

CAAV EXAMINATIONS 2009 – ORAL QUESTIONS

CAAV EXAMINATIONS – NOVEMBER 2009

National Oral Questions

Note – Each Examination Centre should select three of these six questions for use. Those three chosen questions are to be asked of all candidates attending the Oral. Each question carries 5 marks and so this section of the Oral carries 15 of the 50 marks with the remaining 35 marks turning on the topic.

Centres with candidates whose experience is in Wales or Scotland should consider this when selecting the questions and marking any points arising from that practice which may be given in their answers.

SUMMARY OF QUESTIONS

- 1. What non-farming factors might influence purchasers of farms and rural land?**
- 2. CIL - what does it stand for and can you tell me something about it?**
- 3. What key issues should you draw to the attention of a client taking a farm business tenancy of 15 years with no provision to break? The client's only previous experience is of Agricultural Holdings Act tenancies.**
- 4. The Euro has strengthened against the £ - what implications has this had for agriculture this year?**
- 5. Describe the statutory provisions for rent reviews under the Agricultural Tenancies Act 1995 when there is no reference to rent reviews in the agreement**
- 6. Can you briefly describe the movement in green field telecom site rents since 2000? and what is your appreciation of the telecom site rental market in general?**

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	Question	Guide answer
1	What non-farming factors might influence purchasers of farms and rural land?	<p>Lifestyle choice, amenity, quality of life and pride of ownership</p> <p>Potential to establish/relocate business in farm buildings in close proximity to home environment</p> <p>Marriage value of land with house on small plot, protection of amenity of house by buffer effect of land, securing control over the use of land surrounding house.</p> <p>Pony paddock demand.</p> <p>Country lifestyle/pursuits.</p> <p>Longer-term development opportunities including residential and commercial development, minerals. Short term development opportunities - chance to develop assets such as barn conversions and land sales of part to residential purchasers.</p> <p>Taxation advantages-possible relief from IHT, opportunity to roll over CGT gains, chance to run a business and claim BPR and income tax advantages, earned vs unearned income.</p> <p>Investment in asset that may hold its value against inflation and may outperform other asset classes e.g. equities.</p>
2	CIL - what does it stand for and can you tell me something about it?	<p>Community Infrastructure Levy</p> <p>Draft Regulations for the implementation of the CIL, together with a consultation document inviting responses by 23rd October set out the background to the current situation but, briefly, CIL is proposed as a charge on development of buildings to contribute to infrastructure.</p> <p>While it is at consultation stage it is something that agricultural valuers will have to take into account when development is considered.</p> <p>Likely to be introduced on 6 April 2010 after which LAs will be empowered to charge it but not required to. It would replace most off-site s.106 commitments.</p> <p>The size of the levy will relate to the scale of the development – with Local Authorities setting a rate per dwelling and per m² - subject to a de minimis provision of 100m² (unless residential). Changes within the same use class are exempt.</p> <p>Appeals will be allowed on amount, apportionment between owners, reliefs, surcharges and stop notices.</p> <p>Payment likely to be assessed on grant of pp but required on the commencement of the development.</p> <p>Special arrangements to couple with s106 agreements in certain circumstances.</p>

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<p>3</p>	<p>What key issues should you draw to the attention of a client taking a farm business tenancy of 15 years with no provision to break? The client's only previous experience is of Agricultural Holdings Act tenancies.</p>	<p>The different provisions for rent reviews which mean that typical rent levels are likely to be higher than under AHA agreements</p> <p>The lack of any opportunity for the tenant to quit the tenancy and the fact that he may be obliged to remain as a tenant until the end of the term</p> <p>The lack of a “statutory code” covering issues such as repairs and the greater importance therefore of the terms of the tenancy agreement</p> <p>The liability on the tenant to complete the Land Transaction Return notifying HMRC Stamp Office of the letting (unless the rent is less than £1,000 per annum) and the potential for SDLT to be payable during the term of the lease if not at the commencement</p> <p>Subject to the terms the importance of agreeing a Record of Condition at the outset</p>																										
<p>4</p>	<p>The Euro has strengthened against the £ - what implications has this had for agriculture this year?</p>	<p>All items that are priced in euros or bought from the Euro-zone have become dearer; our exports to Europe have become more competitive.</p> <p>The obvious point is that as the Single Payment is set in euros there has been a 15% increase in the prospective sterling value of the payment for 2009 (€=90.93p) compared with 2008 (€ = 79.03p) as the euro has strengthened.</p> <p>More generally, as most products have export markets in the euro-zone, this has protected their value as many prices have fallen.</p> <p>Inputs bought from the euro-zone are dearer than they would otherwise be (as are those for which world markets are priced in dollars like most fertilisers and fuel).</p> <div data-bbox="767 1429 1390 1917" data-label="Figure"> <p style="text-align: center;">Euro against the Pound Sterling from January 2007 to August 2009</p> <table border="1"> <caption>Data points for Euro against the Pound Sterling</caption> <thead> <tr> <th>Date</th> <th>Value (€ = £)</th> </tr> </thead> <tbody> <tr> <td>10.1.2007</td> <td>65</td> </tr> <tr> <td>16.5.2007</td> <td>68</td> </tr> <tr> <td>29.8.2007</td> <td>65</td> </tr> <tr> <td>28.11.2007</td> <td>70</td> </tr> <tr> <td>9.1.2008</td> <td>75</td> </tr> <tr> <td>20.2.2008</td> <td>78</td> </tr> <tr> <td>21.5.2008</td> <td>80</td> </tr> <tr> <td>8.8.2008</td> <td>78</td> </tr> <tr> <td>5.11.2008</td> <td>80</td> </tr> <tr> <td>11.2.2009</td> <td>90</td> </tr> <tr> <td>15.5.2009</td> <td>90</td> </tr> <tr> <td>21.8.2009</td> <td>88</td> </tr> </tbody> </table> </div>	Date	Value (€ = £)	10.1.2007	65	16.5.2007	68	29.8.2007	65	28.11.2007	70	9.1.2008	75	20.2.2008	78	21.5.2008	80	8.8.2008	78	5.11.2008	80	11.2.2009	90	15.5.2009	90	21.8.2009	88
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<p>5</p>	<p>Describe the statutory provisions for rent reviews under the Agricultural Tenancies Act 1995 when there is no reference to rent reviews in the agreement</p>	<p>In the absence of any provisions in the agreement rent reviews are to open market value as provided for in sections 10-14 of the Act</p> <p>Either party can serve notice in writing requiring that the rent be referred to arbitration - “statutory review notice”</p> <p>The Rent Review date must be at least 12 months but less than 24 months after service of the s.10 notice</p> <p>The rent review date must not fall less than three years from either the beginning of the tenancy or the date the rent was last reviewed</p> <p>The rent properly payable is the rent at which the holding might reasonably be expected to be let in the open market by a willing landlord to a willing tenant</p> <p>In assessing the rent the following should be disregarded:</p> <ul style="list-style-type: none"> - Tenants Improvements except: <ul style="list-style-type: none"> ▪ Those provided under an obligation at or before the beginning of the tenancy ▪ Any improvement to the extent that allowance or benefit has been given by the landlord ▪ Any improvement where the tenant has received compensation from the landlord - The fact that the tenant is in occupation of the holding. - The impact of dilapidation, deterioration or damage caused by the tenant <p>Any arbitration will be under the Arbitration Act 1996</p>																				
<p>6</p>	<p>Can you briefly describe the movement in green field telecom site rents since 2000? and what is your appreciation of the telecom site rental market in general?</p>	<p>National trends in rents are shown in this table. There may be different trends in particular areas.</p> <div data-bbox="767 1429 1394 1892" data-label="Figure"> <table border="1"> <caption>New green field telecommunication site rents 2000 - 2008</caption> <thead> <tr> <th>Year</th> <th>Rent (Approximate)</th> </tr> </thead> <tbody> <tr> <td>2000</td> <td>4500</td> </tr> <tr> <td>2001</td> <td>5000</td> </tr> <tr> <td>2002</td> <td>5500</td> </tr> <tr> <td>2003</td> <td>5600</td> </tr> <tr> <td>2004</td> <td>5700</td> </tr> <tr> <td>2005</td> <td>5800</td> </tr> <tr> <td>2006</td> <td>5500</td> </tr> <tr> <td>2007</td> <td>5200</td> </tr> <tr> <td>2008</td> <td>5300</td> </tr> </tbody> </table> </div>	Year	Rent (Approximate)	2000	4500	2001	5000	2002	5500	2003	5600	2004	5700	2005	5800	2006	5500	2007	5200	2008	5300
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