

CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS EASTERN GROUP

Morning Practical Examination

Wednesday 13th November 2013 – 9 am

at

Debach Airfield, Grove Farm, Clopton, Woodbridge, Suffolk IP13 6QS

By kind permission of

F. G. Taylor & Son

Candidates should have read the 2013 Guidelines for the Practical & Written Examinations.

All questions in this paper should be answered.

Time Allowed – 3 ½ hours with ½ hour extra for completion of calculations and final check on notebook answers (4 hrs total).

Notebooks, question papers and CAAV publications for both the morning and afternoon sessions for the practical examinations will be handed to the candidates at the initial briefing.

During the morning session candidates will be shown various items by the Examiners.

INTRODUCTION & BACKGROUND

The land at Debach Airfield extends to some 75.60 hectares (186.82 acres) as outlined red on plan number 1. There is no house on the main block of land, however, there are three areas of buildings shown hatched blue on plan 1. The land is mostly arable with about 3.48 hectares (8.62 acres) of grass and 0.88 hectares (2.19 acres) of woodland. You will be shown various specific buildings in order to answer the questions.

The land has for many years belonged to Doris Dingle and is let on an Agricultural Holdings Act tenancy to her brother, John Dingle. John farms in partnership with his son Richard Dingle. Doris, who was a spinster and aunt to Richard, has recently died and has left the property to him. The Agricultural Holdings Act tenancy is under standard terms and commenced on the 29th September 1988. The current rent payable under the lease is £16,800 per annum and the term date is the 29th September.

Richard Dingle owns a modern four bedroom property and surrounding land edged blue shown on plan number 2.

QUESTION 1

- (a) In Barn A (as labelled on site) there is a heap measuring 9m wide x 24m deep (at the base) x 3 m high. Assume the slope is 45° and measures 3m deep (at the base). The commodity was harvested in 2013.

Identify the commodity, and provide a tonnage and value for the heap at today's date, showing your calculations. Please state any assumptions you have made.

(2 marks)

- (b) You will be shown a pen of pigs which were born in**TBC**.... 2013.

Describe the contents of the pen and provide a value per head and for the pen as a whole.

(2 marks)

- (c) You will be shown THREE items of farm machinery and equipment (numbered 1 to 3)

NB: Item 3 - assume 1200 engine hours; 1000 drum hours.

Describe each item as if it was being included in a catalogue for sale by public auction and provide a current market value for each item.

(2 marks each - total 6 marks)

QUESTION 2

- (a) Your client's bank, as part of a valuation for loan security, has asked for an estimate for insurance purposes of the reinstatement costs of building A (as labelled on site) 930 sq.m. (10,000 sq.ft) and building B (as labelled on site) 232 sq.m. (2,500 sq.ft). Please provide this estimate for the two buildings along with a short description of each building. You should show all calculations and workings.

(5 marks)

- (b) Your client has surplus grain storage for their requirements on the farm and are considering letting 5,000 sq.ft of building A to a neighbouring farmer on a commercial basis for the storage of their wheat from harvest 2014. The remainder of the building will be occupied by the client for farm machinery storage.

Prepare bullet points for a meeting with the client recommending possible terms and factors that they should take into consideration and also provide an appropriate rental figure showing your calculations.

(5 marks)

QUESTION 3

You will be shown a building labelled C on site. Your client wishes to replace the roof.

- (a) What are the relevant Acts of Parliament and Regulations relevant to roof work safety?

(2 marks)

- (b) Assuming you are to act as the project manager, prepare a list of points to include in a risk assessment for the re-roofing work.

(4 marks)

Your client remembers receiving in the post a few weeks ago a reminder that he should be looking to renew his Environmental Permit under The Environmental Permitting (England & Wales) Regulations. He cannot find the paperwork.

- (c) Which statutory authority should the farmer contact for the form?

(1 mark)

- (d) Give four examples of agricultural activities that require the permit.

(2 marks)

- (e) What are the implications of not complying with the regulations?

(1 mark)

QUESTION 4

Building D, as labelled on site, was erected by the tenant with unconditional written landlord's consent. It was constructed about 10 years ago with no grant aid. For the purpose of this question only, please assume it has been used by the tenant as a workshop to repair and renovate his collection of classic cars. Assuming the tenancy is about to come to an end and that the compensation calculation is to be dealt with as an arm's length transaction:-

- (a) How is the appropriate level of compensation payable for the improvement under the AHA 1986 assessed?

(2 marks)

- (b) Please provide a description and valuation of the building for end of tenancy compensation purposes showing your calculations and observations about the building.

(5 marks)

- (c) What is the time period in which the tenant must make his claim to the landlord for compensation?

(1 mark)

Assuming the building is a tenant's fixture which the landlord has elected to purchase

- (d) How is the compensation payable for the fixtures assessed under the AHA 1986?

(2 marks)

- (e) Please provide a valuation of the building for end of tenancy compensation purposes showing your calculations.

(4 marks)

- (f) Are there any CGT or Income Tax implications for the tenant to consider in relation to his compensation?

(1 mark)

QUESTION 5

Your client is interested in erecting a small wind turbine on the site you are now standing upon; he is interested in funding it himself but has also heard he can let his land to a developer. Please answer the following questions for him:

- a) Please list in bullet points six main factors that need to be considered in ascertaining the suitability of the site and which will help determine the size of turbine.

(6 marks)

- b) Would you expect the turbine to receive FIT's or ROC's?

(1 mark)

For your chosen size of turbine (please clearly state your assumption in this regard) answer the following questions:

- c) What is the annual rent that the landowner can expect for the turbine site if they let their land to a developer?

(1 mark)

- d) What is the project likely to cost (turbine, erection, professional fees etc) for the turbine if your client funds it themselves?

(1 mark)

- e) How high would the turbine be? State to what point you have stated the measurement.

(1 mark)

QUESTION 6

There is a crop in the ground where you are now standing

- (a) Identify the crop.

(1 mark)

- (b) Provide a valuation for stocktaking purposes for this crop as at today's date showing your calculations. Your valuation should assume the area is 5 hectares.

(3 marks)

- (c) Assuming you are in a field of Oil Seed Rape, produce a gross margin calculation for the crop per hectare for harvest 2014, showing all workings and headings.

(3 marks)

- (d) Again assuming Oil Seed Rape, list the farming operations you might expect in chronological order from harvest 2013 to harvest 2014. Please list the operations next to each month.

(3 marks)

QUESTION 7

The family partnership entered into an Entry Level Stewardship Agreement on the 13th November 2010. The area you are now standing on extends to 1 hectare and was entered into the scheme as EF1 – Management of Field Corners as it was considered a less productive area of the farm. A sale has now been negotiated of this entire area to the neighbouring commercial business park. The partnership wish to continue with the Entry Level Stewardship Agreement for the full term.

- (a) State the points provided by the Feature and the payment received on an annual basis on a per hectare basis under ELS.

(2 marks)

- (b) Provide a briefing note to advise your client on the best way to deal with the loss of this area from the ELS Agreement.

(8 marks)

QUESTION 8

You will be shown an area of land in the northern corner of field. Assume this extends to about 2 hectares and has been the subject of an approach from the owner of the adjoining industrial premises. The land at present is not allocated for development and has no planning consent. Richard Dingle has asked you to advise regarding a possible sale.

For the purpose of this question please assume the area could be sold on a freehold vacant possession basis.

- (a) Assuming the purchaser is prepared to purchase the land without planning consent, please draft the Heads of Terms for a sale. Your client is keen to ensure they receive a price that is appropriate to the future use even if they do not get all of the money now.

(6 marks)

- (b) If alternatively, the purchaser's interest was subject to obtaining planning consent, how may the Heads of Terms vary? Please answer part (b) in bullet point form.

(4 marks)

END OF PAPER

CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS EASTERN GROUP

Written Practical Examination – Afternoon Paper

Wednesday 13th November 2013 – 2pm

Based on the morning inspection of

Debach Airfield, Grove Farm, Clopton, Woodbridge, Suffolk IP13 6QS

Examination to be held at

Trinity Park, Felixstowe Road, Ipswich, Suffolk IP3 8UH

Candidates should have read the 2013 Guidelines for the Practical & Written Examinations.

4 out of 5 questions in this paper should be answered.

Time Allowed – 2 ½ hours

INTRODUCTION & BACKGROUND

The land at Debach Airfield extends to some 75.60 hectares (186.82 acres) as outlined red on plan number 1. There is no house on the main block of land, however, there are three areas of buildings shown hatched blue on plan 1. The land is mostly arable with about 3.48 hectares (8.62 acres) of grass and 0.88 hectares (2.19 acres) of woodland.

The land has for many years belonged to Doris Dingle and is let on an Agricultural Holdings Act tenancy to her brother, John Dingle. John farms in partnership with his son Richard Dingle. Doris, who was a spinster and aunt to Richard, has recently died and has left the property to him. The Agricultural Holdings Act tenancy is under standard terms and commenced on the 29th September 1988. The current rent payable under the lease is £16,800 per annum and the term date is the 29th September.

Richard Dingle owns a modern four bedroom property and surrounding land edged blue shown on plan number 2.

QUESTION 1

Hydrate Water PLC are intending to occupy the land shown with a green line on Plan 1 to carry out the laying of a new 355mm water main.

- a) Which Notices will Hydrate Water PLC serve on Richard Dingle AND the farming partnership in order to plan and implement the scheme and how much notice needs to be given before they can enter the property.

(2 marks)

- b) On the assumption that the water pipe is installed:

- i) Please advise Richard Dingle as owner, on what principal heads of claim there may be.
- ii) Please advise John Dingle as tenant, on what principal heads of claim there may be.

(4 marks)

- c) Assuming a protected strip width of 6 metres and a length of 750 metres and assuming a freehold vacant possession basis, what payment in recognition of the permanent loss in the value of the land would you expect as a result of the presence of the water pipe.

(2 marks)

- d) Please list in bullet points what possible implications the presence of the proposed water pipeline will have on the tenant in relation to the Single Payment Scheme and Cross Compliance conditions.

(2 marks)

- e) The contractors to the scheme, Beckham & Gascoigne, have expressed interest in hiring a compound site in which an area is cross-hatched orange on Plan 1. The site measures 50m x 80m. Please can you advise the tenant on how to deal with this approach, both in terms of principal heads of terms for the letting and the likely value you might expect over the estimated six month period whilst the pipe is installed.

(5 marks)

QUESTION 2

Richard has grown tired of farming and the relationship with his father John has become strained since Richard inherited the farm from his Aunt. Richard now wants to sell the property he inherited and move abroad. Richard has asked for your advice on the sale of the freehold interest. John could retire but is reluctant to relinquish his tenancy without proper consideration.

Prepare notes for an initial meeting with Richard to discuss your strategy for the sale of the property which should include advice on how to maximise value and the information you will require to market the farm.

(15 marks)

QUESTION 3

John Dingle and his son Richard Dingle are executors to Doris Dingle who has recently died. They have asked you to advise them as executors upon the farm that has been left to Richard under the terms of Doris' will. Please write one letter to the executors covering:

- 1) The information that you will require to confirm terms of engagement before undertaking a valuation for inheritance tax purposes and your terms of business.

(8 marks)

- 2) The timing of payments for any Inheritance Tax due on the value of the farm, what the likely taxation rate is and if any reliefs are available and any issues that will apply to the farm that they should be aware of.

(7 marks)

QUESTION 4

Richard Dingle owns Elmwood House edged blue on Plan 2. Elmwood House is a modern 4 bedroom house and was built in about 1995 under a planning consent that was subject to an agricultural occupancy restriction. The house has been occupied by his sister Ann for the last seven years. Ann is not connected with the farm and nor has she been for all of that period. Richard lived in the house prior to Ann. Although Richard has no pressing need to sell, Ann has expressed an interest in purchasing the property and Richard has asked that you advise him and his sister jointly upon the options open to them. His sister has no knowledge of the planning system. Write a letter to them jointly explaining fully:-

- (a) What an agricultural occupancy restriction is, and the effect on the occupation of the property.

(3 marks)

- (b) The implications of the restriction on the value of the property and the effect it might have on an application by Ann for a mortgage on the property.

(3 marks)

- (c) The prerequisites and procedure for an application to remove the restriction, including the costs involved.

(6 marks)

- (d) Any alternative routes they could take to secure Ann's future occupation of the property.

(3 marks)

QUESTION 5

A neighbouring farmer who does not like agents has approached John Dingle about 40 hectares which he would like to have farmed for him next year.

- (a) John is going to see his neighbour next week. What information should he request at his meeting to enable you to help him prepare budgets? List the information required in bullet points.

(3 marks)

- (b) John understands tenancies but is less clear about contract farming. Outline the basic principles and mechanisms of a Contract Farming Agreement in a briefing note.

(4 marks)

- (c) Please provide a separate brief illustration of the likely incomes to each party assuming continuous wheat and no ELS.

(4 marks)

- (d) What are the likely taxation advantages of a Contract Farming Agreement to a landowner when compared to a Farm Business Tenancy? Please answer in bullet points form.

(4 marks)

END OF PAPER