

Leases and Rents: The Linnean Society at Burlington House

Prior to moving into its current apartments in 'New' Burlington House, the Linnean Society occupied rooms in 'Old' Burlington House and vacated those rooms at the behest of Her Majesty's Government, who wanted to provide that accommodation for the Royal Academy of Arts, where the Academy still is today.

1874–2005

In the late 19th century Her Majesty's Government provided at its expense new buildings around the courtyard of Burlington House for the accommodation of the Learned Societies, the Linnean Society of London among them. The Society, with its collections, library and archives, moved into the buildings (hereafter referred to as Burlington House) in 1874, which were provided free of lease or charge by the Government of the day. From 1874 to 2005 the Society paid no rent nor external maintenance costs.

2005–2014

During the last decade of the 20th century, HM Government attempted to regularise the basis upon which the Societies (hereafter referred to as the Courtyard Societies¹) occupied the buildings. The Government tried to register the title to the buildings in 2004 claiming that the Courtyard Societies were "tenants at will" - that they could be evicted without notice. The Societies disputed this, and the Land Registry recommended the matter be referred to the High Court for determination. At the trial, the Courtyard Societies argued that they had an 'equitable interest' - i.e., that they had a beneficial interest in the property and the right to acquire formal legal title. Judgement was reserved pending mediation.

After mediation, the Courtyard Societies accepted they had no rights in perpetuity and agreed new leases that set the terms of occupation of the buildings. These new terms provided the tenants (each of the Courtyard Societies) lease periods of 10 years to a maximum of 80 years, gave them responsibility for external and internal repairs and no rights to sublet. The exterior of the building was repaired by the Government, while we and the other Societies began to invest in the interiors. The Government and the Courtyard Societies agreed to assumptions about the value of the buildings that served to keep rents low as long as possible (appendix), but these assumptions were not a formal part of the lease and it was recognised at the time that this could become problematic in the future. Starting in January 2005, after a 2-year rent-free period, annual rent was extremely low.

2014–2017

In 2012 a lease valuation treating Burlington House as an investment property resulted in a significant rent increase. The Courtyard Societies initiated arbitration because of concern over the valuation process and the comparators being used for Burlington House. The arbitrator found in favour of the landlord (HM Government) concluding that the methods for determining rental value were properly followed and the valuations were not completely unrealistic or negligent. The

¹ The Courtyard Societies comprise the Linnean Society, the Geological Society, the Society of Antiquaries, the Royal Society of Chemistry and the Royal Astronomical Society.

Courtyard Societies were bound by Section 1 of the 2005 lease and were not entitled to dispute matters of valuation with the landlord.

2018–2020

Following the outcome of this arbitration process, engagement with HM Government continued in attempts to find an affordable solution to remain in Burlington House. This led to the suggestion that the Ministry of Housing, Communities and Local Government (MHCLG, the landlord then and now) could in effect offer a ‘grant’ to cover a 125-year lease at peppercorn rent if the Courtyard Societies could demonstrate societal value to warrant such a ‘grant’.

A valuation of the Courtyard Societies’ economic value to society was undertaken by PricewaterhouseCoopers (PwC) in early 2019 to reflect MHCLG’s needs (in accordance with HM Treasury’s Green Book) and was further refined following a Ministerial request for greater investment in public engagement and outreach. PwC estimated that the Courtyard Societies collectively generated £105 million per year in public value, with a loss of 11–30% should they be forced to leave Burlington House. The Linnean Society itself was estimated to provide £8.2 million in public benefit every year.

In parallel, surveyors working for both the MHCLG and Courtyard Societies agreed a total value of £80 million for the 125-year lease at peppercorn rent and new lease heads of terms were negotiated and agreed. These retained the bar on sub-letting, but relaxed restrictions on gaining income from commercial activities and re-set the dilapidations clock for repairs. Government instructed their lawyers to commence drafting of this new lease. In March 2019 a lease, backdated to commence in April 2015, covering the second 10-year renewal period was signed by the Courtyard Societies, on the basis that it would be immediately replaced by the new peppercorn rent lease when that was finally approved. Drafting of that new lease, however, was then put on hold by MHCLG.

At the same time, the landlord’s agent issued annual property valuations and rent recalculations covering 2015–2018; these resulted in the vacant possession value sharply rising from the £78 million calculated in 2014 to £120.5 million in 2018. The mechanism for determining the rental value from these valuations is not clear, and the landlord controls the rate at which rents rise towards market rates. Even though the rents have risen dramatically since 2014, current levels are still only about a third of the market value proposed by MHCLG, so it is anticipated that rents will continue to escalate significantly in the near future. Nevertheless, the Courtyard Societies duly paid the calculated rent arrears for the period from 2015–2019, which amounted to £404,000 for the Linnean Society.

2020–Today

A new Minister met with the Courtyard Societies in January 2020 to communicate MHCLG’s decision not to award the ‘grant’ to cover the previously agreed peppercorn rent lease, citing that this was not value for taxpayers’ money. A new lease was offered, incorporating rent smoothing, with fixed 8% rises yearly for 5 years, with 5-yearly reviews and constant rent growth up to market levels for cultural institutions. Recognising that this rent-smoothing proposal was not sustainable financially, the Courtyard Societies submitted a proposal to MHCLG in March 2020 to purchase a long lease on a peppercorn rent, with an upfront payment of £28 million, which was the valuation (based on there being sitting tenants) attributed to Burlington House at that time by the Government’s surveyor advisors.

In July 2021 MHCLG advised that any purchase of a 125-year peppercorn lease would need to be based on the £80 million [vacant possession] valuation and terms and saw “no scope” for entering discussions of a long lease purchase. They also ruled out payment in-kind (transfer of title to heritage items from the collections).

The Linnean Society, with our neighbours around the courtyard, continues to engage with MHCLG in the hope that an agreement for affordable and sustainable occupancy of Burlington House can be reached to enable us to remain a vibrant cultural campus in the heart of London.

Acknowledgements

Thanks to Richard Hughes (Geological Society) who provided the original document from which this was adapted.

Appendix

The 2005 expectation on rent for combined Courtyard Societies over the 80-year term of the lease, compared to Actuals from 2005–2019.

