

# Central Association of Agricultural Valuers

## Northern Group Practical Examination

Wednesday 10<sup>th</sup> November 2021

Afternoon Paper

2.00pm – 4.30pm

### **PRACTICAL WRITTEN**

#### **Important Notes**

1. Answer 4 out of 5 questions on the paper provided.
2. **All questions carry equal marks: 15 each**
3. Write your candidate number only (not your name) in the top right-hand corner of each page.
4. Start each answer on a separate sheet and place your answers in numerical order.
5. Write on one side of the paper only and leave a margin at the left-hand side.
6. Questions are related to the farm inspected this morning and are individually framed so as to minimise the need to make assumptions. Please state clearly any assumptions you do make and the reason for them.
7. Presentation and clarity of your answers is important.
8. All candidates must answer the questions on the basis of English conditions/law.

***YOU NEED TO READ BOTH PAPERS AT THE COMMENCEMENT OF THE EXAMINATION, MAKE WHATEVER NOTES YOU NEED TO ASSIST YOUR ANSWERS FOR THE AFTERNOON PAPER DURING THE MORNING.***

### QUESTION 1

Due to a change in farming practice your client, the owner occupier of Highfield Farm, no longer requires use of building number 3 on Plan 1. Your client has been approached by a local steel fabricator who is interested in using the building to allow an increase in his fabrication capacity due to a new contract.

- a) You have been given the opportunity to inspect the building ahead of meeting with your client to discuss the potential implications and considerations in the re-use of the building for this purpose. Prepare bullet point notes on the following in preparation for the meeting:
  - i) A description of the building and its condition. **(3 marks, ½ mark per answer)**
  - ii) Practical considerations relating to the proposal. **(3 marks, ½ mark per answer)**
  - iii) What type of agreement would you recommend. **(1 mark)**
  - iv) What are the key features of the agreement which you have chosen. **(2 marks)**
- b) Following the meeting you have been asked to prepare and agree Heads of Terms with the steel fabricator. List the main Heads of Terms which need to be considered? **(6 marks, ½ mark per answer)**

**(Total 15 marks)**

### QUESTION 2

You have received a request to provide a valuation report in respect of Highfield Farm for Inheritance Tax Purposes from the Executors of Mr Smith who was the owner and sole business occupier of the Farm. Mr Smith died on 11 October 2021.

Following confirmation of your instructions and inspection, please provide:

- a. Your proposed report headings/subheadings and notes under these headings for the part of the Report which are based on your inspection of the holding. As an example the Heading "Agreed Terms of Engagement" is not required. **(8 marks)**
- b. Suggest the lotting you would adopt in the valuation including figures for illustration. (Please state your area of practice) **(4 marks)**
- c. Comment on the relevant inheritance tax reliefs and key qualifying factors in advance of discussions with the Executors, including reference to any legislation and case law. **(3 marks)**

**(Total 15 marks)**

### QUESTION 3

The tenant of Highfield Farm died in November 2020 and all the appropriate notices were subsequently served by the landlord to bring his tenancy of the farm to an end at Michaelmas 2022.

The tenancy of the farm commenced in 1987. Building 4 was constructed by the tenant in 1991, wholly at his expense, and without consulting the landlord.

At the commencement of the tenancy, OS 2385 on Plan 2 was poorly drained grassland. In 2006, the tenant had a new drainage system installed, and brought the land into arable production. A very brief letter from the landlord has been found giving his consent to the drainage works but making no further comment on the matter.

Please make clear and concise notes in respect of the following queries, for use in a subsequent meeting with the personal representatives:

- a) Please provide a description of Building 4 for the purposes of subsequent valuation. **(3 marks)**
- b) Please confirm the legal status of Building 4, and the basis of any compensation which may be available in respect of this building at the end of the Tenancy. **(1 mark)**
- c) Please set out any statutory procedure, and associated requirements (in respect of both the tenant and landlord), that would need to be observed to potentially obtain compensation for Building 4. **(4 marks)**
- d) Please set out an appropriate valuation of Building 4 for end of tenancy compensation purposes, including all calculations, reasoning and any assumptions made. **(5 marks)**
- e) Please confirm the legal status of the land drainage system in OS 2385 and the basis of any compensation which may be available in respect of this system at the end of the Tenancy. **(2 marks)**

**(Total 15 marks)**

#### QUESTION 4

Your client, the owner of Highfield Farm, has received a letter from a housing developer suggesting that field OS4283 and part of field OS6755, shown on Plan 2, are suitable for residential development within the next five to ten years following adoption of the 2021 York City Local Plan and wishes to enter into an option agreement.

Whilst he is interested in the developer's approach, your client has undertaken some research and considers the best vehicle to facilitate the potential development would be a promotion agreement rather than an option.

Your client has requested a meeting with you to discuss the matter further.

Prepare a briefing note ahead of your meeting with your client outlining:

- a) The differing functions of option and promotion agreements respectively and the strengths and weaknesses of each **(6 marks)**
- b) Particulars of Heads of Terms you would consider appropriate in order to agree with the developer for an option over the land including a detailed note on any anticipated fees and who would be liable for such **(6 marks)**
- c) The potential tax implications on the eventual sale of the property **(3 marks)**

**(Total 15 marks)**



### QUESTION 5

Your client, the owner occupier of Highfield Farm, has been approached by York Brewing Company who would like to hold a 1-day music and beer festival on the farm in early summer of 2022. They have identified OS 8491 on Plan 2 as being the most suitable and for the purpose of this question assume it is sown to grass. You are minded to consider their request:

- a) Advise on the most appropriate agreement that would be required to formalise the arrangement and why. **(2 marks)**
- b) What are the main practical considerations that need to be considered by both your client and York Brewing Company prior to agreeing the request: **(7 marks, ½ mark per answer)**
- c) Your client is very health and safety conscious and has asked for your advice on what he should highlight as being issues to York Brewing Company that are specific to the presence of a festival on a farm. **(5 marks, 1 mark per answer)**
- d) What factors might influence the level of rent to be paid? **(1 mark)**

**(Total 15 marks)**