**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**

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**NATIONAL WRITTEN EXAMINATION**

**PAPER II**

**12 NOVEMBER 2020**

**10.45am – 12.45pm**

**Time Allowed – 2 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 **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 six 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**

You act for an estate that has just taken 200 ha (500 (ac) of good alluvial arable land back in hand. The land has an irrigation licence to draw water from the river running through the holding and a small yard comprising a fertiliser and chemical store and a filling tank for the sprayer.

The holding adjoins a SSSI which covers the estuary of the river, some brookside land and salt marshes. Silt has washed from the holding into the brooks and high levels of metaldehyde and nitrates have been found in the water of the SSSI. The land is in a NVZ and is a high priority area for water quality.

For tax planning reasons, the estate has decided to farm the land in hand using external contractors, but the trustee owners are anxious to:

1. maintain a profitable arable farming system which will include growing up to 50 ha (125 ac) of maize for the estate’s biodigester and 30 ha (75 ac) of potatoes which will be irrigated
2. take advantage of any environmental scheme for grants or subsidies which may be available
3. ensure that all reasonable steps are taken to avoid further degradation of the adjoining SSSI and
4. ensure that future practices help restore the soil structure of the land in hand.

Bearing in mind the above, prepare brief notes for the next estate meeting on the following topics:

1. Consider the contents of a protocol to be attached to the contract farming agreement recommending cultivation techniques to deal with the above issues. **4 marks**
2. Suggest further husbandry measures that the estate can implement on the holding to reduce its impact on the SSSI and improve soil structure. **2 marks**
3. Looking at entering a mid-tier Countryside Stewardship agreement (Agri-Environment Climate agreement in Scotland; Glastir in Wales) on the same rules as for those starting in 2021, briefly set out how the Scheme works and consider the options that might be appropriate. Give an approximate indication of the level of funding available for each option. **9 marks**
4. Set out a timetable for the application process. **2 marks**
5. Comment briefly on any proposed future schemes **3 marks**

**QUESTION 2**

You have been approached by three separate owner-occupier farmers who are looking to share their fixed costs and resources as part of a new single farming operation.

They all farm arable land of between 100ha and 250ha each. The range, scale and quality of buildings and machinery varies between farms. The land is broadly of similar productivity.

1. Set out their options for farming in co-operation with each other with the issues involved. **(5 marks)**
2. For each of the options in Part (a) what are the possible arrangements for occupying the land and their tax and subsidy consequences **(4 marks)**
3. List the professional advisors required to assist and their likely input **(3 marks)**
4. List the areas for discussion before entering into an agreement. **(8 marks)**

**QUESTION 3**

Your firm has been contacted by Mr Ray Wilding. He is moving from London and, with little knowledge of rural property matters. After your initial advice, he wants your help in negotiating the purchase of a 91 acre farm primarily for personal enjoyment. He intends to use the farmhouse as his primary residence, wants the land managed in a wildlife friendly and sustainable way and, able to invest, an income to cover his modest day to day living costs.

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The farm he wishes to purchase includes:

* 5 bedroom farmhouse, vacant and in need of modernisation.
* 1 bedroom detached chalet, with no planning consent for residential use, occupied by a middle aged couple granted an Assured Shorthold Tenancy (SAT in Scotland) in 2011. Before then, it was occupied by a friend of the vendor for several years. The passing rent is £250 per month.
* a range of traditional and modern farm buildings of a scale commensurate with a circa 90 acre traditional farm, adjacent to the farmhouse and in generally poor condition.
* a 4kW photovoltaic array located on the roof of the farm buildings, generating £1,500 pa under a Feed in Tariff agreement with 15 years left to run. The system is owned and there is no third party involvement.
* no part of the property has a protected planning status but 3 acres of land immediately adjacent to a public highway is subject to an overage condition with a clawback of 30 per cent until 2040.
* 50 acres of good quality pasture surrounding the farmhouse and buildings.
* 40 acres of low-lying pasture, including a wetland area designated as a Site of Special Scientific Interest (SSSI).

The farm is lotted – Lot 1 being the farmhouse and buildings and Lot 2 being the land. Both lots use the same access track.

The land is:

* occupied by the neighbouring organic dairy farmer under a 1 year Farm Business Tenancy (in Scotland, a seasonal grazing tenancy of less than a year that has been renewed on an annual basis, currently paying £6,000pa.
* in an organic agri-environment agreement with 3 years left to run. The vendor, as landlord, granted the tenant permission to enter the scheme.

Basic Payment Scheme entitlements, included in the sale, have been transferred in trust with the lease to the tenant who has retained the payments in full.

Mr Wilding would now like you to act on his behalf in negotiating the purchase of the farm, having initially provided initial advice.

1. Prior to meeting Mr Wilding you are required to draw up terms of business. Outline the key terms that would be included in the letter of engagement (5 marks)
2. In preparation of your meeting, make **bullet points** of the key issues you would want to raise with Mr Wilding to ensure he has a full understanding of:

- the property and its component parts

- factors affecting their values

- the wider implications for his future ownership **(15 marks)**

**QUESTION 4**

You are instructed to sell a 3-acre paddock adjacent to a village.

You advise that it should be offered by auction as a single lot with a reserve based upon its existing use value of £45,000. In setting out your advice, you reply to the client’s concerns that the purchaser might later achieve an uplift in value if planning permission were granted for a change of use.

1. Outline the approaches to this issue and how they might be structured together with any impact on the sale process or the value achieved **6 marks**
2. The purchaser decides to use the paddock for equestrian use. Does that require planning permission and is it likely to trigger any protective arrangement?

**2 marks**

1. The purchaser subsequently applies for and obtains planning permission for a detached four bedroomed house of approximately 2,000 sq ft with detached double garage in a plot of 0.25 acres. There are no onerous conditions or restrictions on occupation.

3.1 Outline what you would require if acting for the original vendor, assuming that the paddock had been sold subject to an uplift clause. **2 marks**

3.2 Provide worked examples to show how you would calculate the amount due to your client **8 marks**

1. What are the remedies if the purchaser ignores the arrangement and proceeds to try and sell the plot without approaching the vendor? **2 marks**

**QUESTION 5**

Your client owns a 2,000 acre rural estate consisting of the following main elements:

* 15-bedroom manor house with courtyard of unconverted traditional buildings and formal gardens which are open to the public in the summer months.
* 500 acre in-hand farming operation, predominantly arable land under a share farming agreement with a young and progressive farmer
* Remaining land let under a mixture of AHA 1986 and ATA 1995 agreements, consisting of 2 equipped farms and some bare land lettings.
* Land on the edge of the local town has been allocated for the provision of 150 homes under the local planning policy and more is adjacent to an industrial estate
* A 50kW wind turbine and ground mounted 50kW photovoltaic array, both owned in-hand and installed and commissioned in 2012/13.
* A small scale shoot, let to a local syndicate, shooting approximately 15 days per year.
* Electricity substation situated on the fringes of the estate, surrounded by estate land.

Your client is in his late 50s, and with children at university has started considering the future of the estate. He has been approached by Sunshine Solar company expressing an interest in constructing a 50MW solar park on approximately 200 acres of the estate, potentially in conjunction with neighbouring landowners. With his smaller scale renewable schemes, he is interested but is aware that the renewable market has changed since 2012/3.

Ahead of an estate meeting, he has asked you to write **a letter** to him outlining the issues that he should take into consideration. He has especially requested commentary on the following:

1. Summary of the current situation with the renewable energy market and subsidy regime **(4 marks)**
2. Key issues to consider when entering into a renewable energy agreement, in particular the terms of a proposed solar PV lease, to include the basis of the rent with examples and what might affect the level of rent **(8 marks)**
3. Operational issues for the estate in taking the PV scheme forward **(6 marks)**
4. Longer term implications for the estate **(2 marks)**

**QUESTION 6**

Bishopton Farm, is a 350 ha dairy farm, owned by Mr and Mrs Goodyear, now in their 70s. Their son, Jimmy, who now lives in the farmhouse is a partner in the farming business and, for practical purposes, is now running the farm as his parents are less active.

There are five cottages:

* two occupied by farmworkers. The contracts of employment are silent in respect of occupation of the cottages but a deduction of £250/month is made from their monthly salary as a contribution towards occupying the tied accommodation.
* one is let under a Private Residential Tenancy/ Assured Shorthold Tenancy and is occupied by a tenant who sadly is undergoing chemotherapy.
* two are managed as holiday lets by Mrs Goodyear. Enterprise accounts are available for 2019. However, with this year’s pandemic they were closed from March to July but were then fully booked until the end of October albeit with much higher cleaning costs.

When Mrs Goodyear’s father bought the farm, the former landlord reserved both minerals and timber extraction from a retained 10 ha woodland plantation adjacent to the farm buildings using the farm drive.

Jimmy is keen to remedy the lack of investment over the last 10 years and has now prepared a business plan for a substantial increase in the herd and new buildings at a cost of £1m. He has approached the bank which has offered acceptable terms.

The bank, accepting your terms of business, has now asked you to provide the supporting valuation this week. Unfortunately, renewed Covid-19 restrictions mean that you cannot visit occupied dwellings.

**Set out in note form**

1. The issues that may:

* be relevant to the valuation
* require further clarification and why

and any assumptions that it is reasonable to make. **14 marks**

1. The methodology to be adopted for the valuation and how this is

used to support the valuation. **3 marks**

1. Your valuation approach to addressing valuation risk and

market uncertainty. **3 marks**