

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

**Written Afternoon Practical Examination**

**Wednesday 8<sup>th</sup> November 2017**

**At**

**Madingley Hall, Madingley**

**Cambridge CB23 8AQ**

**Guidance for Candidates**

Candidates should have read the 2017 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**

Lattenbury Farm is a mainly arable holding extending to approximately 274.70 hectares (678.78 acres) as edged red on Plan 1. There is a farmyard with a range of buildings and a farmhouse as shown on Plan 2. There are also two modern farm cottages.

The farm is owned by a private investor who purchased it 15 years ago before the subsequent rapid increase in land prices.

The farm is currently let to William Jones who succeeded to his father's tenancy in 1998 aged 55. William's father took the original tenancy in 1965.

William's son, Andrew, is now aged 36 and has been working on the farm since he left agricultural college. Andrew has recently taken over most of the day to day management of the farm from his father.

The land edged blue on the plan is owned by William Jones. This parcel of land extends to 4.94 hectares (12.21 acres) and is currently used as grazing for their small flock of sheep.

When William's father died in 1997, he left him a parcel of land adjoining the edge of the village of Papworth Everard, which lies to the south of the farm. This land was subsequently allocated for residential development and William has recently sold it to a developer for £5.5m.

## QUESTION 1

You have observed a renewable energy installation at location H in the course of inspecting the holding.

- A Describe the installation, including the site conditions and other pertinent factors in terms of the installation and operation of electricity generating equipment. **(4 marks)**
- B The Tenant arranged and financed the purchase and installation of the equipment and operates the system directly.
- i) What is the scheme under which the installation is registered to receive income in respect of energy generated? **(1 mark)**
- ii) On what bases will he receive income or financial benefit through the scheme? **(2 marks)**
- iii) Assuming that the equipment has been installed in the last 12 months, what is the likely return on capital invested by the Tenant? **(1 mark)**
- C The Tenant is considering the installation of further panels to extend the scheme and has asked you to advise him in respect of the process.
- In bullet point form, set out the factors to consider in the development, including identifying the key parties and consents required. **(6 marks)**
- D Assuming that the written Tenancy Agreement is silent, what is the effect of Statutory Instrument 950, Agriculture (Model Clauses Fixed Equipment) (England) Regulations 2015? **(1 mark)**

## QUESTION 2

With interest rates expected to rise, the Landlord wants to release some equity from the holding now to invest in a diversification project elsewhere. There are currently no charges on the title.

The lender has asked you to prepare a formal valuation report suitable for secured lending purposes.

You do not have a conflict of interest in accepting this instruction.

- A Which is the latest update of the 'Red Book' and when did it take effect? **(1 mark)**
- B Using bullet points, please list eight key headings you would include in your letter of instruction/terms of engagement to your client? **(2 marks)**

Continued

- C Using bullet points, please list eight key headings you would include in your valuation report. **(2 marks)**
- D Explain the methodology you would adopt in your valuation stating your assumptions as necessary. **(6 marks)**
- E The borrower calls you saying that your value is too low. He insists you increase the valuation figure reported because he thinks the neighbouring land owner would pay more for the holding because he could irrigate the land.
- How should you respond to the borrower and his assertion? **(2 marks)**
- F A new member of your team asks you the difference between an assumption and a special assumption.
- Please provide a brief explanation of both, and how you deal with them in the context of an instruction. **(2 marks)**

### QUESTION 3

Andrew Jones has been approached by Borne Construction who is the main contractor undertaking the enabling works on behalf of the Highways Agency for the dual carriageway improvements on the A14.

The contractor would like to use an area adjacent to the existing road network in association with the works. Borne Construction's site manager has explained to your client he expects the area to be used for around 12 weeks and it should be returned to agricultural land when they have finished.

You have arranged a meeting with your client to discuss the proposal.

- A List the main heads of terms for a compound licence along with a brief explanation of each to aid your discussion with your client. You should include the expected payment and any restrictions which will apply **(11 marks)**
- B It is possible that a secondary access will be required to the compound through the existing farmyard for the duration of works.
- What additional practical and financial matters should be considered prior to granting access to Borne Construction? **(4 marks)**

#### **QUESTION 4**

Your client, Mr William Jones, the owner and occupier of the land shown outlined in blue on Plan 1 has been approached by a developer who is keen to purchase an Option for residential development in relation to the site.

Make notes for a meeting with your client outlining details of the principal issues that will need to be addressed in the Option Agreement. **(15 marks)**

#### **QUESTION 5**

Your client, Mr William Jones, is aware that his landlord is currently looking to raise funds and is considering releasing some equity from the holding. Mr Jones thinks that this may be a good opportunity to approach his landlord with regard to purchasing the freehold of the farm as it would provide his landlord with funds he requires. This is something Mr Jones has been considering for a number of years and his recent receipt of funds from the land sale at Papworth Everard will go some way towards the purchase.

Mr Jones would like to arrange an initial meeting with you to discuss the issues that he will need to consider before approaching his landlord.

- A Prepare a list of the key issues that Mr Jones needs to consider along with a brief explanation of each in preparation for the initial meeting with your client. **(10 marks)**
  
- B Explain the valuation methodology required to provide a recommendation to your client about making a reasonable offer to purchase the freehold. It is not necessary to provide figures. **(5 marks)**

**END OF PAPER**