**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS – EASTERN GROUP**

**Written Afternoon Practical Examination**

**Wednesday 14th November 2018**

**At**

**Madingley Hall, Madingley**

**Cambridge CB23 8AQ**

**Guidance for Candidates**

Candidates should have read the 2018 Guidelines for Practical and Written Examinations.

Four out of five questions in this paper should be answered.

Time allowed – 2 ½ hours

**Introduction and background**

Park Farm is owned by a local University as part of their non-operational property investment portfolio. It extends to about 608.56 acres (246.46 ha) as shown outlined in red on the attached Plan and includes two dwellings, farm buildings and land.

The farm is let under an AHA tenancy on full repairing and insuring terms to Mr Henry Latham, a widower aged in his late seventies. The tenancy commenced on the 29th September 1970 and the farm is run as a mixed arable, dairy and sheep enterprise.

Henry has two sons Martin and Michael aged 45 and 43 years respectively who work with him on the farm although one of them lives in a cottage which he owns in the village.

Henry’s health has deteriorated recently and the family have been contemplating how to safeguard the future of the farm.

An area of the holding close to the centre of the village shown hatched on the Plan and extending to about 29.27 acres (11.85 ha) is being promoted by the Landlord for residential development.

The land edged blue on the Plan of about 154.98 acres (62.77 ha) is in separate ownership however the University has always expressed an interest in purchasing it.

**QUESTION 1**

As part of your instruction to purchase the land outlined blue on the plan, you are informed of the intention to erect a new ground based telecoms mast measuring 15m in height adjoining the woodland known as Little Shrubs.

The buyer has asked you to advise on the following:

1. Is planning permission required for the proposed mast?

Please provide detail to support your answer. **(3 marks)**

1. Which legislation will deal with the installation of a new telecoms mast? **(2 Marks)**
2. In the event of a purchase, the University has asked you to confirm how your fees would be handled to cover negotiations with the operator on their behalf. **(1 Mark)**
3. The University is uncomfortable with the proposed operator being able to assign the mast and wants this clause removed from any agreement.

How will assignment be dealt with under the new agreement?  **(2 Marks)**

1. What would be the valuation approach in relation to the consideration due for the proposed mast? **(3 Marks)**
2. Assuming the proposed mast is constructed, how much notice is required to terminate the agreement? **(1 mark)**
3. Using bullet points, please provide 3 examples of “code rights”. **(3 marks)**

**QUESTION 2**

Your client, the Landowner, has been notified by the local water undertaker that they are proposing to construct a new water pipeline next year (illustrated by the brown line on the plan) to service increasing water demand due to development in the area.

Your client has requested preliminary advice. Prepare detailed notes in preparation for a meeting with your client, which should cover at least the following points:

A. The water undertaker's statutory powers **(3 marks)**

B. Opportunities to mitigate disturbance **(2 marks)**

C. Heads of claim for compensation that may be due to 1) the landowner and 2) the tenant

**(8 marks)**

D. The water undertaker's plans to create a compound site on the land as part of the project

**(2 marks)**

Any assumptions and/or calculations should be made clear.

**QUESTION 3**

The University wishes to purchase the land edged blue adjoining Park Farm. The University intends to finance its purchase through a bank loan. You have been instructed by their Bank to undertake a valuation of the land for secured funding purposes.

A. Your instruction is to undertake a valuation using the standard Market Value basis. Taking into account the RICS Red Book definitions explain the key differences between Market Value for secured lending purposes and Market Value for tax purposes such as IHT, CGT or SDLT.

**(4 marks)**

B. The land is currently let to a third party under an Agricultural Holdings Act Tenancy which commenced in 1980.

i) Describe the two usual methods of valuing the land subject to a tenancy of this type.

**(2 marks)**

ii) List six pieces of additional information that you would need in order to undertake the valuation of the land subject to an AHA tenancy.

(**3 marks)**

iii) You are rather concerned about the accuracy and reliability of your valuation of the land subject to the AHA tenancy due to lack of comparable sales evidence. How should you deal with this issue in your report?

**(1 mark)**

C. The Bank has also instructed you to provide a valuation of the land on the basis of vacant possession notwithstanding it is in fact subject to an AHA tenancy. Explain how you should deal with an instruction of this kind in accordance with the RICS Red Book.

**(2 marks)**

D. During your inspection of the land you notice a partially covered earth pit close to a watercourse in which you suspect some potentially hazardous waste has been deposited. Explain how you should deal with this discovery with your Client?

**(2 marks)**

E. If the University completes its purchase of the land your Firm will be retained to manage the property. What do you think you should do before accepting the Bank’s instructions to value the land?

**(1 mark)**

**QUESTION 4**

You are acting for the Landlord in connection with the land hatched red on the attached plan which is included in the AHA tenancy to Mr Latham.

The Landlord has been granted planning permission for residential development and now needs to recover vacant possession of the site so that it can be sold.

The tenancy contains a clause that entitles the Landlord to recover possession of the whole or any part of the Holding for non-agricultural use however there is no short notice provision.

A. What formal Notice must the Landlord serve in order to recover vacant possession of the site and when would it take effect. **(2 marks)**

B. Explain the procedure the Tenant must take in order to contest the Notice and what are the risks of doing so. **(3 marks)**

C. Outline details of the statutory compensation the Tenant would be entitled to if the site is recovered under the formal Notice procedure under the Act **(5 marks)**

D. If the Tenant contests the Notice describe three tests the Notice will have to pass if it is to be deemed valid **(3 marks)**

E. What alternative strategy could the Landlord adopt to recover possession of the site and why

**(2 marks)**

**QUESTION 5**

Identified on the farm plan is an area outlined blue located to the north of Park Farm. The land is owned and occupied by a private individual who is considering selling the land to fund their retirement.

Your client, the local University that owns Park Farm, has expressed an interest in acquiring the land and has asked you to advise them in respect of the matter, initially at a meeting.

A. In preparation for the meeting, set out in note form the factors to consider in advising the University in respect of its purchase, factors affecting value and post purchase farming options.

**(10 Marks)**

B. The University have requested advice in respect of the following points. Set these out in bullet point form, including any workings and rationale.

i) The price they are likely to have to pay to purchase the land **(1 Mark)**

ii) Any other possible costs of acquisition. **(2 Marks)**

iii) The likely return on their investment. **(1 Mark)**

C.Consider the vendor’s position in relation to the prevailing tax regime. Under what tax is he likely to incur a liability at the point of sale and how might he look to mitigate this?

**(1 Mark)**

**END OF PAPER**