

Central Association of Agricultural Valuers

Northern Group Practical Examination

Wednesday 13th November 2019

Afternoon Paper

2.30pm – 5.00pm

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 QUESTIONS DURING THE MORNING.

Question 1

Your Client owns Grange Farm and has been approached by the owner of Ye Olde Sun Inn who would like to increase the parking availability for patrons of the Inn and has identified a potential site in Field 4172 shown hatched green on Plan 1.

Produce a Briefing Note in preparation for a meeting with your Client to cover the following:

- (a) What issues should you seek to clarify regarding your Client's legal interest in the Field. (2 marks)
 - (b) Identify the planning issues which you expect the buyer will need to consider. (3 marks)
 - (c) What are the practical issues for your client to consider. (3 marks)
 - (d) What are the practical issues for the buyer to consider. (4 marks)
 - (e) Before accepting the offer what other possible uses for the land ought to be considered, and how could your client protect themselves financially against future change. (3 marks)
- (Total 15 marks)**

Question 2

You have been contacted by a long-standing client, being the owner and landlord of Grange Farm.

The farm has been let under an Agricultural Holdings Act 1986 tenancy for a term of 40 years, the tenant is now 62 years old, with no successors. There is no part resumption clause.

Your client has been approached by a lottery winner who has offered £1.5m for the farmhouse and all of the farm buildings if he can get planning permission for a large replacement single dwelling on the farmyard site.

Your client is minded to do the deal. He has spoken to the tenant, who was receptive to a partial surrender, and who owns a bungalow in the village which he could move into, but he wants to carry on farming for at least another 10 years and he will need a livestock building.

Having inspected the farm prepare a briefing note setting out your thoughts, with reasons, about the following:

- (a) type of arrangement with the buyer; (2 marks)
 - (b) arrangements re the existing tenancy; (2 marks)
 - (c) appropriate future occupation arrangements for the land with the existing tenant; (3 marks)
 - (d) potential payments to the tenant; and (4 marks)
 - (e) likely other costs that your client should anticipate. (4 marks)
- (Total 15 marks)**

Question 3

Your client, the owner occupier and in-hand farmer of Grange Farm inherited the holding in 1979. She has recently had a health scare and has asked you to visit her to discuss some questions that she has on her mind re capital taxation. She owns the farm personally and has a taxable income for the current year of £55,000. She has no spouse and has 2 sons, both live in London.

Prepare notes on the following in preparation for the meeting.

- (a)
 - i. In the event of her death, what would be the relevant tax? (1 mark)
 - ii. What reliefs may be available against this tax and at what rates? (2 marks)
 - iii. Which part of the holding may qualify for these reliefs, to what extent and what are the relevant qualifying criteria? (3 marks)
- (b) Your client has been approached by a developer who wishes to buy the area hatched blue on Plan 2 for residential development. Assuming that your client sells only this area of the holding:
 - i. What practical implications affecting the retained property should your client discuss with the developer before agreeing a deal? (2 marks)
 - ii. Set out a worked example of how much Capital Gains tax is likely to be payable (*use assumed but realistic values for the calculation – you will be marked on the method of calculation and not the assumed values*). (2 marks)
- (c) Following your meeting your client asks you to produce a valuation report of the whole holding.

List the constituent parts of the holding as you would value them, and state the factors that would influence the value of each part. (5 marks)

(Total 15 marks)

Question 4

Your new client is the owner of Grange Farm, Colton. The farm is let on an Agricultural Holdings Act 1986 Tenancy Agreement with model clauses repairing liabilities. The tenancy commenced on 6th April 1981, the Tenant is 70 years old and he has no potential successor. All the buildings are the Landlord's, with the exception of buildings A and E on Plan 2, which were erected by the Tenant without Landlord's consent. The interior of the farmhouse is completely unmodernised. A valid rent review notice was served on the Tenant by the Landlord's previous agent for a rent review with effect from 6th April 2020. The rent was last reviewed with effect from 6th April 1999 and the current rent is £5,400 per year.

Your client has informed you that he wishes to take a much more commercial approach to estate management and has asked you to meet with him to discuss the holding.

Provide pre-meeting notes regarding the following:-

- (a) The principal matters that fall to be considered when assessing the rental value of Grange Farm under the Agricultural Holdings Act 1986 and how Grange Farm relates to each of these. (9 marks)

- (b) Working notes and calculations to show what level of rent you would hope to achieve (*please note that gross margins and budgets are not required*). **(4 marks)**
- (c) The Tenant wishes to demolish buildings A and E in order to replace them with a new general purpose building. The Tenant has proposed that this is carried out as a Tenant's Improvement. What is your advice to the Landlord and state your reasons? **(2 marks)**
(Total 15 marks)

Question 5

Your clients are the owner occupiers of Grange Farm, a mixed arable and livestock farm. Recently, your clients purchased additional land in the locality, increasing the area of the holding to approximately 100ha (247.10 ac). The livestock enterprise consists of 300 head of beef cattle.

Your clients' eldest son has been working elsewhere as a farm manager but wants to return home and become actively involved in the running of the farm as his parents move towards retirement.

Your clients have been wondering about building a new dwelling for him on Grange Farm.

- (a) You have been to meet your clients and have been asked to advise on alternative options for providing their son with somewhere to live. What options are available instead of building a new house? **(2 marks)**
- (b) Following further deliberation your clients have decided to apply for planning permission to build a new agricultural worker's dwelling on the holding. You have been instructed to prepare an agricultural appraisal for the application; list the main considerations of the report. **(4 marks)**
- (c) Your client has identified three potential sites for the new dwelling. The sites are shown edged blue and labelled 1, 2 and 3 on plan 3.
Appraise each plot by listing their merits and disadvantages. **(8 marks)**
- (d) On the basis of your answers to part c., which site would you recommend? **(1 mark)**
(Total 15 marks)