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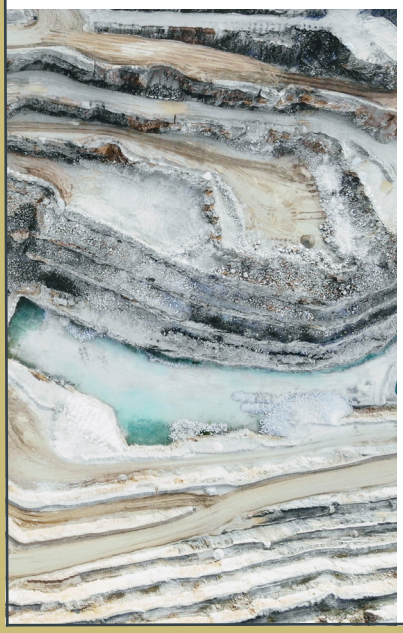

Benchmarking in the rural sector

April 2022

UK

RICS®

BENCHMARKING IN THE RURAL SECTOR

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Abbreviations

BPS	Basic Payment Scheme
CAP	Common agricultural policy
CSR	Corporate social responsibility
CSS	Countryside Stewardship Scheme
Defra	Department for Environment, Food and Rural Affairs
ELMS	Environmental land management schemes
ESG	Environmental, social and governance
GIS	Geographic information system
HNWIs	High net worth individuals
KPIs	Key performance indicators

1 Introduction

Benchmarking is the process of comparing an organisation/business and its operations/ processes against other organisations in the industry in which it operates or in the broader marketplace.

Recognising the use of benchmarking is essential both for the understanding of current business performance and its ability to help drive businesses forward.

This insight paper aims to assist in educating RICS professionals operating in the rural sector and their respective client bases on the merits of benchmarking rural estates and other rural land-based businesses. Rural estates in particular are often a diverse portfolio of built and natural property assets. The contribution of each property asset to the overall performance of the business should be understood, as should their wider contribution.

Equipping RICS rural professionals with benchmarking skills will ensure that their reputation as the most trusted advisers and those best placed to add value to rural businesses is maintained and enhanced.

While this insight paper is directed at RICS rural professionals, it is also relevant to other RICS professionals and other non-RICS professionals engaged with a range of rural land-based businesses.

1.1 The need for rural benchmarking

Challenging the performance of any business using benchmarking should be imperative in any economic climate. However, with so much change in the rural sector currently taking place, the need for rural businesses to benchmark is even more critical. Preliminary research for this insight paper indicates that the current use of benchmarking tools is inconsistent across the rural sector.

One of the key driving forces behind the rapidly changing times faced by rural land-based businesses are the significant policy shifts epitomised by a range of new bills, policies and papers, some of which are listed below:

- the **Agriculture Act 2020**
- the **Environment Act 2021**
- trade policy
- the **Climate Change Act 2008**
- the National Food Strategy.

In addition to significant policy shifts, future financial support is likely to come from both public and private sources. This marks a shift for a sector that is used to support primarily from the public purse.

While these changes are the result of many factors, they are likely to impact on the resilience of rural estates and rural land-based businesses at global, national, regional and local levels. These businesses will need to contribute to net-zero targets, and this will require management changes across a range of areas including:

- ecology/biodiversity
- food production
- forestry
- health and well-being and
- the environment.

In all cases, more interaction with stakeholders will be required, including with local communities.

These areas can be summed up under the three pillars of business sustainability:

- planet
- people and
- profit.

All these issues and more besides bring the need for additional data and metrics to measure performance across a range of indicators. Some of these indicators will be needed to measure outcomes to justify income from both public and private sources. These may include, for example, carbon sequestration, biodiversity change and nutrient reduction in waterways, as well as the outcomes of Defra's three environmental land-management schemes which derive from the new *Agriculture Act* 2020 and the *Environment Act* 2021. These schemes are:

- the Sustainable Farming Incentive: this scheme will be open to farmers who are eligible for payments under the Basic Payments Scheme (BPS) and existing agri-environment schemes
- Local Nature Recovery and
- the Landscape Recovery scheme.

These schemes replace the current BPS, which will be phased out by 2028. The BPS is the biggest of the European Union's rural grants and payments to help the farming industry under the common agricultural policy (CAP). They are the latest iteration of rural area-based support, which started 28 years ago.

Benchmarking and data will also be important for communicating with and demonstrating accountability to external stakeholders (for example, local communities) and providing evidence for policy changes.

However, data has to be presented in such a way that it can be used to help illustrate the need for change and, in turn, result in the ability to measure the change delivered and its contribution to improved performance.

1.2 Aims of this insight paper

This insight paper is the first phase of a two-phase project.

The core purposes of this insight paper are to:

1. raise awareness of and provide an insight into benchmarking as a concept among those engaged in rural estates and rural land-based businesses
2. improve the skill set of RICS rural professionals and those engaged with rural estates and rural land-based businesses
3. inform on benchmarking tools that can be utilised and tailored to add value to businesses and clients
4. inform and provide the framework for phase two of the project, which is the development of a future standard on benchmarking for the rural sector and
5. contribute to more sustainable rural economies.

This project is also directly linked to ensuring that the rural profession is:

- fit for the future
- focused on meeting client needs and expectations and
- at the forefront of a data-led future.

This insight paper:

- outlines what benchmarking is
- describes its importance to businesses in terms of what it can bring to them, and
- through case studies, highlights several different approaches currently being taken in the rural land sector in the UK.

Importantly, this provides an insight into what is being measured and benchmarked, and notes why and how this is being done.

It is anticipated that the delivery of this two-phase project will assist in upskilling rural chartered surveyors so that they:

1. are better informed about benchmarking
2. have a standard at their disposal to implement the use of benchmarking both within the organisations they work and for those they advise and
3. can increase their credibility and that of RICS in the rural sector.

2 What is benchmarking?

There are several definitions of benchmarking. Table 1 shows a selection that reflects the application to rural estates and rural land-based businesses.

Definition	Source
'Benchmarking is the collation, comparison and analysis of data, normally quantitative rather than qualitative, across time periods, to assist with evidence-based decision making'.	Barnston, *Rural Estates: Benchmarking Success*, 2020, p.8.
'Benchmarking is a tool to evidence environmental improvements that unlocks "payment by results"'.	Barnston, *Rural Estates: Benchmarking Success*, 2020, p.30.
'The basic idea behind benchmarking is simple … benchmarking is to identify and implement best practice'.	Helgason, *International Benchmarking Experiences from OECD Countries*, 1997, p.1.
'Benchmarking is a process of identifying, learning from and adapting good practices and processes to help improve performance … but remember, benchmarking requires comparing like with like'.	Kahan, *Farm Business Analysis using benchmarking*, 2020, p.5.
'Farm [and rural estate] benchmarking is a powerful management tool, with its roots in non-farm sectors. It compares farm managers' physical production and financial performance'.	McGavin, *Farm Benchmarking – Pitfalls and Power*, 2015, para. 3.
'Benchmarking is a powerful management tool. It helps to break through resistance to change by demonstrating other methods of solving problems than the one currently used and demonstrating that they work, because they are being successfully used by others'.	NHS Wales, *Benchmarking*, p.1.

Table 1: Definitions of benchmarking relating to rural estates and rural land-based businesses

3 Current benchmarking practices

This section lists the range of benchmarking projects in the rural sector (in the UK and overseas) and those in the property sector that have some relevance to rural estates and other land-based rural businesses.

Preliminary research for this insight paper indicated that there is a wide range of views and expertise on the need for, the content of and the depth of benchmarking required in the rural sector. This points to a range of approaches to rural benchmarking being adopted, with a lack of coordination and agreed standards for the industry and RICS members.

This research is summarised below:

- Some in the sector, especially those working with rural estate clients, know what benchmarking is and are actively engaged in some form of benchmarking. It was noted those doing their own internal benchmarking were finding it difficult to find external comparisons.
- There was acknowledgement that:
  - businesses benefit from measuring and tracking delivery across a range of indicators and
  - it is sensible to combine an asset and 'capitals' approach.

  However, there was some reticence to taking a whole-estate approach.

  The 'capitals' approach enables businesses and organisations to measure success that is directly or indirectly supported by environmental (natural) capital, social and human capital as well as financial capital.
- Those that are already benchmarking are doing it very differently: they are measuring very different KPIs and measuring them in very different ways. Participants suggested that the following key areas should be considered when developing an industry benchmarking approach/standard:
  - Having a UK-focused approach and key performance indicators (KPIs), but aiming to have some that could also be applied outside the UK to enable comparative analysis between countries.
  - Including social and environmental 'capital' KPIs with economic ones, as there will be a stronger case to measure what estates are doing for employees and for local and wider society. This might include areas such as education and training.
  - Including Natural Capital Credits, which include carbon, nutrient and biodiversity credits. These are used by external companies and organisations to pay landowners for making positive environmental impacts.
  - Measuring governance, compliance and risk to demonstrate and measure business resilience to legislation. Also, to identify external risks from climate change.
  - Developing a framework for metrics from which people can pick and choose, but being wary of complexity and too wide a scope. It was also noted that 'too many KPIs confuse, and the result may be the same as having none.'

- Of those that are measuring and undertaking some benchmarking, all agreed that there are things that they ought to be measuring but are not. It is recognised that both hard and soft indicators are needed, and that there are also monetary and non-monetary indicators.
- Language needs to be clear.
- A strong future requirement was identified for the need to measure a range of KPIs to
  - enable rural practitioners to assist decision-making
  - build on performance and
  - know where the businesses they manage are relative to others in the areas in which they/their clients are operating.

  This is especially important considering the changes that are currently impacting on the sector.
- It was noted that the extensive range of benefits delivered by rural land-based businesses, especially rural estates, needs to be able to be showcased to local, national and global stakeholders.
- All participants agreed that RICS should lead on this subject, and that it is best placed to do so, although some thought an industry standard might be going too far.

We can learn from these findings to develop the future approach and standards for the industry.

4 What is a rural estate?

A rural estate is loosely defined as a large landholding around a manor house with a collection of farms, cottages and woodland, with all rents passing to the owner. According to Barnston's *Rural Estates: Benchmarking* (2020), rural estates:

- have a diversified portfolio of assets
- are generally family-owned, passing through generations
- are steeped in and around rural communities and
- are often historic.

However, this is not always the case; for example, local authorities' estate portfolios are usually a collection of small farms.

A rural estate could be viewed as an amalgamation of an array of rural land-based businesses. Therefore, everything within this insight paper that applies to rural estates is also applicable to all business sectors found on rural estates, notably:

- agriculture
- forestry
- residential
- commercial
- leisure
- sporting
- minerals and
- energy.

Ownership and management of rural estates is diverse and, although many are owned by private individuals and families, large areas are owned by institutions, including pension funds, charities and conservation bodies. They may be managed by the owner, a resident agent or a land agency firm and, more recently, by business managers as estates have become more diversified.

It is worth noting that the funds used to purchase private rural estates are often not drawn from agriculture or the rural economy. History shows that they have been purchased by high net worth individuals (HNWIs) who desire a country home.

This diverse ownership leads to a range of motives and objectives and, consequently, the information and benchmarks required.

The other critical dimension is that rural estates play a central role in the communities in which they are located, since a landowner and any decisions made can have a significant impact on many factors within those communities, including jobs, houses, the environment and well-

being. Thus, similar to a company's corporate social responsibility (CSR), rural estates have a requirement, as well as a moral obligation, to be able to justify what they are doing to internal and external stakeholders.

In addition, ecology/biodiversity, food production, forestry, health and well-being, the environment and more interaction with stakeholders, including local communities, are all areas that need to be tackled at a wider level from just the estate. They require collaboration with neighbours and stakeholders at all levels to deliver change at local, regional, national and global levels.

In terms of looking specifically at farms, the following statement from McGavin (2015) is of note:

> 'A distinguishing characteristic of the top 10% of farm operators is management capability. Benchmarking, with physical production and financial performance dimensions, can be an effective tool to identify and compare consistent top-tier farm operators and improve farm performance'. (para. 1)

5 Why should rural estates and land-based businesses benchmark?

RICS recognises that many rural land-based businesses with which RICS professionals are engaged are not realising their full potential. The statement 'If you don't measure, you can't effectively manage' is definitely true. Anecdotal evidence suggests that many managers are unaware of how they are performing against their peers.

One of the key messages in Barnston's (2020) report *Rural Estates: Benchmarking Success* is that:

> 'the land management industry requires a radical rethink for rural estates to perform better in order to play a crucial role in delivering the economic oxygen to rural communities'. (p.i)

Not only economic oxygen is required: of equal importance is the delivery of social and environmental oxygen to ensure the delivery of improvements for local stakeholders.

Rural estates and rural land-based businesses deliver across a range of sectors, and this can make benchmarking more complex but no less crucial. The potential diversity includes, for example, agricultural, forestry, residential, commercial, leisure, hospitality, heritage, minerals, the energy sectors, sporting, utilities and retail. This diversity strengthens the need to have KPIs that are sector-focused as well as those that provide a holistic view of the health of the business. This mix is especially critical when developing future strategies, especially for the efficient use of funds in particular within the typical rural estates reporting structure, including the family, trustees, shareholders, staff and their responsibilities.

However, an important starting point is a holistic assessment of the business and establishing a performance baseline early on. It is difficult to accurately and robustly benchmark (compare the performance of one landholding to another) unless a baseline is established and relevant KPIs set. This is fundamental not only for demonstrating tangible progress for the landholding that has set the baseline, but also for allowing fair comparison of its performance to other landholdings and, crucially, to reflect its own performance over time as well.

Individual sectors and enterprises within the estate/rural land-based business can then be benchmarked within the holistic framework or on a standalone basis to deliver real detail. Today and in the future, it is also going to be important to understand the performance of the whole business within the wider 'landscape'. The commonality across all landholdings is the 'land'. Delivering a standard that focuses on the performance of the land assets should be critical to informing decision-making.

Typically, businesses (across all industries) use benchmarking for the objectives listed below. The list has been compiled from a range of sources, including the author's own experience.

The objectives of benchmarking are to:

- improve performance: benchmarking identifies methods of improving operational efficiency and product design
- permit businesses to challenge current performance and compare to others in the same or similar sectors
- understand relative cost position: benchmarking reveals a company's relative cost position and identifies opportunities for improvement
- better understand the competition and gain strategic advantage: benchmarking helps companies focus on capabilities that are critical to building strategic advantage
- bring enhanced transparency and accountability and added value to the business
- set clear business goals and performance expectations, which is critical
- provide the information to set, monitor and deliver strategic plans
- help manage change and provide new opportunities for discovery
- understand the environmental, social and governance (ESG) commitments. These will be core across all businesses in the UK and globally and will be necessary for legal and compliance reasons
- increase the rate of organisational learning and staff motivation: benchmarking brings new ideas into the company and facilitates experience sharing and
- facilitate collaboration between estates and farms across a landscape to maximise the ecological impact of schemes, projects and interventions.

Benchmarking that is done well and used effectively by rural businesses should increase sustainability, leading to a thriving countryside and rural economies which, ultimately, is in the public interest.

Specifically, for rural estates, Barnston's (2020) *Rural Estates: Benchmarking Success* summarises the objectives of benchmarking into the following four points:

1. **Performance**: benchmarking is the evidence of how an organisation has operated over a time period across a particular measurable area. In turn, this drives rational decision-making to deliver changes and strive for continuous improvement. It also reduces risk by identifying failure early on to prevent more expensive errors over time.
2. **Industry confidence**: accountability between land agents and landowners raises professional standards by correlating advice and input against impact. This transparency further enhances confidence. It can also be a useful tool to incentivise hard work and justify 'payment by results'.
3. **Perspective**: results offer clarity when comparing against oneself or other estates of a similar standing, eliminating subjectivity and using objectivity.
4. **Profit**: estates unable to account for their financial performance will struggle to realise their full potential.

With a clearly established metric for success, it is possible to quantify progress and adjust processes to assist in the journey to the desired outcome. This could, for example, be an internal process utilised to compare KPIs for the performance of various parts/geographical areas of the business that may inform performance-related remuneration. Or it may be a process that is utilised to judge KPIs externally; for example, the cost of production per unit of a specific output against peers.

6 Existing benchmarking surveys and tools

It is difficult to give a comprehensive inventory of existing benchmarking tools and surveys because of the wide scope within the rural sector and the flux of the various surveys due to participation levels and the economics of administering benchmarking surveys. However, this section attempts to outline the primary surveys and tools currently available to land managers and advisers.

6.1 UK rural property

Although there have been several benchmarks in the past, including the MSCI Rural Property Index (formerly the IPD Let Land Index) and several iterations by land agency and accountancy firms, our research suggests that the current offering for KPIs to challenge the estate business includes the following surveys, tools and modelled farms and estates:

- **Accountant data**: this is produced by a number of national and regional accountancy firms with varying degrees of detail. Examples include:
  - **Land Family Business**: farm and rural business benchmarking including regenerative agriculture, mainly covering arable farms in the East of England.
  - **Hardcastle Burton**: each year this produces a harvest survey to complement the individual management account figures for each of its farming clients.
- **AHDB Farmbench**: this is an online benchmarking tool that allows farm businesses to compare to similar businesses. It helps identify where the business can improve efficiency and increase profits. This survey generates updated KPIs.
- **Carter Jonas's Model Estate**: this is a notional agricultural estate created in 2010. It comprises 3,168 acres and includes a combination of let and in-hand farms, a commercial and residential portfolio, a telecoms mast, fishing rights, a syndicate shoot and a solar farm. It is located within the geographical triangle bounded by the M4, M40 and M5 motorways.
- **Farm Business Survey**: this provides information on the physical and economic performance of farm businesses in England and Wales, to inform policy decisions on matters affecting farm businesses. It is sponsored by Defra and is produced by various contributing universities (e.g. Cambridge University's *Report into Farming in the Eastern Counties of England*). It is intended to serve the needs of government, government partners, farming and land management interest groups and researchers.
- **Global Farm Metric tool**: this was developed by the Sustainable Food Trust. The assessment takes a broad approach to help farmers assess and score the sustainability of their farming system within a 12-month period. The output is a radar diagram illustrating the farm/estate's score in 12 key areas.

- **Historic Houses**: this association produces statistics on the economic, social and cultural contribution of independently owned historic houses across the UK. See also **The economic, social and cultural contribution of independently owned historic houses across the UK**.
- **The Land App**: a digital mapping platform designed specifically for rural estates and rural professionals. It provides access to authoritative datasets from partners such as Ordnance Survey, combined with templates for agri-environment schemes and baseline habitat assessments. It also provides a standardised framework for generating high-quality spatial data that underpins effective benchmarking in the rural sector. Spatial data mapped on the platform can also be used to derive metrics such as biodiversity units for accurate benchmarking and to inform decision-making about optimal land use strategies.
- **Natural Capital Grade Report**: this report encompasses an assessment of the extent, impact and potential of a landholding's natural capital. The grading process can support landowners and managers to articulate the natural capital benefits of their landholding(s), inform decision-making, improve performance and report progress.
- **Recce Rural**: bespoke and client-led rural benchmarking for peer groups of rural estate businesses across all ownership types and geographies.
- **Savills' Natural and Social Capital Performance Report**: this report identifies, records and quantifies the environmental, economic and social assets of rural land at a moment in time. This enables landowners and managers to monitor the performance of the land they manage and enables them to communicate this information to a wide audience.
- **Strutt and Parker's Time to Review tool**: this is designed to aid long-term, strategic decision-making for mixed rural businesses with let property by quickly identifying their strengths and weaknesses in terms of a set of selected financial ratios.
- **Sustainable Agriculture Initiative (SAI) Platform Farm Sustainability Assessment (FSA)**: this tool is widely used by food-sector businesses to measure and monitor sustainability practices within their supply chains.
- **Triage**: this provides nature-based solutions, ecosystem services and geographic information system (GIS) consultancy based on applied geospatial data to provide a holistic view. End-to-end services are provided, from benchmarking and strategic consultancy through implementation to monitoring and management. Whole estate reporting and natural capital assessments are provided using the Spatial Evidence for Natural Capital Evaluation (SENCE) estates tool.
- **Wildlife Estates Scotland (WES) accreditation**. The purpose of WES is to introduce an objective accreditation system to underpin and improve game and wildlife management undertaken by Scottish landowners and managers, in line with the principles of biodiversity conservation. Through the collection of general information about land management, WES also seeks to identify related benefits for society and rural communities.

6.2 UK property

There are several benchmarks and datasets available across the property sector that may be a useful comparison for non-rural parts of portfolios or even sections of the rural portfolio such as residential or commercial rents.

- **Association of Leading Visitor Attractions (ALVA)**: visitor figures.
- **Costar**: over 5.7m commercial properties are tracked in this database, and every change in their status is recorded (e.g. properties being let or sold, tenants moving in, etc.). Data is gathered and updated on an ongoing basis from 97% of agents.
- **Gov.uk**: data includes:
  - **UK Houses Price Index**
  - **Index of Private Housing Rental Prices**
  - **English Housing Survey**, which collects information about people's housing circumstances and the condition and energy efficiency of housing in England.
- **Hotstats**: hotel benchmarking that provides comprehensive and detailed operating data.
- **House price indices**:
  - **Nationwide House Price Index**.
  - **Halifax House Price Index**.
  - **Property agency companies**: many of these also produce real estate indices.
- **MSCI Real Estate indexes**: real estate investment tools that provide business intelligence to institutional investors, real estate owners, managers and brokers.
- **Visit Britain/Visit England**: analysis and commentary on a wide range of sectors, including culture, heritage and attractions, accommodation, countryside and coast, sport, food and drink, and shopping.

6.3 International rural property

A comprehensive search reveals that there are very few datasets available internationally that could be used to give a useful comparison to rural estates or land-based businesses in the UK. The following list is an example of data that might be useful in certain situations.

- **Agri Benchmark**: a global, non-profit network of agricultural economists, advisers, producers and specialists in key sectors of agricultural and horticultural value chains. The main aims of the project are to:
  - identify and understand driving forces for future trends and developments in global agriculture
  - analyse the impact of changing economic, technological and political framework conditions on farming operations, farm structures and agricultural production and
  - provide relevant information for clients who want to strengthen their position in a global agricultural economy.
- **Food and Agriculture Organisation (FAO) of the United Nations**:

  - the **Farm management extension guide** (p.12) provides farm business analysis using benchmarking, and gives some effective pointers.
  - the **Livestock Environmental Assessment and Performance (LEAP) Partnership** is a multi-stakeholder initiative that seeks to improve the environmental sustainability of the livestock sector through harmonised methods, metrics and data. LEAP leads a coordinated global initiative to accelerate the sustainable development of the livestock supply chain and to support coherent climate actions, while contributing to the achievement of the 2030 Agenda for Sustainable Development and the Paris Agreement. See **Biodiversity and the livestock sector: Guidelines for quantitative assessment**, a reference for quantitative indicators.
- **Global ESG Benchmark for Real Assets (GRESB)**: this includes ESG data and actionable insights. Institutional and financial investors use GRESB data and benchmarks to monitor investments, engage with managers and make decisions, hoping to achieve a more sustainable real asset industry.
- **Map of Agriculture AgRadar**: a predictive model for analysing the number of farm businesses in the UK and Ireland by enterprise type, size and output.
- **Task Force on Climate-Related Financial Disclosures (TCFD)**: this structures its recommendations around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These thematic areas are designed to interlink and inform one another.
- **UN Sustainable Development Goals**: these are a call to action for all countries – poor, rich and middle-income – to promote prosperity while protecting the planet. They recognise that ending poverty has to go hand-in-hand with strategies that build economic growth and address a range of social needs, including education, health, social protection and job opportunities, while tackling climate change and environmental protection.
- **Wildlife Estates** is a label/accreditation scheme that covers a network of estates across Europe. It was created and is promoted by the European Landowners' Organisation (ELO).
- **World Bank benchmarking rural water systems by a simple score/tool**. This is an example of a practical model that has been developed to be user-friendly but detailed enough to detect gaps and prioritise interventions for village water committees.
- Other useful organisations are:
  - **European Landowners' Organisation (ELO)**
  - **Welcoming Estates** and
  - **Friends of the Countryside**, which works alongside its sister organisation **Welcoming Estates**.

7 Case studies

These case studies illustrate current and different approaches to improving performance on rural estates. They inform the analysis of rural benchmarking in this insight paper.

7.1 Case study 1: Jahama Highland Estates

Benchmarking for natural capital and carbon

Jahama Highland Estates (JHE) is a multi-enterprise rural business that is more than 114,000 acres in size. According to the JHE website, the estate's vision is to be a 'beacon of inspiration for landscape-based asset management'. JHE extends from urban land in Fort William to remote mountainous terrain. The estate regards its task to be 'regional regeneration that meets the needs of the present while ensuring a sustainable future', and is aiming for 'the realisation of thriving communities rooted in a resilient environment' which challenge traditional narratives of rural estate management.

JHE is part of GFG Alliance's **SIMEC** brand, and the last aluminium smelter in the UK is operated at Fort William. The arc furnaces at this smelter are powered by hydroelectricity, with the water coming from the estate. In view of this industrial background, the estate is very concerned about its relationship with the environment.

In 2019, the estate therefore started appraising its natural capital assets. Recognising the enormous breadth of this task, an early decision was taken to focus on the estate's most prominent natural capital assets. These are:

1. **the value of the water resource**, which is used not only for power generation but also as a local supply of potable water for many dwellings on and off the estate, and is also utilised by a local whisky distillery
2. **the carbon sequestration potential of the estate**
3. **recreational use**: the estate owns the north face of Ben Nevis and all the pathways that approach Ben Nevis (Ben Nevis itself is now owned by the John Muir Trust) and
4. **peatland on the estate**: some of this is in prime condition, some has undergone restoration and some is in need of restoration.

There are three elements to the baseline work being undertaken by the estate. The first was an appraisal of the carbon sequestration capacity of the estate. An interim report has now been published and is available on the estate's website. The second area of work is in progress, and consists of a natural capital assessment of values for recreation and visitors, water, carbon and peatland biodiversity. An estate carbon footprint is the third project that is underway. This work will all provide an important baseline for this important Highland estate to measure the impact

of future measures on the natural capital value, allowing it to benchmark its own progress and compare with others as similar studies become available.

Up-to-date details of the work as it progresses can be obtained from the JHE website, and in particular the **page on natural capital**. The work on carbon and greenhouse gases, for example, shows that the estate is sequestrating approximately 62,000 tonnes of carbon dioxide equivalent a year. It has been estimated that the peatland alone on the estate may be storing 10m tonnes of carbon. In future, the estate will be able to draw on these data to determine its contribution to the reduction of greenhouse gases and global warming and create income from carbon credits.

Case study contributed by Charles Cowap, MBA MRICS FAAV ARAgS PFIAgM CEnv.

7.2 Case study 2: Clinton Devon Estates

Scorecard with internal benchmarking

Clinton Devon Estates redesigned its operational scorecards in September 2019 to ensure a more data-driven approach which would help inform decision-making on a quarterly basis. It was agreed that there had not been enough focus on non-financial metrics in the past (e.g. greenhouse gas emissions data) and these metrics were given additional prominence in the new design to put them on an equal footing with financial metrics.

Every quarter, each metric is measured against both the prior year figure and the internal benchmark. This internal benchmark is designed to be an attainable target with progress on achieving this target reviewed once a quarter (e.g. rent arrears cannot be greater than 1% of total income). The benchmark is set by the Head of Financial Governance and Reporting as well as the respective business area lead and is reviewed annually to ensure it still represents an achievable target.

The variance between these figures is then mapped using an algorithm to a red, amber, green (RAG) status. This RAG status indicates whether the metric:

- is on or ahead of target (green)
- has fallen behind target (amber) or
- is significantly behind target and a cause for concern (red).

The metrics that show as red are reviewed in detail and additional resources are redirected to try to improve performance in these areas if they are metrics that are within the organisation's control. Figure 1 is an example proforma used to show RAG statuses.

Case study contributed by Jonathan Wood and Leigh Rix (FRICS), Clinton Devon Estates.

CLINTON DEVON ESTATES
Q4 - QUARTER ENDED 31 MARCH 2021
RESIDENTIAL SCORECARD

Key to risk rating scores		
Green	Low Risk	(rating is < 10)
Amber	Medium	(rating is 10 - 15)
Red	High Risk	(rating is > 15)

Business area lead:	Key internal personnel:		Key external personnel:	

Entities included:

KEY METRICS (to be updated every quarter)

							VARIANCES			RESULTS		
YTD Metrics (Updated every quarter)	Type	Measurement	CY Actual (YTD)	CY Budget (YTD)	Forecast	PY Actual (YTD)	Movement - Year on Year	Variance on Budget	Forecast Outturn	% Variance on Forecast	Score (25)	RAG
Rents	Variance	£										
Repairs	Variance	£										
Insurance	Variance	£										

							VARIANCES			RESULTS		
Quarterly Metrics (Updated every quarter)	Type	Measurement	CY Actual	PY Actual	Internal Benchmark	External Benchmark	Movement - Year on Year	Internal Benchmark	External Benchmark	Max	Score (25)	RAG
% gross return on residential rents (YTD)	Operational	%										
No. of void properties	Operational	No.										
No. of properties with EPC < Band E requiring improvement works	Operational	No.										
Rent arrears as % of total income	Operational	%										
Aged debtors > 6 months	Operational	£										
Direct cost of rental voids per month	Operational	£										
No. of H&S reportable accidents in the quarter	ESG	No.										
No. of H&S recordable accidents in the quarter	ESG	No.										
No. of H&S near misses in the quarter	ESG	No.										

							VARIANCES			RESULTS		
Annual Metrics (Updated annually)	Type	Measurement	2019/20	2018/19	Internal Benchmark	External Benchmark	Movement - Year on Year	Internal Benchmark	External Benchmark	Max	Score (25)	RAG
Amount spent on energy efficiency improvements	ESG	£										
No. of listed residential properties	ESG	No.										
No. of houses occupied by pensioners	ESG	No.										
No. of houses occupied by employees for better performance of duties	ESG	No.										
Energy consumption of residential portfolio	ESG	kWh										
Greenhouse gas emissions - Residential portfolio	ESG	CO2 tns										
Greenhouse gas emissions - Vehicles (33%)	ESG	CO2 tns										
Average tenancy length	ESG	Years										

KEY BUSINESS RISKS (To be filled out by business area lead each quarter)

							RESULTS	
Risk	Mitigation	New Risk?	Prior Quarter	Interdependency?	Likelihood (1-5)	Impact (1-5)	Score (25)	RAG

PROJECTS IN THIS BUSINESS AREA (See PRAMs meeting)

										RESULTS	
Project Name	Project Stage	Priority Level (1-5)	Project Size (Funding)	Project Size (Resource)	Project Size (£ Delivered)	Project Lead	Key Internal Personnel			Score (25)	RAG

COMMENTARY (To be filled out by business area lead each quarter)

Description	Owners:	OPINION		
		Prior Q	Now	Outlook

Figure 1: Example proforma (© Clinton Devon Estates)

7.3 Case study 3: Moor Wood Estate

7.3.1 Natural Capital Grading

This part of the case study considers how **Nature Capital** used a natural capital lens to improve performance on Moor Wood Farm. This was done with the Natural Capital Grade (see Figure 2), which looks at performance by considering the outcomes of:

- soil health and carbon
- biodiversity habitat and species
- carbon emissions and above-ground carbon capacity and
- water quality and flow.

Therefore, the impact of the estate enterprises on the landholding's natural assets can be reflected in the whole.

Moor Wood is a 1,047-acre (424 hectare) farm that historically has had a variety of different management approaches. It was a mixed farm in the 1980s and early 1990s and has been conventionally cropped, with no livestock in the rotation, for the last two decades. Moor Wood has been involved in various agri-environment schemes.

Natural capital approach

Nature Capital attempted to look at Moor Wood through a natural capital lens. The 'wheel' in Figure 3 visually represents the journey throughout 2021 as the farm transitioned towards a stronger focus on natural capital. Nature Capital tries to consider the impact of land-management practices on the performance of the ecosystem services that the farm provides, whether these are prioritised (historically, food production) or whether they are secondary or tertiary concerns (carbon sequestration, flood alleviation, species habitats, etc.). They seek to better understand the impact of management on the core natural capital assets, soil, water, air (carbon) and biodiversity, based on the performance of their outcomes.

Understanding the performance of landholdings (soil, water, air (carbon) and biodiversity) is fundamental to a natural capital approach.

Critical to this is:

- using an intuitive method to communicate the natural capital attributes of a landholding
- establishing an overall 'natural capital baseline' so that the performance of the natural capital can be measured, reported and tracked over time, in order to demonstrate tangible progress and
- that the grade comprises the current, target and potential grade. The target indicates what the landholding can achieve and the potential indicates what the landholding may be able to achieve.

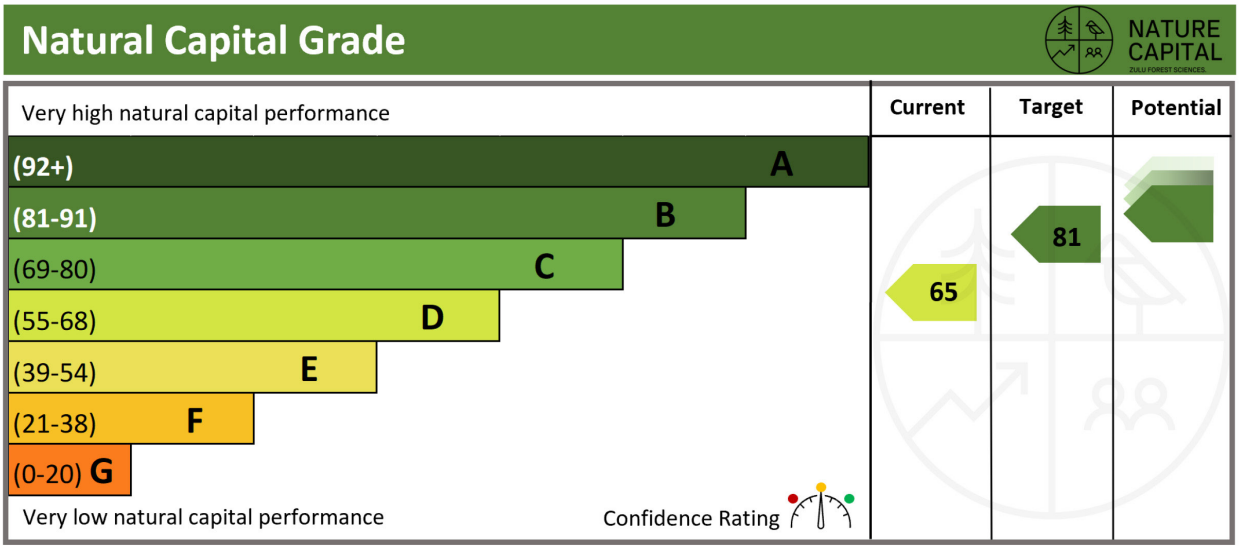

Figure 2: The Natural Capital Grade, developed by Nature Capital, is represented in a similar fashion to an Energy Performance Certificate. It is designed to reflect the performance of a landholding's natural capital, in order to inform decision-making and enable more sustainable land-management practices (© Nature Capital)

As a result of the analysis, the whole farm was put into a Countryside Stewardship Scheme (CSS) (mid-tier) which started in January 2021. Simply put, this means no combinable crops but, instead, a patchwork of unharvested cereals (currently spring barley and triticale), arable plants and two-year legume fallow interspersed with a network of wild bird seed, and wildflower/ nectar strips and plots. Grazing and grass management continue in the valleys and are being integrated into the CSS rotation where feasible. The woodlands have been selectively thinned to promote natural regeneration, species diversity and to minimise the effects of ash dieback. While these works are undertaken, a natural capital baseline has concurrently been established to help reflect the impact of the changes.

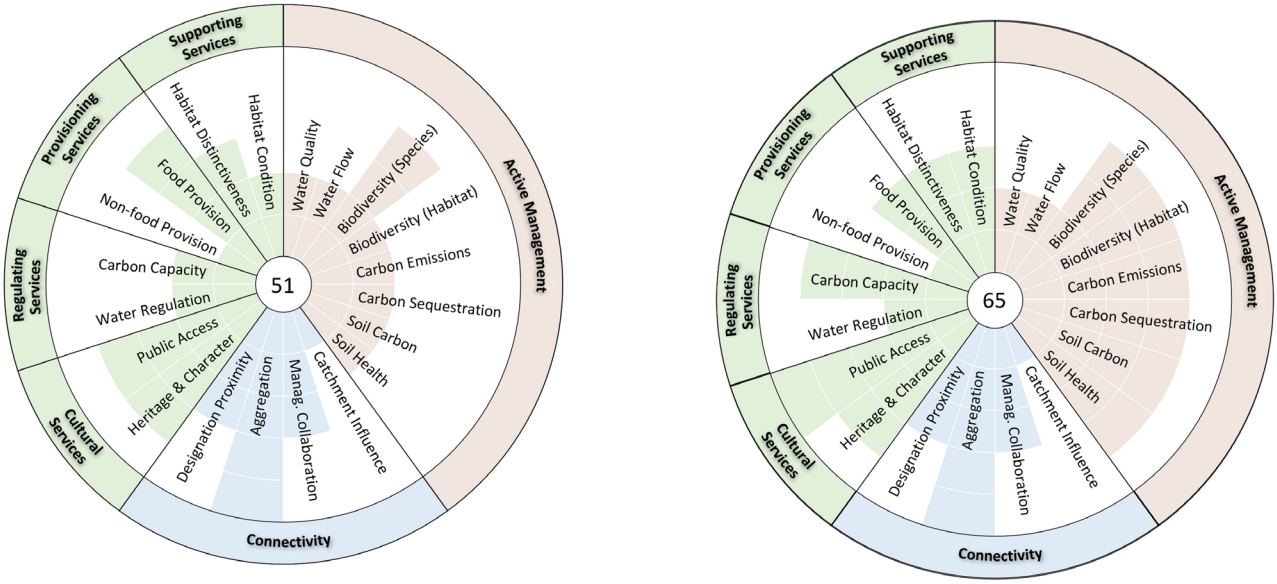

Figure 3: Moor Wood Natural Capital Grade and performance wheel (© Nature Capital)

Case study contributed by Alex Robinson MRICS, Partner, Moor Wood Farm Gloucestershire and Director/Founder, Nature Capital.

7.3.2 Sustainable Food Trust ELSA toolkit

Moor Wood Farm also trialled the Environmental Land Management Sustainability Assessment (ELSA) tool (now known as the Global Farm Metric tool) developed by the Sustainable Food Trust. The assessment took a broad approach to help farmers assess the sustainability of their farming system within a 12-month period.

Moor Wood completed the assessment in 2020 when the farm was still being conventionally cropped. The result is shown in the radar diagram in Figure 4. This gives a visual overview of the sustainability of the farm with each area being scored out of 100. The challenge is to improve scores to move more into the green as management changes take place.

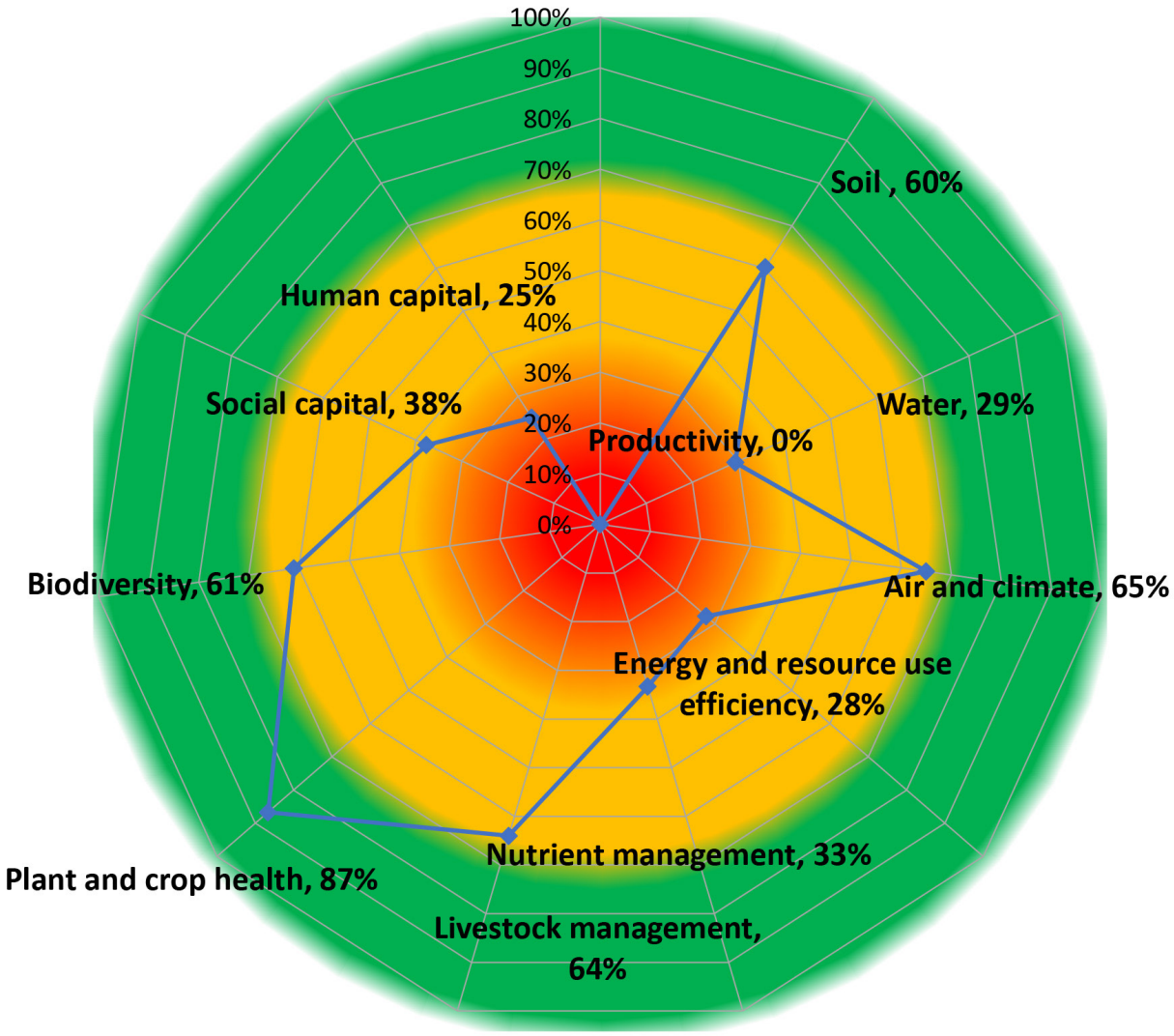

Figure 4: Moor Wood ELSA radar diagram (© Nature Capital)

The ELSA tool could also be used as a decision-support tool for farmers and land managers to help them identify the possible impacts of changing the system on performance across the full range of sustainability indictors. The potential to create a large amount of data for benchmarking is high.

Case study contributed by Alex Robinson MRICS, Partner, Moor Wood Farm Gloucestershire and Director/Founder, Nature Capital.

7.4 Case study 4: Chatsworth

Residential property performance

The Chatsworth Estate manages over 400 residential properties as part of its property portfolio. They are located primarily across Derbyshire but also spread into Staffordshire and Nottinghamshire. Around 25% of the properties are let on concessionary rents to estate staff or pensioners.

KPIs monitoring the performance of the residential property were introduced about 15 years ago. They include:

- repairs as a percentage of rent
- void percentage and
- the number of properties let on open market rents.

7.4.1 Percentage of rental income spent on repairs

When the group began tracking repairs as a percentage of rent as a KPI, the spend on repairs was high and unsustainable for the business. Initially, with external advice, the estate set a budget target of 35%, increasing to around 50% on the core estate where it had a high percentage of listed buildings to maintain. This KPI includes the cost of general maintenance and refurbishments and is managed partly by a more proactive regime of repairs and maintenance but also as a result of significant increases in the total rental income as more properties have moved from concessionary rents to open market rents. During this period there has also been a reduction in farming businesses releasing farmhouses for other residential or commercial uses, further increasing the rent roll.

Meeting the KPI for repairs in recent times has become more challenging as the compliance costs (e.g. fixed wire, gas safety, legionella, chimney sweeps, etc.) have risen.

When setting the percentage, the estate felt it helpful to take guidance from a Savills benchmark but other estates wishing to do the same would need to set their KPI accordingly. What works for Chatsworth would not necessarily work for another estate where the rent roll per unit is significantly higher or lower.

7.4.2 Residential property voids

Another KPI monitored at Chatsworth is the void percentage on the residential property portfolio. This is reported using its estate management software and has influenced a more pro-

active approach to unforeseen vacancies so that properties are not left vacant awaiting the new financial year. An average number of the previous vacancies is also used to influence where the budget is set for general house moves to facilitate quicker re-letting.

Recent software system changes that the estate is implementing will make analysis of other data possible. The estate will be better equipped to analyse:

- turnaround costs for the re-letting of residential properties
- the number and type of repairs being reported and the time these take to resolve and
- customer satisfaction levels.

Case study contributed by Charlotte Leech MRICS, Deputy Estates Manager, Chatsworth Settlement Trustees.

8 How to benchmark

The previous sections have established that benchmarking can be a valuable tool for rural estates and rural land-based businesses. It is useful to understand the overall process for producing benchmarking KPIs. This will enable the interrogation of the context of the KPIs being considered for use and how they have been calculated.

Helgason's *International Benchmarking Experiences from OECD Countries* (1997) shows that a typical benchmarking process involves the following steps:

- planning of the study
- understanding existing processes
- selecting indicators
- selecting benchmarking partners (or a benchmarking standard)
- collecting and comparing data
- relating processes and results
- planning and implementing improvements
- monitoring and evaluating and
- pressure for improvement.

There are a variety of ways that this can be done and a range of frameworks that have been developed for the various stages of benchmarking and the reporting of KPIs. These include the SMART framework, scorecards, the Boston Matrix and value-based management.

It is therefore very easy to complicate benchmarking and lose the key objectives for carrying out this exercise on an estate business. However, benchmarking should not be regarded as a 'quick fix'. While knowledge of differences in performance may be an important incentive for improvements, planning and implementing improvements still require a lot of effort. Also, it is not sufficient to copy practices from other organisations: as stated in Helgason's *International Benchmarking Experiences from OECD Countries* (1997), best practices have to be evaluated and adjusted to the needs of the benchmarking organisation.

Due to the nature and data availability of rural businesses and agriculture, benchmarking tends to be actioned within a regular timetable – usually once a year. However, this should not preclude thinking about performance and KPIs on a more frequent basis. According to Kahan's *Farm Business Analysis Using Benchmarking* (2010), benchmarking can be conducted at all times and at all stages of the decision-making cycle, from diagnosis and planning to implementation. A time series is necessary in the benchmarking process, as rural estates are long-term, often over multiple generations.

There are multiple steps and levels to benchmarking and optimisation. However, to keep it simple, 'how to benchmark' can be summed up in three headings, as detailed in Ward's *A Thought Experiment in Benchmarking and Optimisation* (2019):

- **Measure**: this may be physical or financial and has to be related to a target objective. If an action or item cannot be measured, it is almost impossible to improve. Once an input or output has been measured, the data has to be related to a quantifiable objective.
- **Examine**: in practice, the largest benefit from benchmarking often occurs simply from questioning the data. The act of asking whether the job could be done more efficiently frequently results in improvement.
- **Compare**: the simplest benchmarks of comparing prices received or paid can provide the most assured benefit and at least appear straightforward. However, even these measures need adjustment to take into account the time of purchase or sale and other differences such as location.

The last point is probably the most important. Collecting and analysing data is key but the KPIs derived from this analysis need like-for-like comparisons. This includes the way they are calculated and what they represent; for example, are they averages of the whole sample or of the top 10% or 25%?

According to Kahan's *Farm Business Analysis Using Benchmarking* (2010), benchmarking is not without weaknesses, which need to be understood. Understanding weaknesses, pitfalls and issues is part of maximising the benefits of the outputs of benchmarking.

To extract maximum value from benchmarking, it is necessary to avoid the pitfalls by understanding how to collate the data and interpret the results. Some have criticised benchmarking as 'random numbers' and for providing ambiguous information. Although drawn from a farm benchmarking experience, the thoughts in Table 2 are relevant to rural estates, and aim to maximise the benefits of benchmarking.

What to avoid	What to do instead
Small sets of potentially unreliable data: smaller datasets can lower confidence in results.	**Use larger datasets**: confidence in results based on small populations increases in line with the number of years of data collection.
Scale bias: there is often a very high positive correlation between top-decile operators and the size of enterprises.	**Strive for a spread of enterprise and business size**. Adjustments may be required when assessing a small operator.
Selection bias: voluntary benchmark studies are exposed to the risk that participants will only participate in years when they do well, which will distort results.	**Ensure regular participation**: this is crucial for the benefit of the whole group. Monitor outliers and effect on results. Adjust when required.
Bias in sales price: sales price per tonne can be biased upwards by benchmark participants picking a market high when selling their output.	**Survey across a reasonable timeframe** to capture volatility and give market average. Assess the same period each year.

What to avoid	What to do instead
Aberration in costs: reducing costs can be counterproductive, particularly if it has an impact on production.	**Differentiate between producers with a low total cost and those with a low cost of production**. A low cost of production is generally driven by a sensible, disciplined cost culture.
Bias in farm practices: some unsustainable farm practices may increase benchmarking performance in the short term. Yet, in the long term, farm enterprises must also maintain their resource bases.	**Survey across a range of practices within enterprises**. Monitor outliers and the effect on results. Adjust when required.
Short-term data: benchmarking on costs can be distorted if the data is for less than two to three years; e.g. tax planning may artificially reduce costs in a particular year. In addition, standalone benchmark data (particularly over the short term) says very little about the subject enterprise's appetite for risk.	**Use long-term data and management accounts** rather than audited tax accounts. This also helps understand volatility caused by factors such as price and weather.
Geographic variations: different locations will affect results due to differing climatic conditions, farm type, soil types, regional assets and cost distortions.	**Adjust results according to geographic location**: it pays to study these vagaries and adjust results accordingly if local benchmarking data is not available.

Table 2: Avoiding pitfalls in estate benchmarking (derived from McGavin, 2015)

Selection of performance measures or indicators is one of the most important steps in benchmarking. Benchmarking will have limited benefits or may even be damaging if the quality of the indicators is not satisfactory. One indicator is not sufficient: as stated in Helgason's *International Benchmarking Experiences from OECD Countries* (1997), a whole suite of well-balanced measures is necessary to give a complete picture of performance.

Key areas to consider are as follows.

- Find the right comparable benchmarks that can be measured in a meaningful way and can produce improved performance most efficiently.
- It is not just about comparing performance to others: it is also critical to demonstrate improvement in an estate's own performance. As such, a baseline is key to this.
- Define the 'boundary' for benchmarking; that is, the relevant operational profit centre, e.g. arable, forestry benchmarks, or the estate as a whole as the business unit.
- The objective is to separate optimum inputs rather than lowest or highest; for example, benchmarking the cost per tonne of a particular crop without taking into account that tonnes may not be limiting, i.e. a producer will in some circumstances have a very low cost per tonne

but also a lower profitability. In general, benchmarks should be applied to the limiting factor – in farming that is usually per unit area.

- How the averages and standards are constructed and reported is important; for example, the average of a component of two profitable systems may actually describe a less profitable business and, as importantly, so might the average of the top 25%.
- Understand the potential deficiencies in record keeping and the raw data.
- Watch out for inadequate diagnostics – how is the data scrutinised in the analysis phase?
- Regarding the methodology:
  - does it benchmark processes or outcomes/results?
  - is it against other organisations or a standard (who determines the standard)?
  - is it used for continuous improvement or for evaluation (trend or spot)?
- What causes the differences in performance – are these factors controllable by the business, such as soil and the weather?
- Disseminate the results and give participants the opportunity to interrogate the data, subject to confidentiality, through online dashboards.
- Discuss the results with peer groups such as similar or local estate clusters and form discussion groups.
- Lack of relationship can be as important as finding one. As stated in Ward's *A Thought Experiment in Benchmarking and Optimisation* (2019), in agriculture, the extra profit very often does not represent sufficient return on technological investment to be worthwhile.
- Industry standards should be used where possible. Most are not perfect, but it limits risk of unintentional ranges that individual assessors might attribute. This is an area briefly considered in section 11.
- Another important step in benchmarking is the incorporation of high-quality spatial data. When used effectively, spatial data can deliver greater insight, reflect geographic variation, and ensure standardisation in the benchmarking process. For calculating benchmarking indicators such as biodiversity units, spatial data is a vital ingredient and, when combined with data captured from in-field surveys, it ensures a high level of accuracy within benchmarking calculations. Spatial data can underpin a more standardised approach to the benchmarking process that can more easily reflect geographic variations and support informed land-use decision-making.

Relating to the above points, Figure 5 shows a rural estates benchmarking workflow.

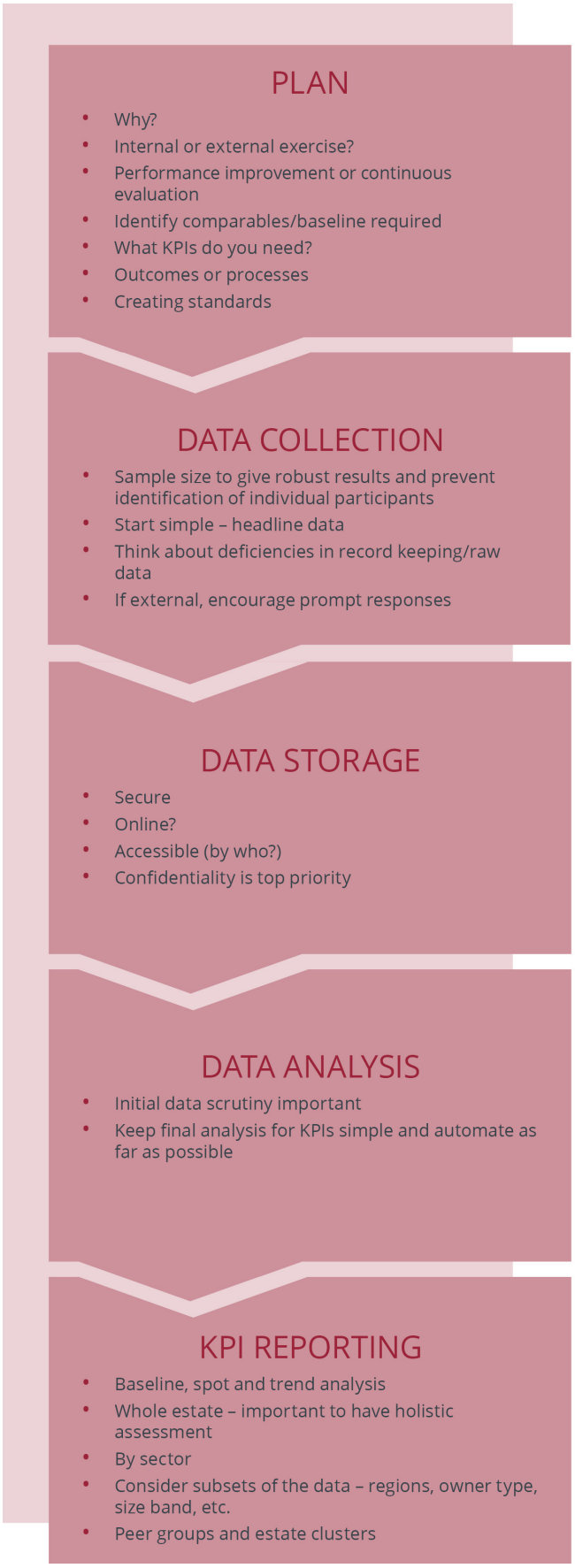

Figure 5: Rural estates benchmarking workflow (© Ian Bailey)

9 KPIs for rural estates and land-based businesses

What KPIs might be suitable for improving performance on rural estates and land-based businesses? This section aims to inform and provide the framework for the second phase of the two-phase project mentioned in section 1. The second phase is the development of a future standard on benchmarking for the rural sector (see section 11).

The list of potential KPIs soon gets long and complex and, in addition, the language becomes complicated. Using the framework illustrated in Figure 6, the aim is to simplify the process of determining the right/best KPIs for a rural estate by way of example. This process will need to consider the objectives for holding/owning the estate. Objectives may include:

- investment performance
- income generation
- environmental stewardship
- social stewardship
- strategic development and
- long-term hold for future generations.

The literature on the subject of benchmarking talks about benchmarks that are physical and financial, hard and soft, monetary and non-monetary or quantitative and qualitative.

To simplify, most KPIs can be considered as either 'hard' or 'soft':

- **hard KPIs** tend to measure the physical and financial performance and include quantifying habitats and biodiversity and
- **soft KPIs** tend to measure areas that are more subjective, such as customer/visitor experience and tenant/employee satisfaction. These could include metrics for the more subjective areas for the delivery of public goods.

The use of the KPI is also a consideration. Will it be results- or outcome-based and/or used for internal or external benchmarking purposes?

Results of internal benchmarking can often be quite quick. The challenge is to know what managers can do to improve performance once these lessons have been learned. The solution for managers, however, often lies beyond the estate boundaries. According to Kahan's *Farm Business Analysis Using Benchmarking* (2010), this leads to external benchmarking.

According to Helgason's *International Benchmarking Experiences from OECD Countries* (1997), imposed benchmarking has several benefits compared to internally generated benchmarking:

- it ensures participation, and that experiences from many organisations are studied and shared
- it ensures a better overview of the effects of different processes on performance and also on the effects of external factors on performance and
- it ensures standardisation of methods.

However, externally imposed benchmarking also has potential shortcomings compared to internally generated benchmarking, including:

- there may be a lack of ownership by the organisations and even direct resistance
- lack of detailed knowledge about the activities of the organisations may be a problem and externally imposed benchmarking may tend to oversimplify complex issues and
- there is also a risk that the results will only be used at the central level, rather than within individual organisations.

It is therefore necessary to use both approaches. For example, Helgason's *International Benchmarking Experiences from OECD Countries* (1997) states that externally imposed benchmarking focusing on results may give incentives for organisations to initiate more detailed process benchmarking involving fewer organisations.

The framework in Figure 6 may help guide discussions regarding rural estate standard KPIs. Determining exactly what the standard KPIs are will be the second phase of this project.

Figure 6 attempts to outline the key levels for determining KPIs on rural estates which can be adapted accordingly for other land-based businesses.

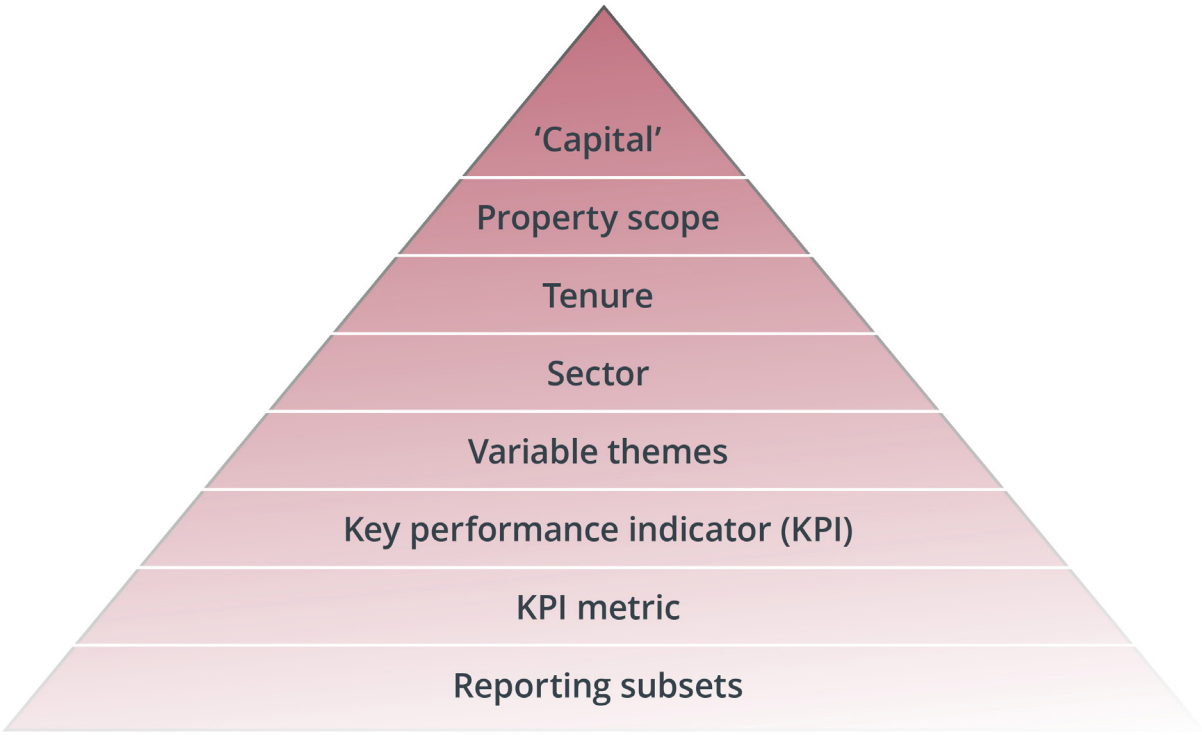

Figure 6: Developing KPIs for land-based businesses – broad framework (© Ian Bailey)

Table 3 attempts to develop the diagram in Figure 6 and attempts to expand the potential themes/areas for KPIs. Clearly, the potential for complication is high.

Benchmark hierarchy	A guide to developing KPIs for rural estates and land-based businesses		
Capital	**Economic**	**Social**	**Environmental**
Property scope	Portfolio, estate, tenancy, property		
Tenure	Let or trading		
Sector	Agriculture, forestry/woodland, residential, commercial, leisure, minerals, energy, other		
Variable themes	Outputs		
	Inputs		
	Compliance		
	Regulatory		
	Innovation		
	Risk		
	Incomes	CSR – community	Management plans
	Costs	ESG	Scheme participation
	Capital expenditure (CAPEX)	Marketing	Biodiversity/habitats/ species
	Investment returns/ yields	Visitors	Carbon balance
	Asset values	Clients	Carbon credits
	Gearing/debt	Volunteers	Nutrient credits
	Earning before interest, taxes, depreciation and amortisation (EBITDA)	Health and well-being	Biodiversity credits
	Salaries	Education/ training	Water quality and use

Benchmark hierarchy	A guide to developing KPIs for rural estates and land-based businesses		
Variable themes (cont.)	Occupancy rates/voids	Employment	Air quality
	Retail spend	Public rights of way/access/ signage	Waste
	Socio-economics	Recreation	
	Business structures	Tranquility	
		Local demographics	
Key performance indicators (KPIs)	Volume, % of, £ per, number per ratio, rank, scores, % change, type/ diversity/profile, experience/satisfaction		
KPI metric	Your estate, averages, ranges, scores, counts, totals, min/lowest, max/ highest, most profitable		
Reporting and subsets	Total sample – national, regional, catchments, size brand, peer groups/ estate clusters, specific landscapes (type/location), ownership, management type, etc.		

Table 3: Outline descriptions for Figure 6 hierarchy (© Ian Bailey)

10 Rural estates and land-based businesses in the future

As noted in section 1, change is inevitable, and the pace of this change is likely to be rapid relative to the past. There is likely to be a significant shift from the current way that assets and tenure are viewed. This will be especially so for land use and its impact on the natural environment.

The efficient use of data will be key to managing business in all industries and not least rural estates and rural land-based businesses. Data on rural estates and land-based businesses is already being collected across many applications and platforms and the challenge will be to integrate and analyse this data to produce metrics that are clear, relevant and available to rural estates and land-based businesses to create a 'baseline' and to provide information for benchmarking performance internally and externally. This will ensure that estate and rural land-based businesses can act and react to changes in a timely and efficient manner.

The applications producing data include those for:

- financial accounting
- property management
- enterprise management, including inputs and outputs
- natural capital/habitat asset and ecosystem registers and
- spatial data, including soils and geology, climate, topography and remote sensing (satellite).

To understand what KPIs will be required in the future, it is useful to think about the following questions, as the answers will help to shape future benchmarks and therefore the development of industry standards to measure performance.

- What will landowners' and managers' objectives be?
- What will the business structures and tenure/occupation of rural estates and land-based businesses be?
- What will be driving business performance?
- Who will be the advisers and land managers?
  - Who will they be reporting to?
  - How willing will they be to collaborate?

There is also the potentially conflicting dynamic between competition and collaboration. How can industry benchmarks be created if competitors are unwilling to share data and information?

Will there be concerns, especially around the ownership of data and its use by competitors? If data becomes more valuable, landowners may become more reticent to utilise their information for a benchmark; they will especially want to understand the value they are getting in return.

Equally, as data becomes more accessible from third-party sources and aggregated by software innovation, the 'cost' of creating the data will be reduced and the commercial appetite to participate will be increased.

Despite the availability of data discussed above, there may be 'shortages' in some areas, at least initially. Reliable air pollution might be an example due to the lack of monitors in rural areas. In these situations, relevant proxy data may need to be considered.

The following list outlines the key areas that are likely to become more prominent in the future – some are already applicable now:

- diversification, which will be key in order to ensure viability
- social (people) and environmental (planet) 'capitals' will become increasingly important:
  - natural capital and ecosystems – clean water, air purification, biodiversity
  - social capital – stakeholder relationships, health and well-being, community cohesion, education, etc.
  - CSR – what is the estate doing for the local community? How many cricket pitches, schools, shops, 'affordable/social' houses, etc.?
  - sense of place and aesthetic 'value' – this is difficult to quantify but may include things such as 'tranquillity' and 'dark skies'.
- it will be increasingly necessary to benchmark efficiency in terms of land use/labour/return on investment
- whole estate, even landscape, benchmarking could be necessary through increased collaboration
- the estate's wider ESG and CSR performance in terms of diversity and contribution to the local community will be under greater scrutiny
- land ownership accountability, as we see political shifts, to demonstrate optimum land use (through benchmarking) to justify ownership and tenure
- benchmarking to prove quality and value of management. This may contrast with management fees fixed to rent roll
- marketing and supply chains
  - domestic and international trade
  - a standardised carbon 'score' to supply retailers or receive support payments
  - the use of social media metrics.
- infrastructure and connectivity
- data and innovation – impact on performance.

It is clear there will be significant change, but KPIs must be relevant in order to improve performance without drowning in complexity.

11 Development of industry standards

The development of industry standards is phase two of this project. The standard, which is yet to be developed, will build on this insight paper's research and findings. It will develop a standardised benchmarking approach for rural estates and rural land-based businesses and their advisers.

Initial thoughts are that the standard should utilise a toolkit approach and should include a clear methodology and a suite of KPIs. Flexibility through the innovative use of technology and automating the benchmarking process will be key to ensuring the long-term success of the project.

One approach might be a standard with 'pillars', each of which will have associated KPIs (both hard and soft) that can be utilised by rural estates and rural land-based business to benchmark their operations. These could also include metrics that might measure the impact of certain actions on the local economy and stakeholders.

12 Conclusions

Land is a precious resource and is fundamental to the economy, the environment and the well-being of individuals and the nation. At the core of the rural economy are the stewards of the land, including the people who manage and work with rural estates and land-based businesses. These businesses must be sustainable and, with the biggest change in the sector for over 40 years currently underway, there has never been a more appropriate time for a holistic analysis of all the resources available to, and assets held within, these businesses.

There is a clear need for some consistency in benchmarking performance of rural estates and rural land-based businesses. There are a wide range of views and expertise on the need, the approach, the content and the depth of the benchmarking required.

The diverse range of assets and income streams coupled with diverse ownership motives on rural estates and rural land-based businesses means this is not an easy problem to solve. This makes benchmarking more complex but no less crucial. This diversity strengthens the need to have KPIs that are sector focused but which provide a holistic view of the health of the business. In addition, there needs to be diversity in the KPIs to enable specific parts of the business to be benchmarked in isolation. A fully diversified rural estate encompasses so much that any rural land-based business should be able pull the relevant KPIs from those available for a rural estate to do their own specific benchmarking.

With more change happening at a faster rate, impacting on the sector at every level, the need to benchmark is even stronger. Indeed, the changes impact on the resilience of the traditional focus of rural estates and expose them to a much wider range of stakeholders who have an interest in what is happening on the land. In some respects, this is already becoming apparent through planning objections/feedback for rural development/diversification, active community groups and the environment being more closely examined at a landscape scale, which will result in an increase in collaboration across rural estates and rural land-based businesses.

Applied data through benchmarking will be important for communication to, and demonstrating accountability to, external stakeholders (for example, local communities) and providing an evidence base for policy changes that might include pressures on land ownership. On the latter, there is already some pressure, notably in Scotland, to demonstrate optimum land use to justify ownership and management decisions. As the drive towards net zero continues, there are likely to be potential conflicts for land use which will impact on rural estates and rural land-based businesses. One example might be whether land is used for tree planting or food production.

It is very easy to complicate benchmarking and lose the key objectives for carrying out the exercise. Therefore, it is important to start with a simple framework of KPIs:

- that are relevant
- for which data is readily available
- that are straightforward to calculate and

- that provide a holistic assessment of the business.

More detail can be delivered within this framework where necessary and when required. Benchmarking should not be regarded as a 'quick fix', and the information must be acted on to improve performance.

To develop an industry benchmarking toolkit/standard there will need to be:

- a clear vision across the industry
- clear methodology and protocols on the ownership and use of data
- a strong project leadership
- independent delivery with strong independent verification, auditing/peer review and quality control
- a core standard for each of the 'capitals' or 'pillars' (economic, social and environmental)
- standards at the whole-estate level and suitable to create an uncomplicated baseline across the 'capitals'
- accessibility to all professionals
- a KPI framework that is adaptable, can be future proofed, and has longevity
- global applicability.

In addition, there is the potentially conflicting dynamic between competition and collaboration that will need to be resolved. How do we create industry benchmarks where we all benefit, and are comfortable to share data and information?

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