**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**

**A picture containing text, gambling house, room, clipart

Description automatically generated**

**NATIONAL WRITTEN EXAMINATION**

**PAPER II**

**11TH NOVEMBER 2021**

**10.50am – 12.55pm**

**Time Allowed – 2 Hours and 5 Minutes**

**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 seven 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.

**QUESTION 1**

Lea Grange comprises an attractive 4 bedroom former farmhouse, outbuilding used as a garage and games room, timber built range of four stables with tack room, 3 bay general purpose store, manège and 24 acres of pasture, 10 of which are in a separate block 200 yards down the country lane.

The Highway Authority has published a draft Compulsory Purchase Order for the construction of a new by-pass which would be on an embankment within 100 yards of the front of the house, severing the drive and three acres and taking 7 acres of land from the main parcel.

The programme indicates a start in eighteen months with construction scheduled over two years.

1. Assuming your client wishes to retain the property, draft a letter to them setting out the principal legislation and stages of the Compulsory Purchase process, likely heads of claim with indicative figures and workings.

(10 marks)

1. On reflection, your client decides they wish to sell and move away. What steps do you advise to enable them to maximise value and move?

(7 marks)

1. What remedies are available to facilitate settlement of the claim and how do they differ?

(3 marks)

**QUESTION 2**

A local doctor and potential client has approached you, having purchased a portfolio of 35 residential properties. The portfolio has been managed by another firm but you are now asked to manage it from next month.

Please prepare a check list of matters to be discussed with your prospective client that will provide you with the necessary information to take this engagement on:

1. What information will you require to satisfy yourself that you can take the person on as a prospective client?

(2 marks)

1. What information will you require from the current managing agents about:
   1. The tenancies? (5 marks)
   2. Whether the properties meet current standards? (5 marks)
   3. Taking over the collection of rents and deposits? (2 marks)
2. What are your next steps to confirm your contractual relationship with the prospective client? (3 marks)
3. Assuming you have been engaged, what are your next steps with the tenants?

(3 marks)

**QUESTION 3**

Your client owns a 200 acre farm which he inherited in the late 1970s. He operates the farm business as a sole trader and, with other activity, is a higher rate taxpayer. The farm includes a large traditional barn used for farm storage. His architect has informally advised that planning consent could be obtained for its conversion to a single residential dwelling.

Your client wishes to release funds to assist his daughter with a house purchase and has decided to sell the barn with consent rather than undertaking its conversion. He considers the barn, with consent and a suitable area of surrounding land, to be worth in the region of £400,000.

In advance of a family meeting to decide on the sale of the barn, he has asked for a meeting with you to discuss the proposal and, in particular, his liability for Capital Gains Tax.

Prior to your meeting, make notes on the following:

1. Set out the basic framework for the operation of Capital Gains Tax

(6 marks)

1. Prepare an initial assessment of the tax your client is likely to pay on the disposal of the barn in the above scenario assuming current tax rates and allowances. The barn would have been worth £2,500 in March 1982. When would the tax be due? Make logical assumptions relating to any unknown figures.

(7 marks)

1. Outline the reliefs available for CGT and give brief notes on their application. Comment on which reliefs your client may be able to benefit from and how your client might consider altering his approach in order to benefit from any relief.

(7 marks)

**QUESTION 4**

Your client inherited a private rural estate 10 years ago from his uncle. Taking a close interest in estate matters, including the environmental impact of the estate as a whole, he is in the process of assessing the estate’s natural capital.  He is interested in how the tenanted estate could play its part in the challenges that these environmental and climate issues will present.

The estate includes a 500-acre fully equipped mixed farm let on an FBT with a farmhouse and a cottage. With the tenant’s ill-health, the tenancy is being surrendered in September 2022.

Your client has instructed you to re-let the farm on the open market in order to identify a suitable tenant. The farm has suffered from under-investment over the years and your client is willing to work with the new tenant to enhance the holding over the term of the tenancy, subject to a suitable return on investment and meeting of estate’s longer-term objectives. Your client wishes to ensure that the tenant is able to embrace and adapt to the impending changes in the agricultural sector.

1. Outline details that should be included or considered for inclusion in the brochure for the re-letting of the farm, setting out the section and sub-section headings, with brief explanatory text if required.

(10 marks)

1. Outline the information you would expect to see within a successful tender document submission, in note form.

(6 marks)

1. What are the ways in which the parties might approach the new investment in the holding?

(4 marks)

**QUESTION 5**

You act for a client who is the tenant of a 200 acre farm. There is a traditional barn on the holding which your client is interested in converting for holiday lets. Your client has little knowledge of holiday lets. He has asked to meet you for advice on what might be involved in running a letting business and the steps that need to be taken to allow the conversion to go ahead from start to finish.

In preparation for your meeting, **write notes** on the following:

1. Practical and financial considerations for a holiday lets business with the likely day-to-day income, costs and responsibilities for the client in administering holiday lets.

(5 marks)

1. The legislative and taxation issues that would need to be addressed and the consents or permissions that may be required.

(5 marks)

1. Matters to be addressed with the landlord regarding the proposals

(4 marks)

1. Information required to assess the viability of the scheme.

(4 marks)

1. Matters to be considered in managing a building project.

(2 marks)

**QUESTION 6**

Your client has a mixed arable and livestock farm and is now considering expanding an existing dairy herd and, with that, establish a farm-scale anaerobic digester.

With a river running through the farm and important wetlands downstream, your client has particularly asked you to provide advice on the nutrient management implications of this project and how they might be managed.

With the policies and issues relevant to the area in which you practise, please set out your pre-meeting notes on:

1. The general controls on manures, digestate and fertilisers (3 marks)
2. How they apply to the development proposed (2 marks)
3. Assessing the capacity of the farm to store, spread and protect nitrogen, phosphate and other nutrient (3 marks)
4. Potential mitigating measures and funding for them (8 marks)
5. What fixed equipment and machinery might be needed (2 marks)
6. What would be the tax treatment of spending on new facilities (2 marks)

**QUESTION 7**

Your firm has recently won a tender to manage a traditional rural estate with an in-hand farm, grass lets, 80 acres of woodland, three cottages and three light industrial commercial let units.

You are now to assist with the management of the property and the farming operations.

1. What statutory and regulatory requirements and procedures would your firm need to get in place? What documents would you need to obtain?

(10 marks)

1. Your firm’s management agreement with the client now needs to be prepared. What should that agreement cover? What would be the fee basis?

(5 marks)

1. Your first task is to formalise the letting of a 1,000sqft building which has been occupied for 5 years without a written agreement. Advise your client on the process and reasons why you would seek a formal agreement.

(5 marks)