**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**

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**NATIONAL WRITTEN EXAMINATION**

**PAPER II**

**15 NOVEMBER 2018**

**10.45am – 12.45pm**

**Time Allowed – 2 Hours**

**Instructions to Candidates:**

1. Complete the Green Examination Information Sheet by stating your examination candidate number (not your name) together with the area in which you are practising and the local Association of which you are a member. Attach the green sheet to the top of your answer pad and ring the numbers of the **three** questions that you have answered.
2. Write your candidate number, the number of the question and the page number in the top right-hand corner of each page.
3. Write on one side of the paper only, leaving the margin on the left- hand side.
4. Start each answer on a separate sheet and place your answers in numerical order.
5. Time has been allowed for you to read through the Question Paper **and plan** your answers.
6. You should attempt to answer **three** out of the six questions, ringing their numbers on the green sheet. Where relevant state whether you are answering for England, Wales or Scotland.
7. All questions carry equal marks: 20 each.
8. Questions are framed so as to minimise the need to make assumptions but state clearly any that you do make and the reasons for them.
9. Where appropriate, you will be expected to state the relevant Act, Statutory Instrument or case upon which you have based your answers.
10. You may use imperial or metric measurements in your answers. Please indicate which units you are using.

11. The presentation and clarity of your answers is important.

**Paper 2, Question 1**

Your client, farming 300 acres, owns a two storey traditional brick and mortar barn under a slate tile roof, which up until recently has been used in part as a hay store and in part as a lambing shed. It has a ground floor area of 150 sq m. It has its own road access and is situated away from the main farm buildings.

Your firm has been asked to prepare a report detaining proposals for alternative uses of the building and the considerations required if he is to proceed with an alternative use.

Set out in **skeleton format** a report which must address:

1. The options and reasoning for alternative uses (4 marks)
2. The relevant planning policy issues and the procedure for obtaining

planning consent for an alternative use. (4 marks)

1. The likely costs of the works and other points involved in conversion

for residential uses (4 marks)

1. Methods of funding the project (5 marks)
2. The limitations that may affect the viability of the project (3 marks)

**Paper 2, Question 2**

You act for Peter Turnbull who is owner occupier of a 450 acre farm with 150 acres of grass and 300 acres of arable land. In his advancing years and with no successors, Mr Turnbull is looking to take things easier and to scale back his farming operation. However, he does not wish to sell the farm.

Following an informal meeting with his young neighbour Matthew Brown, it is clear that Matthew is keen to expand and take on more arable ground, which will help spread the cost of his newly acquired combine. Peter Turnbull has sought your advice, asking you to attend a meeting next week with his accountant.

To prepare for the meeting, **write notes** on the below:

1. The different options by which Matthew Brown could take on the

farming of the arable land. (2 marks)

2. Your client’s accountant is advising that the arable land be put

onto a contract farming basis. Explain why this is likely to be

the most tax efficient approach for your client. (2 marks)

3. Your client has concerns as to how the contract farming agreement

(CFA) might affect the treatment of the farmhouse for Inheritance Tax.

Set out the key points with relevant case law (4 marks)

4. Explain the structure and workings of a typical CFA, especially as to

responsibilities for work, the handling of payments and the treatment

of receipts (6 marks)

5. The arable area is to be planted with first wheat only.

Set out a draft budget for the proposed CFA for that first cropping

year showing key items of income and expenditure (6 marks)

**Paper 2, Question 3**

Your client has been approached by Sunny Solar Ltd (SSL) who think that 150 acres of his farm would be suitable for a large solar panel development. Using brief notes and bullet points:

1. What paperwork and terms would you expect from SSL

in the first instance? (3 marks)

1. What key stages and matters will SSL have to address to

develop the site? (3 marks)

1. If everything goes to plan, what main terms would you expect

to see in the final lease? (14 marks)

**Paper 2, Question 4**

John and Jim farm Manor Farm. They:

* jointly own160 farmable hectares of medium to heavy clay loam, mainly in a ring fence but with an off-lying block of 20 hectares, in combineable cropping.
* rent in 40 hectares on a joint tenancy dated 24th March 1983. It is permanent pasture along a brook on one side of the holding supporting a 60-head single suckler spring calving enterprise with all progeny reared and finished on the holding.

The principal farm buildings are sufficient to house the beef cattle and the harvested crops.

John and Jim farm as equal partners in a partnership that uses the land but pays no rent. The partnership’s accounting year is to 31 March.

John and his wife, who works away from the farm, live in a five-bedroom farmhouse adjacent to the principal farm buildings.

Jim and his wife live in a similar-size farmhouse with a secondary set of traditional brick and tile buildings mainly used for general agricultural storage and their son lives in an attractive four-bedroom cottage on the edge of the holding. Jim’s wife and their son are both involved in the business, but neither are in the partnership.

The business has an overdraft of £65,000 and a 15 year interest-only loan for £250,000 taken out five years ago at a fixed rate of 4%.

John died suddenly on 30th March. His will leaves all his estate to his wife.

You are called in to advise John’s wife on the valuation issues, future structures and funding of the assets and business for the future.

1. What documents or legislation do you need to review and consider

in order to prepare your advice?- and why? (3 marks)

1. What approach do you adopt to the valuation of the freehold property,

live and dead stock, assets of the partnership and the tenancy? (7 marks)

1. State Assumptions and provide a brief valuation of John’s interest in the

property and farming assets. (5 marks)

1. Suggest a structure for the future ownership of the assets and

management of the business. (3 marks)

1. How might Jim and his family settle the liabilities due to John’s estate? (2 marks)

**Paper 2, Question 5**

Mr White is the owner occupier of Grove Farm, a 250-hectare holding adjoining the growing village of Little Known.

The plans for a new dual carriageway to bypass the village have been published for public consultation.

As proposed, the new road would pass the holding in a cutting of about 7 metres and then return to the existing road alignment about 100 metres north of the farmstead where the road will, by then, be on a 2 metre embankment.

The scheme will:

* take 3.5 hectares for the carriageway, 1.5 hectares for bunding and tree planting on the village side of the highway and 2 hectares either side of the carriageway for temporary works during construction
* sever 10 hectares of land on the village side, sever the existing farm access and remove one grain store of 450 m² and
* be within 110 metres of the 5-bedroomed Grade 2 listed farmhouse.

The holding is currently managed in-hand with a rotation including winter wheat, winter oats, oil seed rape and forage maize grown on a 5-year supply contract to a biomass plant owned by a third party off the holding.

Mr White seeks your advice.

1. Outline the process and typical timescale for a

Compulsory Purchase Order. (4 marks)

1. What measures might he suggest to mitigate

the effects of the scheme? (5 marks)

1. State assumptions and provide illustrative heads of claim with

suggested figures based upon current values. (7 marks)

1. What are the possible issues for the claim arising from

the severance of land? (4 marks)

**Paper 2, Question 6**

You act for a successful arable and stock farmer who farms 1,000 hectares in the district. She and her family own 250 hectares and the remainder is held on a variety of tenancies. Following a grant of planning permission, the landlord has served a notice to resume possession of the whole of one of the tenancies, taking effect on Lady Day 2019 (in Scotland, Whitsun 2019).

The letting includes a range of modern livestock buildings, a chalet bungalow and 100 hectares of land scheduled as arable but presently in permanent grass. The farm was run down when it was let to your client in 2010 on a 15 year term. Your firm produced a record of condition. It is let on FRI terms.

Your client took over at valuation the SPS entitlements and fixed cattle handling system. Since then, she has invested £25,000 in the farm, replacing fences and putting in a new water supply, and spent an additional £30,000 in extending one of the buildings.

The chalet bungalow is lived in rent-free by a stockman who was originally employed in 2000 by the previous tenant. With the loss of the grazing, it is unlikely that your client will wish to continue to employ him afterwards

The farm is part of your client’s agri-environment scheme (joint ELS/HLS in England) which runs over all the land she farms. This is due to expire in 2020.

Your client has asked your advice about the above.

1. What documents might you wish to see before giving your advice (2 marks)
2. a) Explain the difference between the tenant’s improvements

and tenant’s fixtures in the context of this question (2 marks)

b) If the building works are tenant’s improvements, how would

you pursue the claim (1 mark)

c) If the cattle handling system, replacement fences and new

water supply do not qualify as tenant’s improvements,

what advice would you give your client who is looking

to recover her costs in respect of each? (2 marks)

d) Your client has improved the P and K indices and applied

£3,000 worth of lime in 2017. Can she claim compensation?

If so on what basis? How might you assess the claim? (2 marks)

e) What procedure would the landlord have to follow

to claim dilapidations? (1 mark)

1. On what basis is the stockman occupying the chalet bungalow (3 marks)
2. What is the T.U.P.E. and how might this affect the stockman? (3 marks)
3. Advise your client of her options in respect of the agri-environment

agreement (she wishes to avoid repaying any funding) (4 marks)