff. Nevertheless, the estate is unlikely to have a specific integrated "estate forestry plan" for amenity or conservation planting in association with tenants.

Forestry Management

The estate land holding includes a significant area of commercial and amenity woodland, all of which is in-hand. The estate often has its own sawmill and employs a team of forestry workers. Large scale felling and planting is, however, sub contracted or the responsibility of the buyer of the standing timber. In this way the forestry enterprise supports a number of additional jobs.

Sporting Estate

Like all rural estates the large estate has a significant sporting activity, comprising both shooting and fishing. A team of staff is likely to be employed to specifically manage the shooting estate and fishing activities. The economic contribution of the sporting function to the overall estate business is significant. The reservation of sporting rights means that the shoot takes place, largely, over let farmland and any change to the estate structure and ownership of farmland would threaten this shooting activity.

Residential and Commercial Property Management

The majority of the estate's property portfolio is let on assured tenancy arrangements. However, the estate retains a significant number of houses for estate workers. A number of these properties are likely to be occupied by retired employees at nil rent. However, this policy is changing to one where retired estate employees or retired business tenants occupy estate properties at below open market value rents. The property portfolio is usually sufficiently large to justify an in-house building works department who completes a large majority of the property maintenance tasks.

The principal residence of the estate is often of historical and architectural merit this is reflected in the management and maintenance of the immediate surrounds. On the large estates it also often forms the backdrop for a significant commercial venture based on charged for public access to the house and grounds.

Other Commercial Enterprises

In seeking to secure the future of the estate, the management team is likely to have introduced and developed a number of other commercial activities over the past decade. These activities all take place on in-hand property, and as such are not likely to be threatened by any changes in legislation regarding land ownership and public access. Not all these businesses are controlled by the estate. Some, although owned by the estate owners, are managed independently of the estate management team, while others are structured as a partnership between the estate owners and the business managers/operators. Thus, opportunities are provided for others to establish their own business while minimising their need to raise start-up capital. These businesses, while located on the estate and owned by the estate owners, cannot be considered part of the estate activities, in the same way as businesses run from let farms cannot be considered part of the estate activities. Nevertheless, these businesses contribute to the local community and play an integral part in securing the estate's future.

Public Good and Community Activities

Working in partnership with tenants, as well as through the management of in-hand activities, the large estate supports a considerable range of public good and community activities. These include the building and maintenance of waymarked paths through woodlands, policies and in-hand farms. Large estates may also be active in the provision of land for community/village use. As a provider of a major visitor attraction in the community, through the mansion house and other activities, the estate also brings significant benefits to the community by attracting tourists to the area.

4. Functional Audit of Co-operator Estates

4.1 Overall Estate Profile

The co-operators have interest in a total agricultural farmed area of 126,278 hectares. This represents 4% of the LFA (excluding HIE) and Non-LFA land area in Scotland.

A total of 402 farms are covered by the co-operating estates. Of these there is a predominance of LFA Beef and Sheep farms (53% of in-hand farms and 60% of let farms). Nevertheless, all the farm types are represented in the sample.

The average adjusted estate area (adjusted for rough grazing, woodland etc, as explained in section 2) of the small and medium estate co-operators compared to the sample are as follows:

	Average Adjusted Estate Area		
	Small	Medium	Large
Average Adjusted Estate Area (ha)	759	1,228	17,820
Sample frame mean (ha)	604	1,633	7,067
Sample frame median (ha)	562	1,544	4,647

The small and medium estate co-operators match with the sample frame well. However, the large estate co-operators are very much at the large end of the sample.

4.2 Forestry

The data collected for the various estate types is aggregated in the table below:

	Small	Medium	Large
Commercial Forestry	201	945	21,802
Amenity Forestry (where specified)	222	84	200
Total (Hectares)	423	1,029	22,005

In 2001 there was 1.053 million hectares of total woodland in Scotland of which 598,000 hectares was in private, rather than Forestry Commission hands. Therefore the aggregate area of 22,005 hectares represents 3.7% of private forestry in Scotland.

4.3 Fieldsports

Information was provided on shooting and angling resources on the co-operators land holdings.

Angling	Small	Medium	Large	Total
Fishable Riverbank (miles)	4	2	117	123
Sea Trout Catches	2	14	3,757	3,773
Salmon Catches	27	45	2,721	2,793

Shooting	Small	Medium	Large	Total
Area (hectares)	1,877	3,160	161,352	166,389
Stags	0	27	405	432
Pheasant (brace)	2,200	369	42,038	44,607
Grouse (brace)	0	77	4,311	4,388
Other	156	1,140	3,994	5,290

Salmon and trout catch statistics released by SEERAD for 2001 suggest that 72,296 salmon were caught by anglers and 31,957 sea trout. Therefore aggregate numbers in the sample equate to 4% of the salmon catch and 12% of the sea trout catch.

The angling and shooting sporting interests, particularly in the large estate sample, are significant.

4.4 Property and Commercial Activities

The co-operators estates have significant property interests, both of a commercial and residential nature.

	Small	Medium	Large
Commercial			
Used by estate	-	1	11
Let	2	9	82
Residential			
Short-Assured Tenancies	27	62	562
Holiday Lets	3	1	4
Worker & Retired Employee/Tenant Accommodation	16	10	200

Let commercial properties included amongst other things, interests in starter units for small businesses, workshops, craft centres and telephone mast sites.

The commercial properties used by the estate were generally for centres of administration.

The vast majority of the residential properties were let on short term assured tenancies. Of the total accommodation units provided 25% are used by workers or retired employees and tenants. This housing is provided at low or no cost. Surprisingly, the number of holiday house lets was very low. This is possibly a measure of the insecurity in the tourist let market a desire to maintain continuous occupancy of the estate resources, and maximisation of income potential.

Information was also provided on co-operators estate activity in non-agricultural commercial ventures. The Large estates had by far the most interests (16) and the Medium estates the least (0). The number of ventures reflects the opportunities available, a desire for involvement and, in some instances, availability of capital. The range in ventures was extensive and included fish farming, golf courses, transport businesses and retail outlets.

5. Overall Contribution of Estates

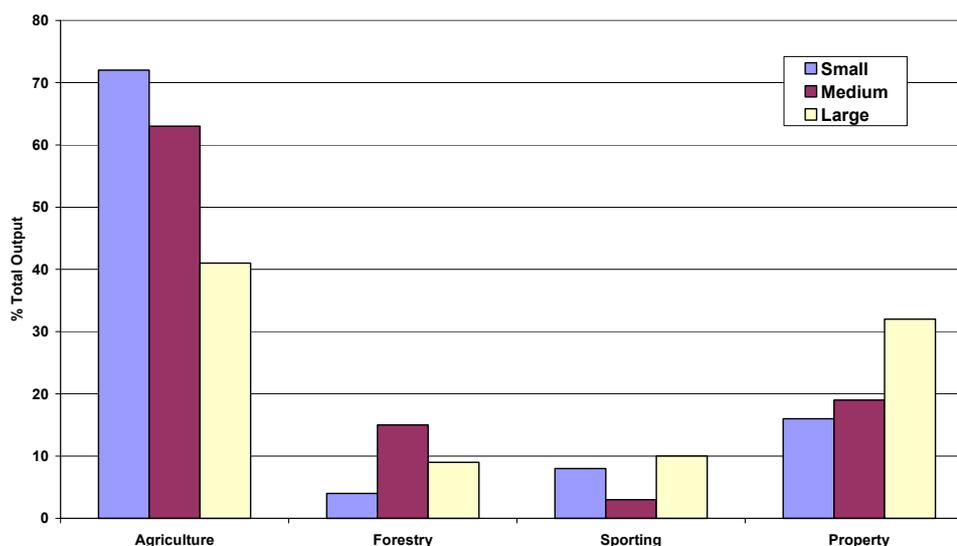
5.1 Output Profile

Aggregated results for the three estates in each size category have been used to assess the output characteristics of each estate type. Output from different land uses are illustrated in the following table. Figures are presented per adjusted hectare to allow comparison between estate types.

Land Use	Output					
	Small		Medium		Large	
	£	%	£	%	£	%
Agriculture	240	72	147	63	146	41
Forestry	13	4	35	15	31	9
Sporting	26	8	6	3	35	10
Property	55	16	45	19	145	40
Total Output per Average Adjusted Estate Hectare	334		223		357	

The proportion of output generated by land use category is represented graphically below for each of the three estate types.

Output by Land Use



In the small estate sample, output from agricultural land is particularly important. This includes in-hand farming as well as letting although output from in-hand farming activities predominates. The small scale of the estate and high proportion of the land area as in-hand farming inflates the output. Output per adjusted hectare is £334/hectare. Estate output from agricultural land is supplemented with output from residential/commercial property lets. The overall output of the estate is diluted by other lower revenue generating land cover types, such as woodland. In an exclusively farming situation output would be expected to be £400/ha (Source: SEERAD Farm Incomes in Scotland 2000/2001 – All Farm Types). Sporting output is relatively significant (8%) but forestry less so. This is indicative of the amenity rather than commercial value of the forestry on this category of estate.

The medium estate output profile shows slightly less reliance on output from agricultural land than the small estate. There is less reliance on output from in-hand farming and instead a greater reliance on output from agricultural lets is seen with a greater proportion of the estate let out. The bigger property and commercial portfolio of the medium estate, compared to the small estate, produces a greater share of total output from this enterprise sector. Additionally, output from forestry activities is also higher reflecting the management of the estate woodlands on more commercial lines. However, sporting output has a lower share of total output than the small estate. This may be due to the characteristics of the medium sized co-operator estates used in the survey.

The large estates show a much greater emphasis on non-agricultural commercial activities than small or medium estates. As a proportion of total output, agricultural activities are lower in the large estate than in the medium and small estates. Although output from agricultural lets is important, it has a lower share than the medium estates. Forestry has a higher share than the small estate but is lower than the medium estate. This is due to greater emphasis on other business activities. The share of output from sporting activities is the highest of the three estate types. Possibly the scale and diversity of sporting potential in a large estate makes output from this area of business activity easier to develop. Of significant importance, is output from property based activities, which represents over 30% of estate output. This is a reflection of the need to generate output from commercial activities to cross-subsidise other parts of the estate.

Of note is that the large estate sector has the highest output per adjusted hectare than the other two estates, possibly reflecting the inherent potential to maximise output from a greater diversity of resources and opportunities and the greater reliance on non-agricultural output streams. This is evident in sporting output where the large estates have significant sporting resources and potential and from which output is being maximised. However, it is most marked in the output generated from residential and commercial lets and activities.

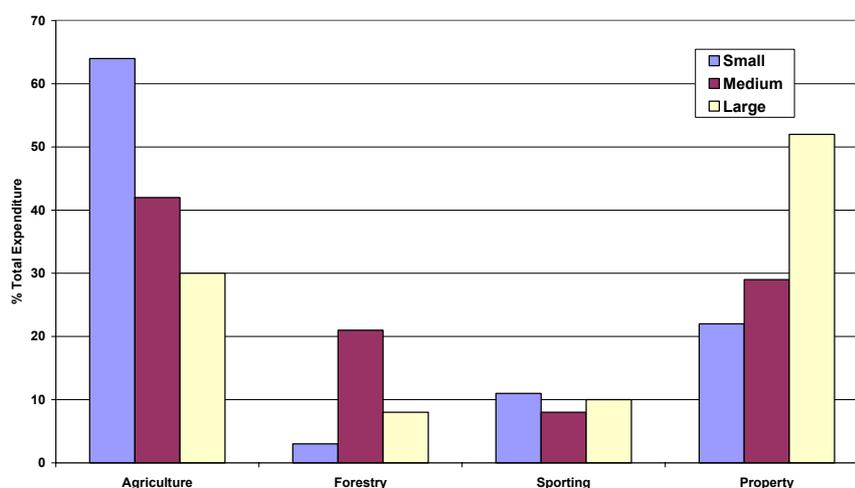
5.2 Expenditure Profile

Aggregated results for the three estate types have been used to assess the expenditure characteristics of each estate type. The results are illustrated in the following table.

Land Use	Expenditure					
	Small		Medium		Large	
	£	%	£	%	£	%
Agriculture	205	64	65	42	91	30
Forestry	11	3	33	21	25	8
Sporting	35	11	13	8	30	10
Property	69	22	44	29	157	52
Total	320		155		303	

The expenditure profile against each land use as a percentage of total expenditure is represented graphically.

Expenditure by Land Use



Due again, to the high reliance of agricultural activities in the small estates, expenditure in this area as a proportion of total expenditure is high in this sector.

By contrast, among the medium and large estates agricultural expenditure is a smaller proportion of total expenditure. The larger the estate, the less reliant it is on agricultural activities and the lower the proportion of total expenditure.

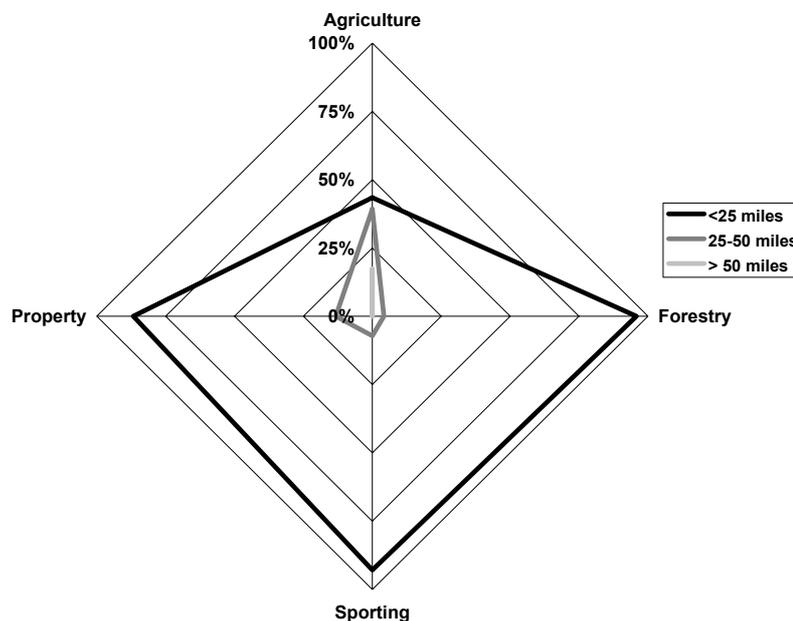
The proportion of expenditure on forestry is quite different between the estates, with the medium estate having the highest proportion of expenditure. This was also the case for output. However, sporting expenditure is broadly similar. A vastly higher proportion of expenditure is spent on property based activities on the large estates than in the small and medium estates. This is again a measure of the shift in business activity away from agriculture to commercial activities. Additionally, particularly with the large estate, it is also a reflection of the scale of the operation and expenditure on the maintenance of resources, such as its bigger property portfolio.

Expenditure per adjusted hectare is markedly lower on medium estates, than on the small and large estates.

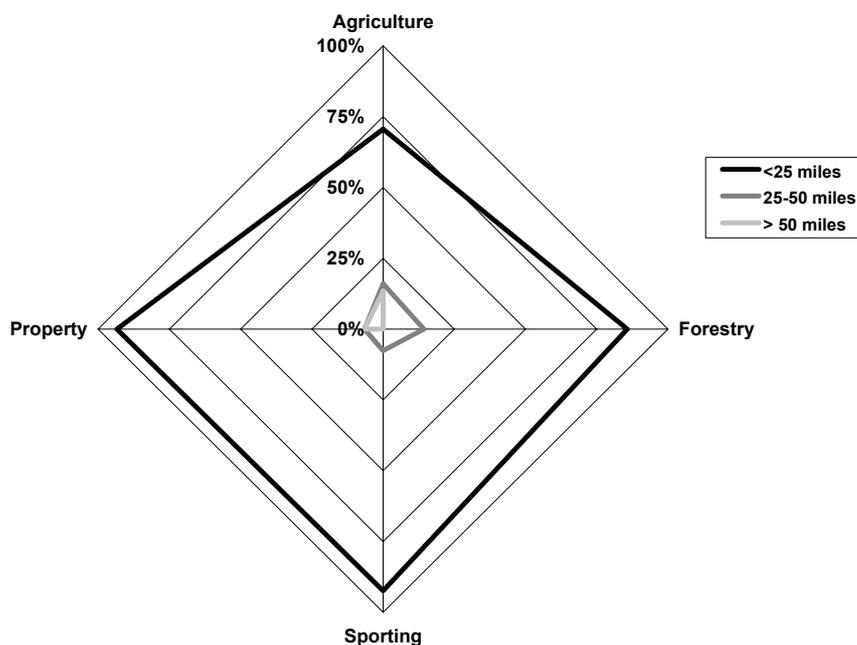
5.3 Support to Local Businesses by Small Estates

The distribution of spending and distribution of businesses traded with are illustrated graphically in the following charts. The axes relate to the function in which the money was spent.

Distribution of Total Reported Expenditure



Distribution of Number of Businesses Traded With



The data shows a predominance of business traded with, and expenditure incurred within 25 miles of the centre of the estate operations. Only businesses supplying products and services to sustain the agricultural land use operations are more than 50% sourced outwith 25 miles of the estate.

A large contribution, therefore, is made to the rural economy in close proximity of the estate.

The average spend by land use is shown in the following table:

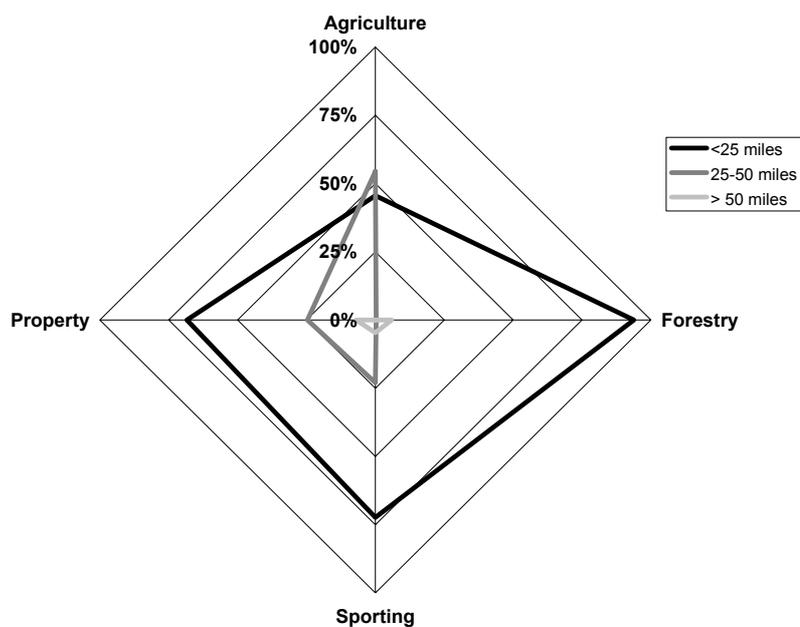
	< 25 miles (£)	25 – 50 miles (£)	> 50 miles (£)
Agriculture	1,651	6,592	3,469
Forestry	1,259	333	0
Sporting	1,427	1,333	0
Property	1,451	3,167	0

The biggest average spend is with businesses supplying the agricultural operations within 25-50 miles of the estate. The average spend on forestry is greatest within 25 miles of the estate. A higher average spend on property based activities with businesses 25-50 miles is seen compared with businesses within 25 miles.

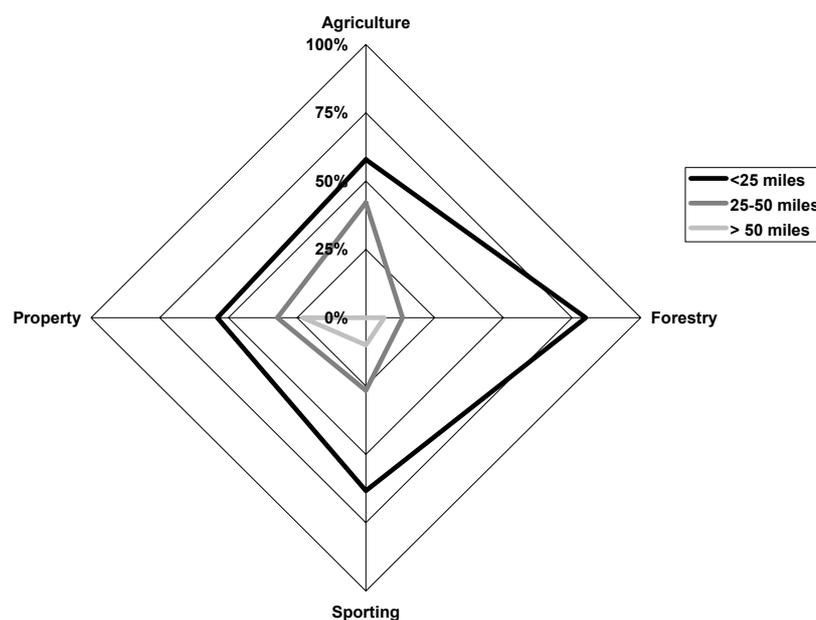
5.4 Support to Local Businesses by Medium Estates

The expenditure pattern by land use for the Medium estates also shows a propensity to deal with businesses in close proximity to the centre of the estate operations.

Distribution of Total Reported Expenditure



Distribution of Number of Businesses Traded With



Less than 50% of the expenditure related to agricultural land use is spent with businesses located more than 25 miles away. However, more than 50% of the businesses traded with are located within a 25 mile radius of the estate. As with the small estates, expenditure to support forestry is predominantly concentrated with businesses located within 25 miles of the estate.

Nevertheless, medium sized estates show a lower propensity to deal with local businesses than small estates, particularly to support property, agricultural and sporting land uses.

The average spend by function is shown below:

	< 25 miles (£)	25 – 50 miles (£)	> 50 miles (£)
Agriculture	1,749	2,872	0
Forestry	9,501	174	7,167
Sporting	1,108	837	450
Property	1,817	1,098	727

As with the small estates, a higher average spend is incurred in supporting the agricultural land use with businesses 25-50 miles.

The highest average spend is with forestry businesses within 25 miles of the estate, although a significant spend is also incurred with businesses >50 miles of the estate. This forestry spend is related to contract maintenance and felling.

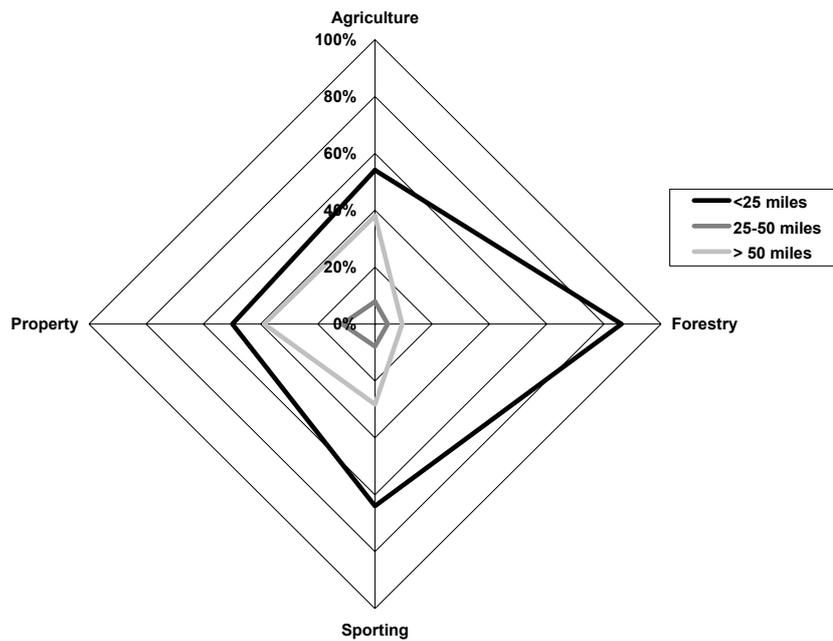
Sporting average spend is highest with businesses within 25 miles. This is also the case with property related expenditure.

5.5 Support to Local Businesses by Large Estates

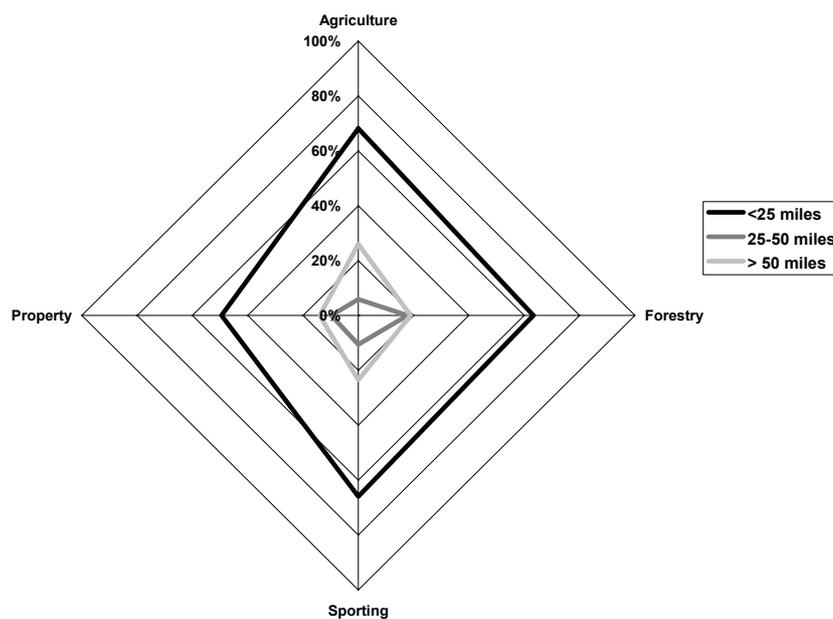
In the case of large estates with multiple centres, data has been collected on trading with businesses for each of the centres and then the data has been aggregated.

As with the other estate types, the majority of businesses that are traded with are within 25 miles of the estate. However, the proportion of reported spend within 25 miles of the estate is smaller than on the other estates and greater trade with businesses more than 50 miles away is seen. This is borne out in the analysis by land use.

Distribution of Total Reported Expenditure



Distribution of Number of Businesses Traded With



The impact on the immediate local economy and community appears less with a large estate than with a small estate. The estate shows a propensity to deal with businesses within 25 miles of the estate or > 50 miles from the estate.

A greater proportion of the businesses traded with by the large estate sample are greater than 50 miles away than is the case among the small and medium sample. This may be a reflection of seeking specialist services from national suppliers. Nevertheless, the trading relationships with local businesses remains strong, particularly with forestry, sporting and agricultural land uses.

The average reported spend by function shows a different profile on the large estate than on the medium and small estate.

	< 25 miles (£)	25 – 50 miles (£)	> 50 miles (£)
Agriculture	3,130	5,266	5,756
Forestry	12,579	2,301	4,619
Sporting	2,259	1,729	2,790
Property	3,349	3,884	3,160

The average spend is more evenly distributed in the large estate than on the other types. Only forestry expenditure shows a dramatic difference in spend, by radius, with the highest average spend within 25 miles of the estate.

5.6 Provision of Rural Housing

Reports by Scottish Homes (now Communities Scotland) and the Scottish Landowners' Federation have researched the factors influencing the provision of affordable rural housing and the role of rural landowners.

In the Scottish Homes/SLF research report 83 "Selling and Developing Land and Buildings for Renting and Low Cost Home Ownership", the views of Landowners were investigated. The report concluded that the key factors influencing landowner behaviour were likely to be size and type of estate and other factors such as incomes, whether landowners were individuals or large companies, and whether absentee or resident.

This study has indicated consistently across estate size and type that provision of accommodation for rent is an important social, as well as economic objective of the estate. Indeed revenue from lets is seen to cross-subsidise other estate activities.

The main motivation for letting property was found to be covering costs and earning a surplus, although 'support for local community' was the next highest ranking objective. These findings concur with the motivations of the co-operators in this study.

An estimation (assuming 90% occupancy rate) of the average rent paid for each of the estate types was calculated for properties excluding those occupied by persons with a direct link to the estate.

	Average Rent (£)
Small Estate	296
Medium Estate	177
Large Estate	227

The Scottish Homes/SLF study identified the mean local and mean market rents as follows:

	Mean 'Local' Rents (£)	Mean 'Market' Rents (£)
1 Bedroom	179	218
2 Bedroom	217	271
3 Bedroom	257	344
4 Bedroom	370	495

The scope of this studies questionnaire did not extend to collection of information on the size of the residential properties, nor, whether they were let on a 'local' let (to local people or their relatives) or a 'market' let (letting on the wider market). However, the data from this study suggests that the rents offered by the estate are consistent with that found in the Scottish Homes/SLF study. Indeed it could be argued they are less, even assuming 90% occupancy.

The importance of rented housing within the estates range of business activities has been demonstrated in this study. The Scottish Homes/SLF study indicated that 5% of business income came from letting housing. This study shows a greater reliance on income from letting in all estate sizes and is a reflection, of the higher number of houses in the surveyed estates portfolio.

5.7 An Integrated Estate

The study has shown considerable benefits to the rural community coming from traditional landed rural estates particularly in regard to support to local businesses and therefore rural employment and rural housing with consequent social implications for the community.

The study has also revealed a considerable input into public good benefits through access to forestry land and integration of conservation activities with other areas of estate activity. Estate sporting activities in turn create significant community benefit from being marketed as a leisure and recreational activity. The activities bring sportsmen and women into an area who require associated food, drink and accommodation services thereby contributing to the wealth and sustainability of the local community.

The study has also demonstrated the diversity of business activities associated with rural estates, which spreads the impact of changes in the economics or legislation affecting any one particular area of the estate's business activities. There are a number of examples among the larger estates of the role of the estate in supporting and encouraging entrepreneurship through their actions as development catalysts in their local community. These range from formal business partnerships where the estate has an equity stake in the business, through various rental agreements for business premises and workshops. Arrangements vary from low rents through flexible rents to conditional agreements where mutual benefit is gained by both parties by for example favourable rents conditional on purchase of estate resources e.g. timber. Other examples of estate support for rural entrepreneurship include contractual work agreements providing a degree of security for the entrepreneur to progress their business start up. In another example the estate took over a failing rural business achieving economies in fixed costs by providing administration and management but equally securing a number of jobs in a fragile rural community.

At a time when public access to the countryside and the quality of the countryside in public good terms is high on the agenda it is important to recognise the services provided by many rural estates with regard to public access to the countryside. This public good provision comes from a number of aspects of estate management. Most large estates interviewed have a positive attitude to public access to land resources that are in their day-to-day management control e.g. estate woodlands and policies. In providing access, many estates also provide control of access by providing car parks and marked walks. Some also provide a degree of education and information for visitors through the employment of countryside rangers and guides. In many cases no commercial income is derived from these activities instead the function relies on public sector support or the largesse of the estate owner.

With regard to the tenanted land sector estates can attempt to influence tenants actions in the area of public good activity but cannot dictate. Nevertheless, a number of examples were identified during the course of this study where the landowner had, at the time of tenancy turnover or in discussion with a tenant, introduced environmentally beneficial clauses to the tenancy agreement.

Specific examples usually relate to hill farm situations where sheep stock reduction agreements meeting the requirements of SEERAD support measures and thus of economic value to the tenant. In some cases the mutual benefit to the estate was the potential restoration of heather moorland with a commensurate impact on grouse numbers and hence income earning potential from shooting activities. Other examples of the role of estates in land management include the landlord working with a number of tenants in preparing agri-environment scheme agreements. This has achieved synergies through the integration of individual tenants' plans, which may have required a tenant to make minor modifications to his own plan to benefit neighbours and the estate. However, this is only possible where tenants communicate with the estate their intentions and are responsive to collective action by themselves, their neighbours and the estate.

Elsewhere in this report it has been noted that rural estates have a significant portfolio of residential properties. Estate workers or ex-employees occupy a number of these properties. In some situations these properties used by current or ex estate workers are available at low or zero cost. There is therefore a significant contribution made by rural estates to the social housing needs of rural communities. Estates surveyed in researching this report do provide a valuable service through the provision of a stock of rural housing for rent. Furthermore, in line with the business objectives of managing estate resources for future generations, the level of property maintenance is generally high helping both the tenants and the landlord.

6. Contribution to the Wider Economy

6.1 Regional Multipliers

Multipliers have been developed for the different estates. This has been done using input-output tables and multipliers for Scotland with the coefficient matrix transferred to a regional table, using regional employment data. The regional input-output tables have then been used to calculate regional multipliers for each of the standard industrial classifications.

The multipliers are then weighted according to expenditure patterns of each of the estates to give an estate multiplier as follows:

Estate	Income Multiplier	Employment Multiplier
Small		
Estate 1	3.06	2.84
Estate 2	1.92	1.98
Estate 3	2.39	2.39
Medium		
Estate 4	2.78	2.51
Estate 5	1.93	2.05
Estate 6	2.06	1.84
Large		
Estate 7a	2.15	1.90
Estate 7b	1.99	1.89
Estate 8	2.62	1.45
Estate 9	1.93	2.02

The multipliers include direct, indirect and induced effects on the economy. Income multipliers measure the change in income, which occurs throughout the economy as a result of a change in output. The employment multipliers show the ratio of total employment change to direct employment change.

The employment multipliers cannot be used to calculate wider employment effects without additional data on wages for the different functions of the estate. However, the income multipliers can be used to assess the impact the estates have throughout the economy.

This is calculated as follows:

Estate	Average Additional Contribution to Economy (£)
Small Estates	434,165
Medium Estates	345,208
Large Estates	5,671,520

6.2 Multipliers for Typical Estate Profiles

Now that the methodology for the development of the multipliers has been completed, it is possible to combine this with the characteristics of a typical small, medium or large estate and quantify the contribution of each type of typical estate to the wider rural economy. The multipliers have been recalculated using Scottish rather than regional data. Additionally, output and expenditure profiles

have been adjusted to reflect a typical estate functional mix and size. The revised multipliers are detailed below.

Estate	Income Multiplier	Employment Multiplier
Small	2.24	1.99
Medium	2.20	1.91
Large	2.12	1.90

The impact of one of these typical estates on the economy can be calculated using the multiplier and the revised output data.

Estate	Estimated Additional Contribution to Economy (£)
Small	250,991
Medium	458,105
Large	2,814,567

The differences between these figures for a typical estate and those presented for the estate co-operators reflect the differences in functional mix and size of estate.

7. Environmental Contribution

Estates have been identified as having the following contributory benefits to conservation.

- A single land management unit allowing integrated and co-ordinated management under one over-arching set of objectives.
- Management of large areas for conservation integrated with other land management activities.
- Encouragement and facilitation of integrated conservation management across in-hand and tenanted land.
- Development of partnerships with conservation organisations, local communities, landowners and tenants.

These benefits are demonstrated in the case studies that follow.

SMALL ESTATE CASE STUDY

Overall Contribution in Environmental Terms

Estate objectives include:

- allowing responsible public access.
- creation of wildlife habitats including woodland plantings and new habitats under the Rural Stewardship Scheme.

Designated sites - the estate has a management agreement for an SSSI on the River Tweed.

Added Value Contribution

In terms of biodiversity creation of unharvested crops, grass margin/beetlebanks, creation of water margins and wetlands and control of bracken. These new habitats are likely to benefit a range of farmland species such as brown hare, skylark, yellowhammer, pipistrelle bat, otter, watervole and grey partridge.

Non-estate farms would also be likely to provide such habitats and support similar species therefore this is not unique to a small estate. As it is a small estate there is less potential to provide more than any other individual farm purely due to its small size as it can be matched by a similar farm holding.

The parkland area of the estate is more unique in terms of both landscape, historical and habitat.

Examples of Best Practice

- Applications for RSS by tenants were supported by estate.
- Local Amenity Group established a 4.5 km walking route on the estate.

MEDIUM SIZED ESTATE CASE STUDY**Overall Contribution in Environmental Terms**

This estate is managed with a strong emphasis on conservation and game management and the estate objectives include the following:

- Maintain and enhance the area of the estate.
- Allow others to enjoy the estate.

There are no designated sites on the estate.

Added Value Contribution

Under the RSS unharvested crops have been planted, grass margin/beetlebanks created and small woodlands created and managed. These new habitats are likely to benefit a range of species such as brown hare, skylark, linnet, yellowhammer, pipistrelle bat, grey partridge and black grouse as there are moorland areas.

The effort of joining with three other farms in the RSS bid is valuable as it allows larger areas of similar habitat to be managed and provides continuity of management across similar habitats and for particular species.

The Capercaillie Challenge Fund from the RSPB has led to the erection of 1500m of new fencing around woodlands with chestnut droppers in place of the old deer fencing that caused deaths of capercaillie by collision into these fences. It is likely to be more beneficial and easier to deal with a single estate than several individual owners for such a project in terms of time and effort.

The estate home farm and three tenants entered the RSS. The capital works for the RSS such as fencing and other path works are carried out using local contractors.

Examples of Best Practice

- Participation in Capercaillie Challenge Fund by RSPB.
- Community woodland plantings undertaken.
- Support of tenants with RSS applications.
- Establishment of paths.
- Community Woodland Walk - tracks open to the public for horse riding and walking maintained initially by estate but has now been taken over by local Community Trust.
- Participation in local biodiversity action group.
- Participation in river habitat scheme.

LARGE ESTATE CASE STUDY**Overall Contribution in Environmental Terms**

The estate has a set of “Natural Heritage Objectives” as follows:

- to encourage the sustainable development of rural industries with due regard to flora and fauna.
- to continue with programmes which deepen and widen existing biodiversity integrating conservation with commercial objectives.
- to participate with SNH, RSPB and others in research surveys including capercaillie and twinflower.
- to encourage conservation by removing redundant deer fences in order to reduce bird strikes.
- to promote the restoration of birch woodlands within let farms and to research in cooperation with Highland Birchwoods on the impact of different grazing regimes.
- to control deer numbers by culling to at least the numbers recommended by the Deer Commission for Scotland in agreed management plans.
- to produce a Management Action Plan for the SSSI and SAC.
- to reconstruct woodlands in more sensitive areas to create plantations of mixed age.
- to continue an active regeneration programme of grouse moor in association with an Advisory Consortium including Game Conservancy, Stirling University, Edinburgh University and Moredun.
- to promote improvements to tributaries of the main river running through the estate in order to encourage habitat conducive to good spawning in association with the River Board, SNH and Scottish Environmental Protection Agency.

In addition the estate has objectives for public interface that include encouragement of an appreciation of the countryside and respect for the environment and rural businesses and to support the Farm Links Scheme.

Over 5000 ha of the estate is designated as an SSSI with part of this site a candidate SAC (Special Area of Conservation). These areas support 13% of the total world population of Scottish crossbill and 3% of the British population of capercaillie.

Added Value Contribution

As nature conservation is a key feature in the policies of the estate there is undoubted benefit for a host of habitats and species that are being managed across the whole estate. The aforementioned capercaillie and crossbill, the osprey, golden eagle, black grouse, heather moorland, blanket bog, Caledonian pinewoods, birch woodlands are to name a few habitats and species on the UK biodiversity lists and afforded protection from a raft of other regulations.

The designated sites are recognised as important and the protection and management of these areas are included in estate policy.

The wide range of other projects and research work the estate is involved with to the wildlife of the estate and to the wider community by promoting good management practice.

The joint effort of encouraging as many of the estate tenants to put in an RSS bid will hopefully lead to more success in the applications and should allow larger areas of similar habitat to be managed and provide continuity of management across similar habitats and for particular species.

This estate appears to be well equipped and well motivated in wildlife management. They are able to integrate sound wildlife and game management with running a successful business. This looks like a good example where the estate organisation works extremely well implementing good environmental management.

In addition, walking and safe cycling routes bring cyclists and walkers to the area, a rich variety of wildlife on the estate brings wildlife tourism especially bird watchers and promotion of good conservation management practice has knock on effects for other land managers and for conservation organisations

Examples of Best Practice

- The fact the estate has a set of environmental objectives.
- Estate newsletter and website.
- Estate asks for public to respond to and interact with estate.
- Estate works with conservation organisations and research organisations to improve habitats and learn more about species, habitats and their conservation and management.
- The capercaillie project and other biodiversity action plans implementation.
- Provision of an RSS presentation for all tenants and encouragement to enter the RSS.
- River Catchment Management Plan and tributary water management project.
- Birch woodland habitat restoration.
- Waymarked woodlands.
- Participation in local community projects such as goldeneye nestbox project with local schools.
- Introduction of GPS farming system for cropping areas – saves on fertiliser and targets inputs therefore reducing waste and avoiding non-target areas.

8. Challenges and Dangers faced by Scottish Estates

In many ways rural estates reflect the diversity of the rural economy. This has been necessary to remain viable and to reduce business risk through diversification of income earning activities.

The challenges and dangers facing estates were identified from qualitative information collated during the course of this study and are summarised in the table below.

Challenges	Dangers
<ul style="list-style-type: none"> ▪ Positive attitude to conservation/environmental enhancement – both the estate and the wider rural community benefit. ▪ Community involvement/public access provision – the community benefit from free access to the land and the estate benefit from integration its activities with the wider rural community. ▪ Development of affordable housing pool – support to current and retired employees. Additionally provision of housing on commercial scale leads to generation of new income streams. ▪ Maintenance of built heritage – the estate maintains its assets and the community and the economy benefit as a consequence. ▪ Enhancement of landlord/tenant partnership – better working relationship leading to enhanced opportunities for both. ▪ Further diversification of activities in land based sector – economic benefit to the estate, the wider economy and rural communities. ▪ Further exploitation of existing resources – maximising revenue generating opportunities from existing assets. ▪ Greater public and industry knowledge of activities and role/benefits of estates system – appreciation of the role and contribution of an estate. ▪ Development of tenant/community entrepreneurship with equity profit share – economic benefit to both. ▪ Expansion – agricultural land and profit making commercial activities. 	<ul style="list-style-type: none"> ▪ Slowdown in Scottish/UK economy limiting profit potential from non-agricultural enterprises – could threaten viability of business model. ▪ Continued pressure on farming incomes and consequent exodus from farming – threaten income from in-hand agricultural activities and from agricultural lets. ▪ Scottish, UK and EU legislative changes relating to land and Common Agricultural Policy reform – uncertainty in the short, medium and long term making planning for the future difficult. ▪ Resistance /slow reaction to changing economic, social and environmental conditions – time lag between realisation, acceptance and action leading to missed opportunities and possible deteriorating conditions. ▪ Dependence on diversity of operations to cross subsidise essential loss making operations – Low margin from farming and need for profit from other activities to fund infrastructure. ▪ High administrative burden associated with diversity of activities – cost of management of large number of diverse activities requires significant income stream. ▪ Scale of operations and high cost burden – economies of scale not being realised and overhead burden (property and/or labour costs).

9. Benchmarking and Best Practice

9.1 Socio-Economic Benchmarking and Best Practice

The collection and collation of data from the co-operator estates has given some indication of best practice and allowed benchmark indicators to be determined. However, the indicators that follow are based on a small sample. Further co-operation from additional estates would allow indicators to be refined and enhanced and make them more representative of actual figures.

The tables that follow given an indication, based on the results of this study, of the relative characteristics and performance of the three estate types in different areas of business activity.

	Output Benchmarks		
	Small	Medium	Large
Output per adjusted ha	£334	£223	£357
Output Streams (% total output)			
Agriculture	72%	63%	41%
Forestry	4%	15%	9%
Sporting	8%	3%	10%
Property	16%	19%	40%

	Expenditure Benchmarks		
	Small	Medium	Large
Expenditure per adjusted ha	£320	£155	£303
Expenditure Streams (% total expenditure)			
Agriculture	64%	42%	30%
Forestry	3%	21%	8%
Sporting	11%	8%	10%
Property	22%	29%	52%

	Local Spend		
	Small	Medium	Large
< 25 miles	57%	69%	57%
25 – 50 miles	31%	27%	10%
> 50 miles	1%	4%	33%

	Provision of Rural Housing		
	Small	Medium	Large
Proportion of total portfolio let (%)	65	86	74
Average rent (£/month)	200	175	225

9.2 Environmental Benchmarking and Best Practice

The study investigations have highlighted the following list of benchmarks and best practice in the area of conservation.

- Make use of the experience from other estates that have good track records on environmental issues and are sustainable, and that show good business practice. Share information and experiences between estates.
- Produce a set of written environmental objectives.
- Complete a written conservation audit for the estate.
- Work with a Conservation Adviser and estate management staff to produce a whole estate conservation plan.
- Use the power of estate management to get involved with biodiversity action plans – i.e. grey partridge, black grouse, Scots pine woodlands, blanket bogs, and capercaillie action plans could be implemented across estates.
- Some very simple changes could make huge difference to wildlife. For example, cut hedges from December to March, and cutting some (if not on roadside) every two years to allow berries to form on hawthorn for birds. Additionally, hedges could be allowed to go into free growth.
- Look at energy use, even using environmentally friendly bulbs across offices can save money, composting, recycling - once you do it tell everyone about it - on your new web pages.
- With new building and construction developments, research the possibilities of using alternative power sources and environmentally friendly building design.
- Develop web pages for the estate to promote the conservation value of the estate. This will be good for PR, good for tourism and hopefully, add value if selling anything from the estate.