

THE CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS
SCOTTISH GROUP

PRACTICAL EXAMINATION

WEDNESDAY 11th NOVEMBER 2020

**Knockquharn Farm,
Westhill,
Aberdeen,
AB32 7DN**

BY KIND PERMISSION OF DUNECHT HOME FARMS

**ALL CANDIDATES WILL HAVE READ THE CENTRAL ASSOCIATION OF
AGRICULTURAL VALUERS 2020 PUBLICATION
*'Guidelines for the Practical and Written Examinations and the Interview'***

Candidates should particularly note:

- 1. Notebooks, question papers and CAAV publications for both morning and afternoon sessions of the practical examination will be handed to each Candidate at the initial briefing.** All answers, calculations and any assumptions must be properly recorded in the notebook. **This examination paper comprises questions plus plans. Additional paper has been supplied separately.**
- 2. Whilst undertaking their valuations and inspections, Candidates must take note of the general characteristics of the holding, as these may be of relevance to the afternoon session and to the interview (with the item for interview being shown on the plan). All notes for the interview should be made on the additional paper provided.** All written notes regarding the Interview subject must be handed in at the end of the morning Practical with the Valuation books. The notes will be redistributed at the start of the Interview.
- 3. Candidates should answer all questions during the morning session in the notebooks provided.** Examiners will look for an orderly format to the notebook and marks will be awarded for the Candidate's approach in the fieldwork and for the presentation of the notebook. **Candidates will not be marked down for their choice of format, providing it is clear and logical.**
- 4. Half an hour will be allowed before the end of the morning's examination for the completion of calculations and a final check on answers.** The notebooks will then be collected by the Examiners at the end of the morning session. No information will be provided other than that given in the questions. The Candidate's number and practice area should be written on the top right-hand corner of the front cover of the notebook. Ensure that the pages are numbered.
- 5. Please prepare the notebook including a summary page and index, using the following information:**
 - a) Holding – Knockquharn Farm**
 - b) Client – Dunecht Home Farms**

6. Where applicable, candidates should show any assumptions which they have made in arriving at their answer(s).
7. Marks are allocated to the questions as shown.
8. Answers can be given in either metric or imperial but should be consistent
9. The total marks for the morning Practical will be 85, with an additional 5 marks available for the presentation of the notebook.
10. The total marks for the afternoon paper will be 60 Marks.
11. Candidates are under examination conditions and will be supervised throughout the day including lunch.
12. Smoking and the use of mobile phones is strictly prohibited throughout the exam. All mobile phones should be turned off during the examinations.

MORNING PAPER (85 MARKS)

You will be shown items of live and dead stock. Please provide the information listed below in the notebook. All values should be given as at today's date.

QUESTION 1 – (20 marks)

- A) Identify, describe and provide a current auction value for four out of the five items marked

A

B

C

D

E (assume 4000 hrs)

(8 Marks)

- B) Identify, describe and provide individual valuations of the produce/commodities on a current market value basis marked:

F – *single bag*

G – *all bales*

H – *single bale*

I – *assume each layer equal*

(8 Marks)

- C) Identify, describe and provide individual valuations of the produce / commodities marked K & L on a current market value basis.

K – Assume heap dimensions of 18m x 6m (at base), 3m height, 45° slope angle.

L – Assume clamp dimensions of 45m (l) x 14m (w) x 3m (h). Note any assumptions.

(4 Marks)

QUESTION 2 – (6 marks)

- A) Describe & give current market value for the pen of 4 homebred non-pedigree cattle

(3 marks)

- B) Describe and give a current market value for the pen of 5 non-pedigree sheep.

(3 Marks)

QUESTION 3 – (12 marks)

Inspect the growing crop in the field indicated “Field A” on the plan, extending to **17.47 Ha (43.16 Ac)**.

A) Identify the growing crop. **(1 mark)**

B) Value the crop to date, as for an outgoing tenancy valuation. State any assumptions you have made. **(5 marks)**

Assume your client was going to employ a neighbouring contractor to carry out all the operations required to grow the crop on a stubble-to-stubble basis. *Assume it is a typical year of weather.*

C) To aid cash flow planning, provide quarterly contracting charges on a per operation basis **(3 marks)**

D) Detail the expected variable costs due on a quarterly basis **(3 marks)**

QUESTION 4 – (11 marks)

You will be shown a building marked ‘**Building A**’. The building was constructed by your client 25 years ago.

Your client, as part of a tender for insurance, has asked for an estimate of the reinstatement costs of the building. *The building measures 18m (w), 46m (l) 6m to eaves*

i) Provide a brief description of the building. **(2 marks)**

ii) Provide a valuation of the building for insurance purposes. You should show all calculations and workings. **(2 marks)**

Assume the building is let under a 1991 Act tenancy, and is showing signs of disrepair. You are acting for the landlord.

iii) Advise on the correct basis for assessing liability for repairs and maintenance in respect of the building **(3 marks)**

Now assume the building was constructed by the tenant on a 1991 Act tenancy 25 years ago and no notice was served to the landlord prior to the erection of the building. You are acting for the tenant and he has heard from a neighbour that there is a “Tenant Amnesty”.

iv) When is the deadline for applications under the tenant amnesty **(1 mark)**

v) Advise your client on the principle steps to lodge an application under the tenant’s amnesty **(2 marks)**

vi) Why will it be of benefit to your client to have the building registered as an improvement? **(1 mark)**

QUESTION 5 – (14 marks)

Your client, the owner occupier of Knockquharn Farm, has been approached by Mr & Mrs Sturgeon who own the field shaded green, marked 'Field B' on the plan. They have asked whether your client would be interested in purchasing the field with vacant possession.

- A) Briefly describe the field. **(2 Marks)**

Your client is interested in purchasing the field and has arranged a meeting with the bank manager.

- B) What documents and information would you expect a bank manager to ask for to assess for a potential loan? **(2 Marks)**

Your clients would like to borrow the full purchase price. The bank manager has asked your clients to think what they might offer as security.

- C) i) What does he mean by security
ii) What would you recommend they offer as security and why **(2 marks)**

- D) What sum would you suggest to your clients is a reasonable offer price. Note any assumptions. **(2 marks)**

As an alternative to borrowing the money to fund the purchase, your client suggests selling an agricultural field they hold on another holding.

- E) What taxes might apply upon the sale of the other field **(1 mark)**

- F) What rate is this tax currently paid at **(1 mark)**

- G) What tax relief is most applicable and what rules apply. **(2 marks)**

- H) Your clients are successful with their purchase and wish to include the field in their next arable cropping rotation. Advise your client on key considerations for integrating the field into their rotation **(2 marks)**

QUESTION 6 - (12 marks)

Your client has seen the boom in demand for holiday cottages in Scotland during 2020 and is seeking advice on creating a self-catering offering at Knockquharn Farm. They are considering the following two options:

- i) Converting the farm office into a holiday cottage
- ii) Purchasing glamping pods and installing them in the woods to the north of the farm

Prepare a SWOT analysis for converting the farm office into a holiday let.

(6 marks)

Prepare briefing notes of practical and legal considerations that you would make your clients aware of when considering investing in and running a glamping pod business.

(4 marks)

Your client has decided that converting the farm office into a holiday let is their favoured course of action but they have not considered the potential business rates liability. Outline how the rates would be calculated and any exemptions that may apply.

(2 marks)

QUESTION 7 - 10 marks

For the purpose of this question assume that your client is the landlord of Knockquharn Farm and the farm is let on a MLDT. You are the managing agent of the Estate and following a storm, your client is required to carry out repairs to damaged asbestos sheets on the roof of "Building A".

- i) As a simple numbered list, set out chronologically the process of instructing a contractor to carry out the repairs to the roof (to include any information you may require from the contractor)

(5 marks)

- ii) List in bullet point form, any hazards you would point out to the contractor

(3 marks)

- iii) What would you expect to see included within an asbestos register for a client

(2 marks)

AFTERNOON PAPER

Please use a fresh piece of paper / page for each question answered. Write your **CANDIDATE NUMBER ONLY** on the top right hand corner of each sheet of your answer paper (or in the footer)

Answer 4 questions only out of the 5 questions in this section, each is worth 15 marks.

QUESTION 8

Your client owns a cottage which was previously let to a farm worker. The property has now been returned with vacant possession to your client. The accommodation currently offered by the property is 2 bedrooms, 1 bathroom, kitchen, living room.

Your client is considering letting the cottage on the open market.

- i) Prepare a briefing note for your client setting out the regulatory matters that they will be required to have in place to ensure the property is ready for letting. (consider both the practical implications of the property and legislative requirements to be a landlord)

(5 marks)

Your client has suggested that they might consider adding an extension to the property to provide an additional bedroom, bathroom and garden room.

- ii) Outline the key practical, legal and planning considerations of adding an extension to a property

(4 marks)

- iii) Consider how you would advise your client on the financial feasibility of investing in such an extension for a residential let property

(3 marks)

Once all of the works to the cottage are complete, your client has asked you to draft a tenancy agreement for an incoming tenant they have identified. Outline the key information you will need to compile the tenancy agreement. Highlight any specific clauses that might be suitable considering situation and location of the property.

(3 marks)

QUESTION 9

Your client has been notified by Scottish Gas Networks of a new gas pipeline to be constructed in the area. The proposed route runs through the fields to the west of Knockquharn Farm. The route is shown by the purple line on the plan.

Entry is due to take place on 1st February 2021 and all necessary arrangements are in place.

The pipeline will have a 6m servitude with a 24m working width. The operator also wants to set up a 40m x 40m compound adjacent to the pipeline route, to store equipment for the works.

In advance of a pre-works meeting, prepare briefing notes covering:

- A) The legal framework that can be used to enter the land to do the works. **(1 mark)**
- B) In bullet point form, the key practical implications of the scheme for your client and the possible mitigation measures that could be taken. **(5 marks)**
- C) Outline the likely compensation your client may receive indicating the heads of claim, calculation methods and likely costs per item. **(5 marks)**
- D) What are the options open to the parties if there is a dispute as to the level of compensation? **(1 mark)**
- E) Construction access for the duration of the scheme is requested through the farmyard. What practical and financial matters should be considered prior to granting such permission. **(3 marks)**

QUESTION 10

Your client has recently purchased Knockquharn Farm and has approached you looking for advice to ensure compliance with SGRPID and in addition, asked for your advice on a number of schemes. The farm was not sold with any entitlements.

For the purpose of this question, your client plans to run a mixed farming business. The farm is currently all categorised as region 1. It is in an arable rotation with lays of temporary grass. Your client intends to stock the land with a suckler cattle herd. Please assume current EU rules are maintained for 2021 when answering this question.

- A) What entitlements are available for the land and what is the current value of these entitlements **(1 marks)**
- B) The farm is located within a Nitrate Vulnerable Zone. Explain the implications of this to your client and what records need to be kept **(2 marks)**
- C) What is the process for your client to obtain entitlements to allow them to claim in 2021 and what eligibility requirements there are. **(2 marks)**
- D) Provide details of the EFA requirements and options for compliance. **(3 marks)**
- E) Cross compliance is made up of both Statutory Management Requirements (SMR's) and Good Agricultural and Environmental Condition (GEAC). Your client has been selected for an inspection, list 10 items/documents that a SGRPID inspector will inspect/require sight of **(5 marks)**
- F) Provide a note of the eligibility and payment structure of either the Scottish Suckler Beef Support Scheme or the Scottish Upland Sheep Support Scheme that are currently available in Scotland. **(2 marks)**

QUESTION 11

Your client wishes to release some equity from the holding to invest in a diversification project elsewhere and has requested a valuation of Knockquharn Farm for bank security purposes. You do not have a conflict of interest. For the purpose of this question assume the farmhouse and land is owner occupied by your client and no securities are held over the farm. The farm cottage was let on a PRT as of December 2018.

- A) Is this valuation subject to RICS “Red Book” reporting requirements, and when did the latest version take effect?
(1 mark)
- B) Using bullet points, list 8 key headings you would include in your letter of instruction/terms of engagement to your client.
(2 marks)
- C) Using bullet points, list 8 key headings you would include in your valuation report.
(2 marks)
- D) In valuing the whole farm, explain how you would arrive at a final value, stating the principle methodology you would adopt in your valuation, and any assumptions you may need to make
(4 marks)
- E) How would your approach differ if the farmland was subject to a 25 year LDT with 20 years left to run
(2 marks)
- F) Following receipt of your report the borrower calls you and insists that your valuation is too low, a neighbour has verbally suggested they would pay considerably in excess of the sum you have reported. How would you respond to the borrower’s assertion.
(2 marks)
- G) A new member of your team asks you what the difference between an assumption and special assumption is. Give a brief explanation of both, and how you would deal with them in the context of an instruction.
(2 marks)

QUESTION 12

Your client has recently read an article about Brewdog Forest which piqued his interest. It was discussing the growing popularity of planting land currently used for agriculture with trees. Your client has asked for advice with regard to the possibility of planting "Field D". The land is class 4.2.

- a) In bullet point form, list the factors that your client would need to consider in order to see whether a planting scheme may be viable
(7 marks)

- b) Detail the grants that might be available and the typical costs of establishment (making assumptions on tree species)
(5 marks)

- c) Advise your client on the tax treatment of the scheme, and what future considerations regarding tax they might have.
(3 marks)