

Revaluation 2023

Miscellaneous Properties Committee

Practice Note 24

Valuation of Historic Buildings, Exhibition Rooms, Etc.

1.0 Introduction

- 1.1 This practice note is to be used for the valuation of Historic Buildings, Historic Houses and similar subjects open to the public. It is not appropriate for the valuation of visitor attractions and theme parks. It is also not appropriate for the valuation of buildings constructed or adapted simply as a venue for exhibitions or functions and the display of artefacts/artwork not directly associated with the subject or its past occupants.
- 1.2 Care should be exercised in the identification of subjects to which this practice note is applicable. Appropriate subjects could include monuments, sites, buildings in a ruinous or semi-ruinous state and furnished and occupied stately homes/historic houses. Buildings or sites should form part of the attraction to the public and, if occupied, provide a suitable venue for the display of non-rateable artefacts, artwork, furniture and equipment directly associated with them or historic occupants.
- 1.3 Furnished historic houses may also be residential in which case it is necessary to clearly identify those parts wholly or primarily set up for public access which will be entered in the Valuation Roll, and those parts used wholly or mainly for domestic purposes which will be subject to entry in the Council Tax Valuation List.
- 1.4 The operation of this category of subject will rarely result in an annual operating profit. The motivation for operating this category of subject will include the mitigation of the cost of occupation and preservation of ancestral homes/estates and to preserve historic sites, buildings and the associated furnishings, equipment and artefacts for the greater good of the community and the public in general. However, there may be circumstances where it is deemed more appropriate to value a subject with reference to either the Visitor Attractions Practice Note or the Exclusive Use Venue Practice Note. Where full accounts are available it may be possible to carry out a full “receipts and expenditure” valuation. This would provide a useful check and may form the primary valuation method in appropriate circumstances.

- 1.5 It may be appropriate in some cases to identify different purposes of occupation in identifiably different parts of the property. Even if occupied by the same or related occupier it may be necessary, after considering all of the circumstances, to make separate entries in the Valuation Roll.

The presence of a pay boundary, for example, excluding a restaurant or shop, combined with other factors such as a distinction between the clientele using the exhibition rooms and those using the restaurant or shop, may lead to the creation of separate entries for the exhibition rooms and the restaurant/shop.

2.0 **Basis of Valuation**

2.1 **General**

It is recommended that all subjects within this category are valued on the comparative basis by reference to gross receipts. Shops, restaurants etc. for which separate entries are appropriate should be valued in accordance with normal practice for such subjects.

2.2 **Percentage**

Subjects should be valued within the range of 2% to 5% of hypothetical achievable turnover to NAV in accordance with the table at 2.6 below.

2.3 **Gross Receipts / Hypothetical Achievable Turnover**

Certified gross receipts (excluding VAT) should be obtained for the years 2019-2022 and examined for any trend. Turnover for the full financial years 2020/21 and 2021/22, together with a small period from mid-March 2020 to 31 March 2020, will have been impacted by enforced closure or restricted operating capacity due to the Covid pandemic. Consequently, any consideration of turnover in these periods should be treated with caution when considering the hypothetical achievable turnover for the tone year.

Gross receipts should include all entrance fees, reimbursement of free entrance for members and promotions, car parking, etc. Income from shops, restaurants, etc. should only be included in gross receipts if separate entries are not appropriate. Franchise fees or the gross income from franchised operations should not be included with the gross receipts (see below at 2.7).

- 2.4 Where no charge is made or opening times are voluntarily restricted in a way which appears out of line with similar properties, notional gross receipts should be adopted by comparison with those properties.

- 2.5 Gross receipts are referred to in this method of valuation as an indicator of the suitability of the subject for its purpose. Significant levels of income from a shop or restaurant should be dealt with carefully to ensure that the percentage adopted produces a valuation that is reasonable in relation to any similar shop or restaurant nearby.

2.6 Recommended Percentage of Hypothetical Achievable Turnover to NAV

The following table gives guidance on the typical percentages to be applied in various examples. The upper level of percentages would normally apply to a property that has few overheads.

| Guidance | Large Mansion House/Palace | Typical Country House with interesting furniture and works of art | Gardens open to the public but little or no ancillary features such as adventure playground etc. | Ruined Abbey/ Industrial archaeology sites etc. |
|---|----------------------------|---|--|---|
| Contains extensive display of works of art and furniture. Enjoys a high income but also has very high maintenance | 2% | 2.5% | | |
| Contains works of art, furniture etc. and maintenance costs are not massively greater than income levels | 2.5% | 3% | 3.5% | |
| Maintenance costs are proportionate to income. Few movables or ancillary items | | 3.5% | 4% | 4.5% |
| Income normally exceeds costs - usually low level of income and very few if any movable or ancillary items | | | 4.5% | 5% |

2.7 Franchise Fees

It is recommended, as a guide, that franchise fees received should be added direct to NAV at 50%, representing the notional annual equivalent of that element on the statutory terms.

3.0 **Description**

- 3.1 It is recommended that the descriptions “Historic Building” or “Exhibition Rooms” be used. “Stately Home” may be misleading in many cases and should be avoided unless absolutely necessary.