**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**



**NATIONAL WRITTEN EXAMINATION**

**PAPER I**

**12 NOVEMBER 2020**

**9.00am – 10.30am**

**Time Allowed – 1½ Hours**

**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 two 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 **two** out of the three 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.

The presentation and clarity of your answers is important.

**QUESTION 1**

This question has 8 parts (A) to (H). Please answer FIVE of them. Each part carries an equal four marks.

1. What are the principle options for the resolution of agricultural disputes? Please provide a brief description of each with an example of when it might be used.

*For English and Welsh candidates* - What changes for dispute resolution are to be made by the Agriculture Act 2020?

*For Scottish candidates* – What is the relationship between an arbitration and the Land Court?

1. What are Permitted Development Rights? Briefly explain three such rights that you may encounter. When might they be reduced or be unavailable?
2. Your Senior Partner has asked you to assist with this year’s Professional Indemnity Insurance renewal. What information is required to prepare a return? What level of cover and excess might you expect?
3. Provide advice on Business Rates to a commercial tenant looking to rent 1,500 sq ft premises for a restaurant on an agricultural estate.
4. Set out a schedule of documents required during the course of letting out a residential property and the procedures you would follow in that letting.
5. What are the key components of a Health and Safety Risk assessment?
6. You are instructed as a Single Joint Witness to prepare a valuation in connection with divorce proceedings. What is your duty of care and to whom do you it? With what provisions do you need to comply?
7. What information would you require to undertake a calculation of the value of a tenant’s interest for the negotiation of the surrender of a tenancy under the Agricultural Holdings Act 1986 (in Scotland, 1991 Act)? What factors might ordinarily inform the parties’ negotiating positions and the settlement.

**QUESTION 2**

The joint owners of an 800 acre arable and stock farm have approached you to better understand their exposure to Inheritance Tax (IHT). A husband and wife aged 70 and 73 years respectively, they have provided you with this schedule of assets and values.

|  |  |
| --- | --- |
| **Schedule of Assets** | **Market Value** |
| Main house and stables (occupied by client and his wife) | £1,500,000 |
| House (occupied by son) | £750,000 |
| Farmland and agricultural buildings, 800 acres | £4,800,000 |
| 8 Cottages (6 let to third parties, 2 occupied by farm workers) | £1,600,000 |
| 2 Commercial retail units (let) | £350,000 |
| Farm shop and restaurant (operated in hand) | £500,000 |
| 25 acres of woodland | £35,000 |
| Personal investments and chattels | £500,000 |
| Long Term Loans | * 750,000 |
| **Net Total** | **£9,285,000** |

Running the farm on a commercial basis, they have also converted some traditional buildings into a profitable farm shop and restaurant which they run themselves with a good team of staff. The two retail units are let separately. The day to day farming is carried out by their only son (married with two children), although your client is still very much involved in managing the overall business.

The main house where your client lives is a 7 bedroom grade II listed period property set in private grounds with stables, a tennis court and outbuildings. There is a more modest 4 bedroom house where their son lives situated separately from the main house and close to a good range of modern farm buildings.

In preparation for a meeting with your client, prepare notes on their likely exposure to inheritance dealing with the following:

1. How Inheritance Tax is calculated, the rates applicable and the main exemptions, reliefs and allowances available. **(8 marks)**
2. Using the property schedule provided, indicate the reliefs that may be available for each asset with your reasons. Note any case law relevant to the relief concerned. **(6 marks)**
3. Your clients are keen to reduce their day to day involvement in the business and allow their son to head the business. However, they also need to retain some income from the business for retirement. Advise on possible options for doing this while mitigating exposure to IHT. Note any wider considerations. They are particularly keen to become less involved in the farm shop and their son has no interest in this part of the business.

**(6 marks)QUESTION 3**

Your client is a successful sheep farmer lambing 2,000 ewes and purchasing 3,000/4,000 store lambs each Autumn. He has asked to see you as he considers he is paying too much rent. You have arranged to meet him next week, but you recall he has the following holdings:

**Home Farm** - 200 ha (500 ac) unit comprising a five-bedroom farmhouse (which he lives in) and two three-bedroom cottages, the first occupied by his daughter who works on the farm and the second was sublet to a vet on a shorthold in 2015.

The buildings include the lambing yard, machinery sheds and fodder barns, a range of brick built stables which the landlord has consented for use as DIY stables and a beef yard which is now used to fatten hoggets after Christmas put up by the tenant with landlord’s consent 25 years ago.

Your client succeeded his father as tenant in 1997. His father had installed an extensive land drainage scheme in the early 1970s on the 50 ha of arable land. The rent was last reviewed in spring 2018.

**Close Farm -** A 50 ha (125 ac) bare-land grass holding, adjoining Home Farm but in different ownership, that was let to your client in 1990. The rent was last reviewed in 2019.

**Deer Farm** - 100 ha (250 ac) of grassland 5 miles from Home Farm. Your client tendered successfully for a 10 year tenancy of the land in 2017. The rent has not been reviewed since.

Your client also takes additional grassland on licences in the district and grows a considerable area of stubble turnips and fodder rape on local arable farms. He entered an agri-environment agreement across the three farms in 2018.

**Set out in note form:**

1. Your thoughts on the future of the sheep industry for the coming year (with reasons)

**2 marks**

1. Set out the basis of a rent assessment:
   1. for the Home Farm tenancy **(2 marks)**
   2. For the Deer Farm tenancy **(2 marks)**
2. For the named farms, set out the procedure and timetable to instigate a review and, if necessary, to refer it to dispute resolution. **2 marks**
3. List the additional information you might require from your client in order to advise further.

**2 marks**

1. For the rent review at Home Farm, comment on how you would approach the valuation of:
   1. The sub-let cottage
   2. The beef yard
   3. The DIY stable
   4. The land drainage scheme
   5. Comment on “marriage value” in the context of Close Farm **10 marks**