**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**

****

**NATIONAL WRITTEN EXAMINATION**

**PAPER II**

**14 NOVEMBER 2019**

**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**

A1 Renewable Energy, a private company, has approached your client to take an underground power export cable across one of his grass fields to link its facility to a local electricity sub-station. The field is used for lambing and the work is proposed for next spring. Your client is looking for advice on how he could work with the developer on this project.

1. Briefly confirm what options your client has in terms of different arrangements for this cable to cross his field. **[2 marks]**
2. Would there be any difference in the level of payment if the developer had originally been looking at an alternative route over the neighbour’s land, but those negotiations have now broken down? If yes, explain why? **[1 mark]**
3. What practical points would you need to see incorporated in any final documents to protect your client’s interests:
4. during the installation of the cable
5. while it is in active use
6. if/when the energy project is decommissioned in the future.  **[11 marks]**
7. Summarise the various payments which could be received by your client.

**[6 marks]**

**PAPER 2 QUESTION 2**

Following an approach by his landlord, you have been instructed to provide advice to a 60 year old tenant farmer (who is an existing client) on the proposal for:

* + the surrender of an Agricultural Holdings Act Tenancy (1986 Act in England/Wales; 1991 Act in Scotland) and
	+ the grant of a new 20 year tenancy of the same holding to your client.

The farm comprises 500 acres, a large house, some redundant traditional buildings and a range of modern buildings. Half of the modern buildings were put up 15 years ago with consent of the landlord, and the other half were put 5 years ago by the tenant without any consent (in Scotland, without giving notice to the landlord).

The farmhouse has been extended and modernised by the tenant with the consent of the landlord.

In proposing a 20 year tenancy, the Landlord’s agent wants to discuss with you in particular the issues of rent and improvements, before drafting terms for the new agreement.

Ahead of a meeting with your client, **prepare notes** on the following areas;

1. List all of the background information you would require from the client to take this instruction forward. **[6 marks]**
2. Under the procedures set out in the Agricultural Holdings Act, what is the basis for valuing the following :

i) The work carried out to the farmhouse

ii) The modern farm buildings constructed with the Landlord’s consent

iii) The other modern farm buildings

  **[8 marks]**

1. With regard to the farm buildings, what are the options for handling the Tenant’s interest in them in the new agreement?

  **[3 marks]**

1. Rather than taking a new tenancy, your client has indicated that he may consider retiring from farming. What are his options? **[3 marks]**

**PAPER 2 QUESTION 3**

You have recently sold a 300 hectare arable and grassland farm. The new owners have retained you to manage the farm. Much of the farm is on a gradient with the land falling towards a water course. There are also some small woodland copses. The land has previously been farmed intensively, with soil erosion and effluent run-off being historic problems. There is a range of livestock and machinery buildings, but little has been invested in improving the buildings in recent years.

The new owners are keen conservationists, wanting the farm to be run on a much less intensive basis with a strong emphasis on conservation. They have requested a meeting with you to discuss the future management of the holding, which they have indicated will be carried out by a contractor, but with appropriate measures put in place to improve soil and water quality, biodiversity and woodland cover. They are keen that a whole farm conservation management plan is put in place to achieve these objectives with the contractor.

Prepare for the meeting by **writing notes** on the following topics:

1. Key issues and objectives to addressed in developing a whole farm conservation management plan. Consider how these objectives might be implemented and measured.

**[8 marks]**

1. The key environmental and conservation grants and schemes which are currently available and most suitable to the farm. Provide a summary of main scheme terms.

**[4 marks]**

1. Suggest practical and best practice measures for improving soil management on the farm. Summarise any appropriate grant funding options.

**[4 marks]**

1. Suggest practical and best practice measures for water and sediment management of farm. Summarise any appropriate grant funding options.

**[4 marks]**

**PAPER 2 QUESTION 4**

Your client is the owner occupier of a 97 hectare holding including a farmhouse, a range of farm buildings and 2 hectares adjacent to the village, with the remaining land in a block separated by a B class public highway.

The Local Plan recognises the village as a settlement with a range of services and good public transport links. None of the land is scheduled as greenbelt or has any other designation. An opportunity has been seen to promote the site for a development in five years time of between 75 to 100 houses on the site of the house, farm buildings and 2 hectares.

1. Outline the various options available to the landowner to promote the land, including the principal terms for each, and the risks and benefits of each. [**10 marks]**
2. Assuming a residential consent is granted, outline the process for sale with possible timescale and cost against each phase [**5 marks]**
3. Indicate the tax treatment of the receipt, and the options open to mitigate or reduce the tax payable. [**5 marks]**

**PAPER 2 QUESTION 5**

You have been asked to advise your client, Mr Rees, on terms that have been sent through from leisure operators, ‘FarmFunLand’

The leisure company is looking to rent 5 acres of land which forms part of Mr Rees’ 85 acre equipped holding on a 20 year commercial lease. The proposed site is close to the farm steading.

Mr Rees has asked you to prepare a **briefing note** covering advice to him on the following areas. Please:

1. Set out draft Heads of Terms for the lease  **[5 marks]**
2. State how the initial rent could be set, and options for future rent reviews **[3 marks]**
3. List the advantages and the disadvantages of the letting from a practical perspective, having regard to the retained holding  **[5 marks]**
4. What other professionals will he need? Provide an estimate of their likely costs  **[3 marks]**
5. What are the tax implications, both for your client and the tenant?  **[4 marks]**

**PAPER 2 QUESTION 6**

Mr Eck-Centric, an inventor with a substantial investment income, owns the Longlost Estate which he has overseen for the past 50 years. With advancing years and ill health, he and his wife have invited you to quote to take on the day to day management of the Estate.

The Estate comprises-

* a 7-bedroomed principal house with outbuildings used for garaging and stores and 8 hectares of gardens, orchard and paddocks all occupied by Mr and Mrs Eck-Centric;
* 7 cottages, one occupied rent free by the cook/housekeeper and gardener/chauffeur (both in their mid-60s), a second cottage occupied by an odd job man (aged 70), the other five are let out;
* 2 buildings separately let to a car mechanic and a florist, and the sawmill is let with the plant and machinery to the former, now self-employed, forester.
* 120 hectare stock farm (beef and sheep) let on an agreement dated 25 March 1977, with a 4-bedroomed house, traditional buildings and some portal-framed cattle yards, built in the mid-1950s;
* 52 hectares of land adjacent to the principle house used by a local farmer for grazing;
* 120 hectares of mixed woodland in several blocks and an informal shoot over the whole which the family enjoy 5 days a year.

The rent roll is £75,000 per annum, the insurance premium payable by the Estate is £2,775 per annum, and there are numerous public footpaths and rights of way across the Estate.

You are due to make a brief inspection in the next few days, and then set out your proposals for taking on the management.

1. In advance of the site inspection, **write notes** as an ‘aide memoir’ of the key matters you need to consider under the following headings:
* Staff
* Buildings (ie residential, commercial and agricultural)
* Land
* Legal agreements
* Insurance
* Health & Safety
* Risks and compliance
* Records, IT and systems
* Other parties [**10 marks]**
1. Detail the key headings you would include in your Management Agreement to be sent to the client with your proposal  **[5 marks]**
2. Assuming you take on a full management role, list the services to be included within the management fee, and those to be charged in addition to it [**3 marks]**
3. Set out a draft fee structure for the management agreement [**2 marks]**