**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**

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**NATIONAL WRITTEN EXAMINATION**

**PAPER II**

**10TH NOVEMBER 2022**

**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, Scotland or Northern Ireland.
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**

1. Outline the principal advantages and disadvantages between a Contract Farming agreement and letting land on a tenancy. Please outline the differences in tax treatments.

 **(8 marks)**

1. In advising your client, set out the structural differences between operating a Contract Farming agreement and a Share Farming agreement.

**(7 marks)**

1. Choosing *either* a Contract Farming *or* a Share Farming agreement, please set out the Heads of Terms you expect to include. **(5 marks)**

**QUESTION 2**

Your new client, Mr A Banker, has recently inherited Brook Farm. He has little interest or knowledge in agricultural property or tenancy law. He views it as a low yielding asset and wishes to raise capital. He has, however, heard that the farm is let under a ‘three generation tenancy’.

The farm is let to Mr Smith with a written agreement under the Agricultural Holdings Act 1986 (in Scotland, the Agricultural Holdings (Scotland) Act 1991) which was initially granted jointly to Mr Smith and his father in 1982. Mr Smith, now 63, has a son, aged 29, who has grown up on the farm and helps with the day-to-day management and running of the farm business.

Brook Farm, on the edge of a small village, about 5 miles from a large town comprises:

* Brook Farmhouse – a 6 bedroom traditional but unlisted dwelling
* a range of traditional barns housing the former dairy and currently used for general storage
* a range of modern farm buildings used by the farming business
* 250 acres of land, approximately half being arable land and half being pasture.

The passing rent is £20,000 per annum.

During your initial meeting with Mr Smith, he raised the issue of his son continuing to farm at Brook Farm. Mr Smith also expressed an interest in purchasing the farm.

Before your first formal meeting, make notes on:

1. The legal position and important terms of the tenancy that your client should be aware of. In particular, outline the rules that would govern a succession to Mr Smith’s son. State any assumptions.

 **(10 marks)**

1. In valuation terms, outline the value that you would recommend that your client asks Mr Smith to pay for the farm. Show your workings and reasons, state assumptions and value to your area.

 **(8 marks)**

1. Make comment on any other factors that you feel may be relevant to your client’s wish to raise capital.

**(2 marks)**

**QUESTION 3**

Mr and Mrs Jones live in a rural, coastal setting. Their property consists of:

* a 4 bedroom, traditional farmhouse.
* a garden amounting to circa 0.25 acres.
* an outbuilding/workshop with services and a floor area of circa 150 sq m GIA.
* 0.75 ac field immediately adjacent to the house and garden used for amenity and smallholding purposes, bought from the neighbouring farmer a few years after they purchased the farmhouse.
* a static caravan on the 0.75 ac field has been used for short term holiday letting purposes for many years.

Your client is considering opportunities for development on the 0.75 acre field.

A major wind farm development is proposed with the major cables connecting to the grid to run past their house and a substation planned near the house, potentially taking their 0.75 acre field.

Mr and Mrs Jones have held initial meetings with representatives of the scheme who mentioned the use of compulsory powers, they are worried about the situation and have asked you to advise them.

1. Before your initial meeting, make notes on the potential methods by which the land might be acquired, including a legal basis of each option, along with the likely process each option might follow.

 **(7 marks)**

1. In order for your clients to plan for their future, they would like to have an understanding of the likely claim if the 0.75 acre field is acquired by compulsory powers:
	1. outline the rules governing the calculation of compensation **(2 marks)**
	2. outline the likely heads of claim along indicative figures and workings. Note any assumptions. **(5 marks)**
2. With the compulsory purchase procedure being still at an early stage, make notes on any advice, suggestions and questions you would raise to ensure your client fully considers all matters and maximises the compensation payable if compulsory powers are relied upon to acquire the land.

**(6 marks)**

**QUESTION 4**

Your client wishes to achieve a position of ‘Net Zero’ carbon emissions by 2030 across their agricultural holding. The holding consists of approximately 100 acres of maize, 200 acres of improved grassland, 50 acres of rough grazing over undulating terrain, with approximately 50 acres of mature, native broadleaved woodland adjoining the grazing block. There are also approximately 15 acres of degraded peatbog. The holding is equipped with a range of modern farm buildings, a principal farmhouse and 2 farm cottages.

A. Advise how your client might establish their present net position in respect of carbon emissions and what information they may need to provide?

**(6 marks)**

B. What practical steps could your client implement to reach net zero on their holding?

**(8 marks)**

C. What business opportunities might be available to your client as a result of those steps and what advice would you give?

**(6 marks)**

**QUESTION 5**

**(With alternative for Northern Ireland)**

Your client is the tenant of a 300 acre dairy farm upon which they have developed (with landlord’s consent) a highly successful diversified business including an ice cream parlour, retail shop and café. In recent years, this has become the most profitable part of the business. Electricity is a significant cost and your client has engaged you to look into the possibility of installing a 100 kW solar array to meet the energy needs of the business.

Prepare notes on the following:

1. Identify the practical and technical issues that should be considered when installing your client’s proposed solar array to meet the demands of his business.

**(8 marks)**

1. The information required to assess the viability of the scheme and how its viability might be subsequently assessed.

**(6 marks)**

1. Matters to be agreed with the landlord in relation to the proposed solar array. What issues might typically concern the landlord?

**(6 marks)**

**Alternative for Northern Ireland**

Your client is the owner of a 300 acre dairy farm on which a niece has taken a business tenancy of old buildings to develop a highly successful ice cream parlour, retail shop and café. Electricity is a significant cost and she has now come to your client for permission to instal a 100 kW solar array to meet the energy needs of the business.

Prepare notes on the following:

1. Identify the practical and technical issues that should be considered when installing the proposed solar array to meet the demands of the business.

**(8 marks)**

1. The information required to assess the viability of the scheme and how its viability might be subsequently assessed.

**(6 marks)**

1. Matters to be agreed with the landlord in relation to the proposed solar array. What issues might typically concern the landlord?

**(6 marks)**

**QUESTION 6**

Manor Farm is a 300 acre owner-occupied dairy farm in a ring fence, with two offlying blocks of 10 acres each. There are 200 cows; the farm rears its own replacements. There is a small brick and tile barn presently used as the farm office, a good set of portal framed buildings adequate for the farm and an open sided Dutch barn in a paddock with access off the farm drive.

Having brought their married daughter Anne into partnership some years ago when she returned from college, Mr and Mrs Jones now wish her to move to the farm to run the business. Ahead of retirement, they would remain actively involved in running the dairy herd.

Mr and Mrs Jones live in the four bedroomed farmhouse, listed Grade II (in Scotland, Category C; in Northern Ireland Grade B). Anne rents a house in the village about 3 miles away from the holding.

Having agreed that Anne should move into the farmhouse with her family, they are now asking you how her parents might be housed on the farm.

1. What are the principal planning considerations and legislation governing the creation of new dwellings in the countryside and how might they apply in this case?

 **(6 marks)**

1. What information would you require and what are the key elements which should be included in a planning statement to accompany an application for an additional dwelling?

**(8 marks)**

1. How might the LPA seek to ensure a new dwelling remains available to house a key worker and what effect might that have on the value for the holding in the future?

**(3 marks)**

1. What is an estimated build cost for a house of about 1500ft²? How might they finance the project?

**(3 marks)**

**QUESTION 7**

You are acting for an owner occupier who owns a 250 acre dairy farm. With the increasing liability associated with diffuse pollution and dirty water management, your client needs to undertake a series of improvements on the farm to address this. He estimates this is going to cost in the order of £450,000.

Please advise your client on the following:

1. What are the options available to your client to raise finance in order to undertake the planned investment.

 **(5 marks)**

1. Should your client wish to use a fixed term loan, please provide an indication of the terms you might typically expect a bank to offer.

 **(5 marks)**

1. In undertaking a valuation for the bank outline the principal terms you expect the valuation to cover in order to meet the bank’s requirements.

**(10 marks)**