IN THE VALUATION TRIBUNAL FOR ENGLAND
IN THE MATTER OF A 2017 RATING LIST APPEAL

Case No: CHG101120169

Sitting remotely using Microsoft Teams

Date: 3 March 2026

SCHEDULE 11 TO THE LOCAL GOVERNMENT FINANCE ACT 1988

2017 Rating List appeal; Challenge against the accuracy of the compiled list entry; Museum and Premises; Receipts and Expenditure; Rental evidence; Comparable evidence; Hughes (VO) v Exeter City Council [2020] UKUT 0007 (LC); Allen (VO) v Tyne & Wear Archives and Museums [2022] UKUT 206 (LC); appeal allowed.

Before:
FRAZER STUART
(VICE PRESIDENT)

Between:

THE TRUSTEES OF THE NATURAL HISTORY MUSUEM — **Appellant**

- and -

NICOLA JOHNSON
(VALUATION OFFICER) — **Respondent**

Regarding:
NATURAL HISTORY MUSEUM, CROMWELL ROAD, LONDON SW7 5BD
(the “subject property”)

The Appellant was represented by Cain Ormondroyd (Counsel) from Francis Taylor Building
Colin Hunter appeared as the Appellant’s Expert Witness
The Respondent was represented by Matthew Donmall (Counsel) from 1 Crown Office Row
Mark Hepworth appeared as the Valuation Officer’s expert witness

Hearing Dates: Tuesday 10 and Wednesday 11 February 2026

DECISION AND STATEMENT OF REASONS

DECISION

1. The appeal was allowed.

2. I found that the occupier of the Museum was incapable of generating a profit from its occupation. Therefore, based on my Receipts and Expenditure valuation, its 2017 Rating List entry was a nominal £1 Rateable Value.

STATEMENT OF REASONS

Introduction

3. The Natural History Museum was a purpose built museum which first opened to the public in 1864. The property has been extended since with the latest extension, Darwin Centre 2, opening in 2009. The majority of the buildings on the site were Grade I listed buildings, which included the iconic Waterhouse building with its lavish highly innovated terracotta decorative design.

4. The Natural History Museum was established as a body corporate by the British Museum Act 1963 (as amended by the Museums and Galleries Act 1992) and was a non-departmental public body sponsored by the Department of Culture, Media and Sport. It was an exempt charity under Schedule 3 to the Charities Act 2011. An exempt charity had charitable status and was required to comply with charity law but unlike other charities it was not registered with the Charity Commission nor under its direct regulatory control. In the case of the Natural History Museum, its principal regulator was its sponsoring government department.

5. The Natural History Museum was a major tourist attraction attracting millions of visitors to the site every year for which general admission is free of charge, in line with Government policy. In *lieu* of charging, the museum receives Grant in Aid from its sponsoring department.

6. The appeal museum was located in South Kensington alongside other national museums, the Victoria and Albert Museum and the National Science Museum.

7. The appeal property included extensive public galleries including space within the latest two extensions, Darwin centres 1 and 2. In addition, there were extensive areas utilised for storage, offices, laboratories for conservation and scientific research. An unusual feature of the Natural History Museum was that its central boiler house (energy centre) provided heating not only for itself but also for the National Science Museum, which was situated at its rear, and to the Victoria and Albert Museum on the opposite side of Exhibition Road.

8. This statement of reasons is not and does not purport to be a full verbatim record of proceedings.

Background to the appeal

9. The Valuation Officer’s initial compiled list assessment for the appeal property was £12,920,000 Rateable Value with effect from 1 Apri 2017. On behalf of the Appellant, Powis Hughes Ltd served a proposal on the Valuation Officer on 4 September 2023 which proposed an alteration of the list entry to £1 Rateable Value with effect from 1 April 2017. Having considered the merits of the proposal, the Valuation Officer decided to reduce the entry to

£4,160,000 Rateable Value and a challenge decision notice to that effect was served on the Appellant on 3 March 2025. On 26 June 2025, the Appellant filed an appeal with the tribunal, in accordance with Regulation 13A of the Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009 as amended. The ground for appealing was that the Valuation Officer's valuation for the hereditament was not reasonable.

10. The antecedent valuation date for the purposes of this appeal was 1 April 2015 and the material date was 1 April 2017.

11. Mr Hunter, who appeared before me as an expert witness for the Appellant, declared that he was not under any conditional or success related fee arrangement.

12. This appeal was heard as a complex case, in accordance with Practice Statement 3 of the Consolidated Practice Statement.

Relevant Law

13. Schedule 6 to the Local Government Finance Act 1988, as amended by Section 1(2) of the Rating (Valuation) Act 1999, sets out the basis on which the rateable value of a non-domestic hereditament was determined. It was equal to the rent at which the hereditament might have been reasonably expected to let from year to year at the material day (in this case 1 April 2017) but having regard to values at the antecedent valuation date (in this case 1 April 2015). The statutory fiction assumed that the hereditament was in a state of reasonable repair (excluding any repairs which a reasonable landlord would consider uneconomic), with the tenant paying all usual tenant's rates and taxes and bearing the cost of repairs, insurance and any other expenses necessary to maintain it.

Issues in dispute

14. Following the Upper Tribunal's judgments in *Hughes (VO) v York Museums Gallery Trust* [2017] UKUT 200 (LC)*, Hughes (VO) v Exeter City Council* [2020] UKUT 0007 (LC*) and Allen (VO) v Tyne & Wear Archives and Museum* [2022] UKUT 206 (LC), both parties accepted that the value of the appeal property should be derived from a Receipts and Expenditure based valuation approach.

15. In order to assist me, both parties' experts had agreed the relevant figures that should be input into the Receipts and Expenditure valuation with the exception of, and this was how the parties described them, three notional elements in the notional world. These disputed elements were shown in the following table. The first related to how much income would have been derived from Grant in Aid, if charges were levied for admission. The second element in dispute was how much should be reflected in the expenditure column for insurance. The third element in dispute was how much should be reflected as an expense for depreciation. Finally, the division of any divisible balance was disputed. Mr Hepworth for the respondent had split it fifty/fifty between the tenant's share and the landlord's share, whilst Mr Hunter had adopted 65% for the tenant's share and 35% for the landlord's share (rent).

	Agreed Actual FMT	VOA Hypothetical FMT	NHM Hypothetical FMT	Notes
	Figures agreed for purpose of VT hearing			
Admissions and Gift Aid	£3,250,000	£47,500,000	£47,500,000	
Member/visitor credit	£525,000	£0	£0	
Shop, restaurant and events	£16,750,000	£10,887,500	£10,887,500	
Grant-in-Aid	£40,000,000	£17,400,000	£0	In dispute
Grants/donations (exc. Capital)	£3,000,000	£3,000,000	£3,000,000	
Other Income (exc. Capital)	£4,600,000	£4,600,000	£4,600,000	
Investment Income				
Gross Income	**£68,125,000**	**£83,387,500**	**£65,987,500**	
Cost of Sales - shop, restaurant, and events	£6,400,000	£4,160,000	£4,160,000	
Cost of Sales - other	£700,000	£455,000	£455,000	
Total Cost of Sales	**£7,100,000**	**£4,615,000**	**£4,615,000**	
Gross Profit	**£61,025,000**	**£78,772,500**	**£61,372,500**	
Operating Expenses - payroll	£33,000,000	£33,000,000	£33,000,000	
Energy and Utilities	£3,900,000	£3,900,000	£3,900,000	
General Maintenance and repairs	£4,000,000	£6,500,000	£6,500,000	
Advertising, marketing and promotions	£950,000	£950,000	£950,000	
Administration and sundries	£10,250,000	£10,250,000	£10,250,000	
Business rates	£245,000	£245,000	£245,000	
Building insurance	£0	£0	£6,000,000	In dispute
Insurance of chattels	£120,000	£120,000	£120,000	
Security	£1,770,000	£1,770,000	£1,770,000	
Legal and Professional Fees	£2,000,000	£2,000,000	£2,000,000	
Other expenses				
Total Operating expenses	**£56,235,000**	**£58,735,000**	**£64,735,000**	
Net profit (exc. Depreciation)	**£4,790,000**	**£20,037,500**	**-£3,362,500**	
Depreciation (exc. Land & buildings)	£7,300,000	£5,850,000	£7,300,000	In dispute
Surplus/Loss	**-£2,510,000**	**£14,187,500**	**-£10,662,500**	
Tenant's Share (VOA 50% NHM 35% of any surplus)		£7,093,750	-£10,662,500	
Landlord's Share		£7,093,750	n/a	
	say	**£7,100,000**	**£1**	

Discussion

16. In his opening submissions, Mr Ormondroyd stated that the valuation of museums was well travelled ground. Three relatively recent Upper Tribunal (Lands Chamber) judgments lend credence to that. Historically, local authority and national museum assessments had significant rating assessments usually calculated by reference to the contractors' basis. This was because they were often located in large iconic historic buildings, were owner occupied, and not operated for profit. As a corollary, in the past the Receipts and Expenditure method of valuation was not deemed an appropriate method of valuation.

17. In recent years, no doubt heavily influenced by the impact on local authorities' budgets, councils have been looking closely at the amount of rates they pay, especially given the fact that as non-domestic rates was not a locally set tax and therefore they no longer paid rates to themselves. Things have now moved on significantly and the Contractors' basis was no

longer deemed fit for purpose because it tended to produce too high a figure and it was now accepted that the Receipts and Expenditure method was the most appropriate method of valuation. This method of valuation had been endorsed by the Upper Tribunal even though it often produced a nominal valuation as the museum's accounts seldom showed a profit. In paragraph 127 of its judgment in *Hughes (VO) v York Museums and Gallery Trust* [2017] UKUT 200 (LC) the Upper Tribunal explained its justification;

> It is clear from Hoare v National Trust and from Scottish Exhibition Centre that the fact that the receipts and expenditure method suggests a nominal or nil rateable value is not a reason for rejecting its use and resorting to the contractor's basis where it provides a reliable guide to the rent which would be offered for premises if let on the statutory hypothesis. On the contrary, in cases where premises cannot be occupied profitably, the receipts and expenditure method is often likely to be the better guide. As Lord Prosser stated in Scottish Exhibition Centre:
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>> If it appears that particular lands and heritages could not give an occupier any return, then prima facie he would pay no rent, regardless of whether his loss might be large or small, and regardless of whether the magnitude of his loss would depend on extraneous or individual matters. Just as inherent non-profitability appears to me to suggest that the revenue principle might provide the appropriate means for achieving an accurate (i.e. nil) valuation, so inherent non-profitability seems to me to suggest, at least prima facie and in general, that the contractor's principle will not provide a reliable guide to an accurate valuation.

18. Although a museum had to be valued as vacant and to let, having regard to its existing mode or category of occupation/use, in reality it was usually only the actual occupier who would be interested in taking the property on. The Upper Tribunal considered this point in *Hughes (VO) v Exeter City Council* [2020] UKUT 0007 (LC) and in paragraph 47 stated;

> Mr Hughes took the view at one point that there would be competition for the hypothetical tenancy of RAMM, vacant and to let, from a local authority, or a charitable trust funded by that authority or possibly by a philanthropist. However, in cross examination he accepted that there was no evidence to support the notion of a bid by a philanthropist for this museum in Exeter. As regards the suggestion of interest from a charitable trust, Mr Hughes rightly accepted that a trust would require a large endowment from the local authority to cover the substantial operating costs of the museum and there was no evidence to suggest that funding on the scale needed would be available. In any event, such a trust would be the alter ego of the local authority and could not truly be said to be in competition with it. Given the fact that the museum is inherently loss-making, Mr Hughes accepted that no commercially motivated person would take the letting. Ultimately, therefore he agreed that the Respondent would be the only bidder for the hypothetical tenancy. It is long established that the premises must be valued vacant and to let, but the actual owner may be a bidder for the hypothetical letting (R v London School Board (1886) 17 QBD 738), even where that owner operates under statutory powers which prohibit it from taking a lease (see the Erith case) or its business model would preclude or inhibit that possibility (Robinson at [1937] 2 KB at p. 476; Humber Ltd v Jones (1960) 6 RRC 161).

19. At face value, it appears nonsensical that grandiose museums attracting thousands, sometimes millions of visitors per annum to view its exhibits should have a nominal rateable value and therefore incur no rate liability for its occupation. When one thinks of the *socio economic* benefits that are derived from them, surely it is reasonable to expect that value to be reflected in the rating assessment(s). The Valuation Officer clearly thought so and pursued the point in *Allen (VO) v Tyne & Wear Archives and Museum* [2022] UKIT (LC), but the Upper Tribunal rejected such a proposition stating in paragraphs 40 and 41 of its judgment;

> 40. It is against this background that the VO formulated his approach to these appeals. At first sight they have a remarkably similar factual background to that of Exeter Museums. All three museums make no charge for admission, and operate at a deficit, albeit a less dramatic one than that suffered by the RAMM (see paragraphs 10 and 29 above). In each case there is only one tenant in the market, namely the actual occupier. It is agreed that a receipts and expenditure valuation of each of the three yields a nominal rateable value. It is fair to say that if the VO is to achieve a different outcome from that in the Exeter Museums he will have to produce something of a rabbit from the valuation hat.
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> 41. Mr Reynolds told us that the facts of these appeals are “starkly different to those in Exeter”. By that he meant, if we have understood correctly, that the lower deficit in the case of each of the three museums, together with the evidence he adduced of their socio-economic value, mean that they have a positive rateable value. He argued that the VTE had ignored what the Tribunal said in Exeter Museums, namely, that it was established practice to consider an overbid and there could be no objection in principle to the use of valuation judgment to assess whether the value of any relevant socio-economic benefit might give rise to a positive rateable value.

20. As a corollary, the Valuation Officer’s argument that there should be an uplift or an element of overbid to produce a positive value for museums, to reflect their socio-economic value, ultimately fell on deaf ears. Applying nominal assessments to museum premises did not sit well with the Valuation Officer, so another line of attack was needed to turn a negative value into a positive one.

21. Museums normally occupy large buildings and very often only a small amount of exhibits can ever be on public display at any one time. Significant areas in a museum are often given over to storage. Given that, museum artefacts are valuable, sometimes priceless, and need to be stored carefully in managed temperature environments would this not attract some form of positive value? The Valuation Officer clearly thought so and his valuation based on storage value appeared very modest, but his arguments on the issue were rejected by the Upper Tribunal in *Tyne & Wear,* when it robustly dismissed this valuation approach in paragraphs 102 to 104 of its judgment.

> Storage
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> 102. The “storage analogy” generated a great deal of discussion and challenge. Yet it is well established that these hereditaments have to be valued as museums and not as storage facilities, and neither Mr Allen nor Mr Reynolds suggested otherwise.
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> 103. The storage “analogy” was used, we think, in two ways. Mr Allen in his first report used the storage value of 25% of the gross internal area of the museums as a point of comparison; he sought to draw attention to what the storage areas in the

museums were in fact worth to the hypothetical tenant, so that that value could stand as something of a sense-check for the eventual valuation. The use of 25% of the area seemed to us to be arbitrary; far more importantly, we do not think that the use of storage value as an analogy or a sense-check in this way is a permissible approach; it comes too close to valuing these hereditaments in a different mode or category than that of museums. They have to be valued as museums and as a whole; looking at the value of just one part of what their internal space is used for is bound to yield unrealistic results and a false analogy.

104. Mr Reynolds took the storage point further and argued that the cost of storage would be in the mind of the hypothetical tenant, who has to store the collection somewhere. This too is beyond the scope of the hypothetical letting and we accept Miss Wigley QC's argument that the premises are vacant and to let and the hypothetical tenant does not yet have a collection to house.

22. I found the last sentence of paragraph 104 to be interesting because in this type of appeal, the actual occupier is often the only potential hypothetical tenant, who already has a large collection to store.

23. Over the course of the two full hearing days, I heard legal submissions from Learned Counsel, Mr Ormondroyd for the Appellant and Mr Donmall for the Respondent. I also heard evidence from Mr Hunter for the Appellant and Mr Hepworth for the Respondent. Both Mr Hunter and Mr Hepworth appeared as expert witnesses but I decided to treat their evidence with caution. Whilst they are both very experienced, highly qualified and knowledgeable, the manner in which they responded to questions in cross examination suggested to me that they had forgotten that when giving evidence, their first duty was to the tribunal as opposed to their respective clients. Mr Hunter, in particular, kept using the word "we" and referring to "our case" and his responses appeared to be framed to protect the interests of his client as opposed to assisting me in the issues that I needed to decide.

24. In this case, both parties were in agreement that the most appropriate method of valuation was the Receipts and Expenditure method before standing back and looking to see if the valuation arrived at was reasonable.

25. The main issue in dispute between them was the treatment of grant in aid. Mr Hunter had not included any of it, in the Appellant's valuation. This was because the Natural History Museum would not be grant funded, if it charged for admission. I was provided with correspondence from the sponsoring government department to substantiate the point. A hypothetical tenant who charged for admission would not be funded and would be expected to be self-financing. Both experts agreed that if fees were charged for entry that there would have been a 35% drop in the number of visitors/admissions and as a consequence the revenue generated from sales in the shop, restaurant and events would be similarly reduced. Both experts had agreed the level of income that would be received, if charges were made for admission.

26. In Mr Hepworth's valuation for the respondent, he had included £17,400,000 of the Grant in Aid income which represented 43.5% of the total grant received. This was because the Natural History Museum expended significant capital and labour resources on scientific curation and research. This included peer reviewing 867 scientific research papers in 2014/5 and the recorded cost of this research was £34.6 million in 2015. This equated to 41.9% of its entire expenditure and 352 of the Museum's 891 staff were engaged in this scientific work. For this reason, Mr Hepworth had adopted 50% of the £34.6 million costs related to wider

scientific research and had arrived at a figure of £17.4 million to take account of wider scientific activity.

27. Mr Ormondroyd said that if I agreed with the Appellant that nothing should be reflected in the valuation for the Grant in Aid funding, a nominal valuation would be inevitable.

28. The other items/inputs for the Receipts and Expenditure valuation exercise that were in dispute related to the figures for depreciation, insurance and if there was a resulting divisible balance to split, the extent of the tenant's and landlord's share.

29. With regard to depreciation, Mr Hunter had taken his figure from the Appellant's accounts. Its Accounting Manager, Mr Lewis Kershaw, had been briefed by Mr Hunter and had been advised that it was only the tenant's assets that any depreciation figure should cover. As a result, any rateable plant and machinery which would be deemed to form part of the hereditament (landlord's assets) should have been excluded from the calculation. Mr Hunter had therefore adopted Mr Kershaw's figure of £7.3 million in his valuation. Mr Hepworth did not accept the accuracy of Mr Kershaw's figure, as the Appellant's accountant was not a rating expert and Mr Hunter had not verified the accuracy of his calculation. Mr Hepworth had therefore adopted 10% of the total expenditure for his depreciation figure.

30. Turning to the third item in dispute, Mr Hunter had adopted £6 million for buildings insurance. He had nothing to substantiate this figure and accepted it was a speculative figure. In contrast, Mr Hepworth had not included anything for buildings insurance, as the museum would be covered by the government's own self-insurance. Moreover, when the 2010 Rating List assessment was agreed between the parties, no adjustment to the expenditure was made to reflect notional buildings insurance.

31. With regard to the division of any divisible balance, Mr Hepworth had divided it 50%/50% whilst Mr Hunter had adopted an increased tenant's share of 65% and as a consequence a reduced landlord's share of 35%. Mr Hunter believed that the tenant should receive more than 50% to reflect its repairing liability, under the rating hypothesis and the costs associated with conserving and curating the museum's collections needed to generate visitor numbers.

32. Mr Hunter's valuation produced a nominal assessment of £1 Rateable Value. In contrast, Mr Hepworth's Receipts and Expenditure valuation resulted in assessment of £7.1 million Rateable Value. He had then compared the appeal property, which had 5.3 million visitors to the rateable value of the National Science Museum (£2.4 million with 3.3 million visitors), the Victoria & Albert Museum (£2.9 million with 4 million visitors) and the British Museum (£6 million with 6.7 million visitors). He concluded that the appeal property's Rateable Value should be lower than the British Museum's. His £7.1 million Receipts and Expenditure valuation was also too high given that it was almost treble the Science Museum's even though it only had 60% more visitors. He therefore arrived at a valuation of £4.1 million Rateable Value.

33. Prior to hearing closing submissions from the respective parties' Counsel, I invited my clerk to give any advice he wished to give to me, in open tribunal, to enable Counsel to address it, if necessary, in their closing submissions.

34. The clerk's advice was that, when taking into account reality, the only likely tenant for the appeal property was the present occupier the Natural History Museum. On that basis, I could if I chose to do so take the actual fair maintainable trade figures as shown in column one of the above table as the basis of my valuation. Moreover, I was not obliged to adopt either of

the respective valuations put forward by the parties, even if the notional inputs had been agreed, as I was entitled to use my own expertise, using the parties' valuers' expertise merely as a guide to find the right answer.

35. When the clerk's advice was put to the parties, it caused an initial degree of consternation as the parties' experts had agreed a number of inputs to their respective valuations, leaving just three items in dispute prior to the calculation of the divisible balance. In the event, the clerk's advice was not challenged.

36. In his closing submissions, Mr Donmall stated that a Receipts and Expenditure valuation approach was the correct starting point but conceded it did not produce always perfect results. The method was not ideal when the motive for occupation was not geared towards making a profit. This was why the stand back and look stage was very important.

37. Mr Donmall stressed that the activities of the Appellant went far beyond attracting visitors to view open collections on display. The museum received around 50,000 new specimens every year which need to be named and catalogued. The scientific work associated with that was immense and the cost of the scientific research was £34 million in 2015, which equated to 41.9% of its total expenditure. He drew my attention to the Natural History Museum's funding agreement 2005/6 to 2007/8 to show how its Science and Research activities accorded with its strategic objectives and how it was reflected in its primary activities.

38. In his cross examination of Mr Hepworth, Mr Ormondroyd sought to draw out what the Valuation Officer saw as the difference between curation and scientific activity. The Appellant did not distinguish between the two. Mr Donmall said if we accept there was a difference what was it and criticised the lack of assistance provided by Mr Hunter on this point.

39. Mr Donmall did concede that Mr Hepworth's adoption of £17.4 million for the proportion of the Grant in Aid that subsidised the scientific research may have been imprecise but pointed out that no alternative figure had been provided by the Appellant.

40. Ultimately, the success of the Respondent's case was reliant upon a significant proportion of the Grant in Aid being reflected in the valuation to cover the wider scientific costs. He put it to me that either I should accept that some of the Grant in Aid would cover the wider scientific costs or assume that the hypothetical tenant would not continue with it. He did, however, concede that the letter provided by the Department of Culture, Media and Sport dated 17 January 2024, for the benefit of the tribunal, had confirmed that the Grant in Aid was provided on the specified condition that there was free entry to visitors. Mr Donmall conceded that this letter supported the Appellant's case but he encouraged me to have regard to the Natural History Museum's strategic objectives and the overriding importance of its science work to the nation.

41. The Valuation Officer's alternative argument was that if no proportion of the Grant in Aid covered the wider scientific activity, it would be appropriate to adjust the expenditure incurred that reflected it. Some adjustment may also need to be made for any income received from the wider scientific work. Otherwise, by including the expenditure associated with the wider scientific work and disregarding how it was funded, the Appellant would have it both ways.

42. When it came to the stand back and look stage, Mr Donmall argued that the Appellant's proposed nominal valuation did not sit well, when regard was had to the agreed assessments of other national museums for the 2017 Rating List. For instance, the Science Museum had been agreed at £2.37 million and the British Museum at £6 million. In addition, the 2010

Rating List entry for the Natural History Museum was agreed at £2.395 million. With this in mind a nominal valuation for the appeal property did not make sense.

43. In his closing submissions, Mr Ormondroyd accepted that there was some settlement evidence but pointed out that museums were not valued having regard to the tone of the list and in any event there was no tone. Although the respondent had referred to some museums where there was rental evidence, those museums were not valued having regard to those rents or on a rental basis.

44. Ultimately, the Natural History Museum was the only possible tenant for the appeal property and both valuation experts had proceeded on this basis. Going back to the figures agreed for the purposes of this hearing, the first column assumed that the Natural History Museum was the hypothetical tenant. The second and third columns reflected each valuer's valuation on the assumption that the hypothetical tenant was a similar occupier to the Natural History Museum which charged for admission. He suggested that I might consider the alternative valuations shown in columns two and three as a bridge too far.

45. Although the Receipts and Expenditure method of valuation was agreed, Mr Ormondroyd confirmed that I was not bound by any agreement reached by the experts in this case but it may be appropriate to give any consensus significant weight. In this case, there was no surplus but a loss.

46. In this case, there was no evidence to show that the government would provide funding for any hypothetical tenant of a museum that did not provide free entry. With regard to the Valuation Officer's adoption of a proportion of the Grant in Aid to reflect wider scientific activity, there was no evidence to show what extra costs this incurred above curation. The Valuation Officer had used the Science Museum as a benchmark. Mr Ormondroyd suggested that even if average curation costs were factored in, it would still result in a nominal valuation.

47. Mr Ormondroyd concluded by saying that the stand back and look stage was only relevant, if the Appellant was right. The Valuation Officer's rental evidence was not helpful but the settlement evidence provided better evidence to support their case given that there were museums in a similar central London location which had positive values. That said, the three Upper Tribunal judgments showed that a nominal value was appropriate if the museum ran at a loss or could not be occupied for profit.

48. At the conclusion of the hearing, I reserved my decision.

49. The fundamental difference between the parties was how the Grant in Aid funding should be treated. Although there were some other issues in dispute, in reality, what ever I decided on those matters would not have had a significant valuation impact.

50. The respective valuers for both parties had approached the valuation exercise on the basis that the hypothetical tenant would charge admission fees. This being the case, as far as Mr Hunter was concerned no Grant in Aid would have been received. Mr Hepworth, however, believed that a significant proportion of the Grant in Aid reflected wider scientific activity that was undertaken. Both valuers had, however, agreed that there would have been a 35% drop off in admissions, if entry fees were charged, and as consequence there would be a similar fall in revenues from restaurant and shop sales.

51. Having given the matter considerable thought, I decided to reject both Mr Hunter's and Mr Hepworth's respective valuations shown in columns 2 and 3 of the above table. My main

reason for doing so was because, if it was agreed that the most appropriate valuation method for the appeal property was the Receipts and Expenditure method, why was I being directed to adopt notional figures instead of actual figures. It appeared to me that the parties had adopted a pick and mix approach to their respective valuations, adopting some of the actual figures for the inputs but adjusting figures based on their opinion of what the hypothetical tenant would receive in income, if fees were charged, and what expenses it would incur, especially in terms of insurance and depreciation/renewal of tenant's assets. Even though the 35% drop off in the number of visitors was agreed by the parties, if an entry fee was raised, there was no evidence put forward before me to substantiate that this would have been the case in reality. Therefore, at best the suggestion that there would have been a 35% drop in the number of visitors was derived from educated guesswork.

52. Since it was clear to me that the only possible hypothetical tenant who would have been in the market for the appeal property was the Natural History Museum itself, the logical starting point was to take the agreed actual fair maintainable trade figures. Both parties accepted that it was open to me to view the Appellant as the only potential tenant and by taking this approach, in my mind, it removed a lot of the controversy. It meant that I did not have to speculate what amount I should attribute in my valuation to the Grant in Aid income when I knew what to take from the actual accounts. The same could be said for insurance. These figures represented reality as opposed the fictional data inputs.

53. Mr Donmall, on behalf of the Valuation Officer, made great play on the fact that the Natural History Museum undertook wider scientific work, of national importance, and that a significant portion of its staff were gainfully employed with such work. It was a point well made but the actual accounts reflected the Appellant's financial position, including all income received and expenditure incurred from the wider scientific activity, but the accounts were not showing a profit. The accounts, as shown in the Natural History Museum Trustee's Annual Report 2014/2015 showed an operating loss, as total resources expended exceeded income received. I also noted that the accounts also reflected the Appellant's wider scientific activity and that the Appellant's funds/reserves increased not because of any operational surplus but because of gains following a revaluation of its fixed assets.

54. I could see the issue the Valuation Officer had with the prospect of attributing a nominal assessment for the appeal property. Given the grandiose scale of the building, its iconic architectural design of the Waterhouse building, its situation within Central London and as a leading tourist attraction, it would appear nonsensical to the average man in the street that the Appellant would pay no rates upon its occupation. However, the Upper Tribunal in its recent judgments had determined that nominal values should apply to the Yorkshire Museum in York, the Royal Albert Memorial Museum in Exeter and the Shipley Art Gallery, the Laing Art Gallery and the South Shields Museum in Tyne and Wear.

55. In the York and Exeter Museum cases, the Upper Tribunal had determined that nominal values should apply when the museum's accounts showed that the occupation was not capable of generating a profit. When it came to the Tyne and Wear cases, the Valuation Officer had his work cut out from the start, with the odds stacked against him, given the earlier precedents. At this point, it was worth repeating what the Upper Tribunal said in paragraph 40 of *Tyne and Wear*;

> It is against this background that the VO formulated his approach to these appeals. At first sight they have a remarkably similar factual background to that of Exeter Museums. All three museums make no charge for admission, and operate at a deficit, albeit a less dramatic one than that suffered by the RAMM (see paragraphs

10 and 29 above). In each case there is only one tenant in the market, namely the actual occupier. It is agreed that a receipts and expenditure valuation of each of the three yields a nominal rateable value. It is fair to say that if the VO is to achieve a different outcome from that in the Exeter Museums he will have to produce something of a rabbit from the valuation hat.

56. Following *Tyne and Wear,* the Valuation Officer was in an even worse invidious position if the accounts showed an operational loss. Having failed to convince the Upper Tribunal that the socio-economic benefits could be reflected in the valuation to arrive at a positive rental value or that the accommodation that was used to store items not on public display, could be valued as storage, it appeared to me that the Valuation Officer was trying to approach this case from a different angle. This was where the perceived value from the wider scientific work came in. In paragraphs 113 to 114 of *Tyne and Wear,* the Upper Tribunal rejected the notion that the local authority would pay more rent, in addition to the funding and support already provided.

> 113………………And whilst we understand how the socio-economic value of a museum to the public can be quantified, we do not understand how it is possible to quantify the value to the local authority of that public benefit. There is no rental market in which local authorities' willingness to pay can be demonstrated; from the few transactions that involve a rent, no useful evidence can be gleaned as can be seen from the "comparables" provided here. And whilst there has been extensive research of the public's willingness to pay for visits to museums which are currently free, there has been no such research of local authorities' willingness to pay rent, which is perhaps unsurprising.
>
> 114. Obviously local authorities pay for socio-economic value by funding museums; but there is no evidence from which we can conclude that the hypothetical tenant local authority would pay rent for these museums in addition to the funding and support they already provide.

57. I came to a similar conclusion in this case. The Department of Culture, Media and Sport, as the relevant sponsoring department, provided the Grant in Aid to support the Appellant's operational activity which included its wider scientific work. This was confirmed by the accounts which showed an operational loss. Whilst I accepted that the Appellant's wider scientific work was of great benefit to the national interest, there was no evidence that the government would have paid a rent for this museum in addition to the funding it already provided.

58. Having found in favour of the Appellant on the Grant in Aid issue, I could dispose of the insurance issue very quickly. As the Appellant and the hypothetical tenant, in this case, were one and the same, Mr Hepworth was correct, no expenditure on insurance was appropriate, since the Appellant was covered by the Government's own self insurance policy.

59. Prior to accounting for depreciation, the net profit excluding for depreciation was £4.79 million. However, both parties' respective figures to cover the renewal of the tenant's assets/depreciation were well above that figure turning the net profit (excluding depreciation) into a net loss.

60. When I looked at the Accounts, it was not clear to me whether the cost for depreciation was ring fenced for subsidy and if so whether this would have had an impact which the parties had overlooked. However, I was advised that no cash sums were provided by the

Government when things went wrong. One of the issues that the Appellant faced was that there was a backlog of repairs as the historic buildings decayed over time and replacement materials for listed buildings were often difficult to source. The Appellant was therefore operating in the real world at a loss and even though sums were set aside in the accounts to cover the renewal and repair of the assets, those assets continued to decay and repairs were often postponed to a future date. So, any assumption I may have made that there was a surplus because depreciation was met by Government funds was an illusion.

61. Having adopted the actual fair maintainable trade, as shown in the first column of the above table for my Receipts and Expenditure valuation, I arrived at a nominal assessment.

62. During proceedings, the Respondent referred to the rental evidence at the Valuation Officer's disposal in respect of the London Transport Museum, Serpentine North (also known as Serpentine Sackler) and the Saatchi Gallery. I did not find this evidence to be helpful, especially as these properties were not of the same size or character of the appeal property and that the rental evidence attached to them had not been used to determine their respective rating assessments.

63. In terms of using the settled assessment evidence, as part of any stand back and look exercise, I did not have the benefit of seeing the respective accounts for the respective ratepayers. I was advised that it was very often the case that agreed assessments were reached on a without prejudice basis. All that I could discern from looking at the settlement evidence was that other natural museums had seven figure assessments. The appeal property had one also for the purposes of the 2010 Rating List, however, its fair maintainable trade may have been different then and the accounts may have shown a surplus. However, Mr Hunter was quite forthright in his opinion that there should have been a nominal assessment for the 2010 Rating List but his client decided to settle the previous appeal by agreement at £2.395 million for its own reasons.

64. Notwithstanding the above, as Mr Ormondroyd had pointed out in closing submissions, there were plenty of examples of museums where a nominal assessment had been deemed appropriate. Having studied and studied the Appellant's accounts and given how the Upper Tribunal had disposed of the appeals in *York, Exeter* and *Tyne and Wear*, I found it impossible to come to any other conclusion that a nominal assessment was appropriate in this case.

Conclusion

65. In view of the above findings and conclusions, I am satisfied that the Valuation Officer's current valuation is unreasonable and therefore the Appellant's ground of appeal is made out. As the appeal property was not occupied for profit but to meet its overriding objectives which included the guardianship of the national collection of over 80 million natural history specimens and the custody of the world's finest natural history library and related art. It also had a dedicated team of scientists whose work with the collections sought to address some of the big issues facing the planet. I am not satisfied that any additional rent, above the existing Grant in Aid subsidies would be paid to reflect the wider scientific work. Such work in practice is undertaken by the Appellant operating within its financial means.

66. I do accept that, if I was in the Valuation Officer's shoes, a nominal assessment for the Natural History Museum just does not feel right. However, as Mr Ormondroyd said at the outset, I was treading on well travelled ground. The earlier Upper Tribunal precedents effectively dictate how museums were to be valued and if the accounts show a loss, unless

the Valuation Officer could summon the proverbial rabbit out of the valuation hat, a nominal valuation as in this case was inevitable.

67. The appeal was therefore allowed and the Appellant's proposed valuation of £1 Rateable Value with effect from 1 April 2017 was upheld.

Order

68. Under the provisions of regulation 38(4) of the Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009, the Valuation Tribunal for England orders the Valuation Officer to alter the 2017 Rating List entry for the appeal property to £1 Rateable Value with effect from 1 April 2017.

69. Under regulation 38(9), the Valuation Officer must comply with this order within two weeks of the date of its making.

Refund of appeal fees

70. As one of the grounds of the appeal have been made out, a refund of the fees paid will now be arranged (Regulation 13E of the NDR Alteration of Lists & Appeals Regs) provided there is no review of the Tribunal's decision. The refund will take around six weeks to process.

Right of further appeal

71. Any party who is aggrieved at the Tribunal's decision, and who appeared or was represented at the hearing, has a statutory right of further appeal to the Upper Tribunal (Lands Chamber) pursuant to Regulation 42 of the Tribunal Procedure Regulations. A party does not require permission to appeal from the Tribunal. Any appeal must be made directly to the Upper Tribunal (Lands Chamber) using Form T385 (Notice of appeal) within **four weeks** of the date this decision and statement of reasons was issued.

72. Further information regarding this statutory right of further appeal, and the parties' other rights, is contained in the guidance booklet "*A guide to tribunal decisions"* available on the Tribunal's website at www.valuationtribunal.gov.uk/guidance-booklets/.

Frazer Stuart
(Vice President)
3 March 2026

David Slater
Registrar and Chief Clerk
Date issued to the parties: 3 March 2026