

EAST HERTS COUNCIL

PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY  
COMMITTEE – 23 MAY 2017

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REPORT BY EXECUTIVE MEMBER FOR ECONOMIC  
DEVELOPMENT

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SCOTT'S GROTTO ASSET TRANSFER

WARD(S) AFFECTED: WARE CHADWELL

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**Purpose/Summary of Report**

- To present the business reasons behind the proposal to set up a trust to own and manage Scott's Grotto, and to seek Scrutiny views on how the trust could operate

**RECOMMENDATIONS FOR PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY: That**

<b>(A)</b>	Members scrutinise whether the following objectives were appropriate and also whether the trust should be considering any other objectives: <ul style="list-style-type: none"><li>• To continue the advancement of Ware's heritage by protecting the grotto, the summerhouse and the surrounding gardens; and by continuing to keep the Grotto open to the public.</li><li>• To continue the advancement of the grotto for public benefit through education, community involvement and tourism</li><li>• To ensure the budget is managed effectively and sustainably, and to ensure that the grotto has funding for the short, medium and long-term.</li><li>• To fulfil legal duties as a charitable trust, as</li></ul>
<b>(B)</b>	Members scrutinise whether the following suggested numbers of trustees was right? <ul style="list-style-type: none"><li>• 2 trustees appointed by East Herts Council</li><li>• 2 trustees appointed by the Ware Society</li><li>• 1 trustee from the local community (i.e. a Ware resident)</li></ul>

<b>(C)</b>	<p>Members consider which of the following would be the best financial model to adopt and whether the following amounts were appropriate to incentivise sustainability:</p> <ul style="list-style-type: none"> <li>• A one-off payment of £50,000 to cover revenue and capital costs for the next five years with the expectation that the trust is financially sustainable thereafter</li> <li>• An annual grant of £10,000 for five years, again with an expectation the trust is financially sustainable thereafter</li> <li>• The council will offer an initial smaller sum (£25,000), but then offer funding support when grant money is received (up to £25,000) again with an expectation the trust is financially sustainable after 5 years</li> </ul>
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## 1.0 Background

1.1 Scott's Grotto is an underground labyrinth of tunnels and chambers built in the eighteenth century by a Quaker poet, John Scott. It is located on Scott's Road in the South of Ware, next to Hertfordshire Regional College. **Essential Reference Paper 'B'** sets out more details.

1.2 Scott's Grotto has been owned by East Herts Council (EHC) since 1974 and managed in partnership with a local charitable organisation, the Ware Society. It does have unique cultural appeal, attracting around 2000 visitors per year. It is open to the public for 2 hours on a Saturday afternoon (between April – October) and other times only upon request (e.g. School visits).

1.3 Previous work has been undertaken to test the feasibility of enhancing the Grotto's touristic value, focusing on whether EHC could expand the offer and make it more commercial. However there are several limitations as follows:

- The site currently has no access to utilities and any attempt to develop such would likely result in damage to the grotto
- The grotto is a Grade I listed historic building and the summerhouse and gardens are Grade II\* listed, restricting the ability to make physical changes
- There is very little parking available near the site and limited space for the construction of further parking spaces
- The grotto is not DDA compliant and the topography of the site restricts the possibility of making it DDA compliant

- The site's hidden location behind a fence in a quiet residential area means that it does not benefit from being a 'visible' heritage asset that adds significant character to the town
- The Grotto hosts a bat roost and as such the space is subject to legal protection by both domestic and international legislation. A study was undertaken in the winter of 2015/16 to establish the size of the roost and a small number were observed during the hibernation period. Although just a handful in number, the recommendation is that the site remains closed during "peak" hibernation times (between January – February each year) and preferably for the periods of December and March also.
- If visitor footfall were to increase, erosion and damage to the grotto would also increase and may exceed the site's capacity to withstand this.

- 1.4 The commercial viability of the grotto and any attempt to increase its profile are therefore inherently limited. Without a great deal of marketing and focused investment it is unlikely to become a tourist "destination".
- 1.5 Alongside this the District Council is reducing its investment in tourism and the visitor economy and has limited capacity to support and run cultural and heritage assets that don't directly deliver objectives set out in the Corporate Strategic Plan.
- 1.6 These various strands of activity have led to the conclusion that the Grotto is marginal to the overall direction of travel for East Herts Council and its ownership could be reviewed.
- 2.0 Report – current arrangements
- 2.1 The Council employs a warden to run the Grotto on a day to day basis. The warden carries out this task in collaboration with the Ware Society, who has traditionally been more active in the operational management of the grotto than EHC. The warden liaises with 31 volunteers from the Ware Society, who assist in managing visitors to the site, including delivering tours. The Ware Society manage the website as well as liaise with the Councils parks and open spaces team who carry out maintenance. The warden is also a Member of the Ware Society.
- 2.2 The arrangement between EHC and the Ware Society is based on historic trust and goodwill. There is no written agreement, documents, protocols or memorandum of understanding in place.

2.3 The revenue costs for Scott's Grotto are between £1000 and £4000 per annum (including grounds maintenance, environmental services, salaries and insurance). This is part of the economic development budget, managed by the Head of Communications, Strategy and Policy in consultation with the Ware Society.

2.4 This budget has not been overspent in the past although pressures on the grounds maintenance budget can vary. Moreover, no conditions survey had been undertaken on the site since the Council acquired in 1974. As a consequence, Scott's Grotto is not on EHC's forward capital improvement programme. In anticipation of this, a conditions survey was undertaken in 2016. This provided estimates of on-going costs in the short to medium term to keep the Grotto in good condition and concluded a sum of around £30,000 - £35,000 would be needed over the next 5 years. Combined with the revenue costs outlined above, total costs to the Council for keeping the Grotto running over the next 5 years will be in the region of £50-£60k.

2.5 Visitors to the Grotto are invited to make a £1 donation to assist with covering costs. This income is retained by the Ware Society as part of the informal agreement referred to in (2.2). Donations total about £2000 per year. This funds some basic overheads such as the Grotto Guide and the Walk About Ware booklet, both Ware Society publications. Historically the money has also been used to contribute towards grounds maintenance work (e.g. tree cutting; funding for the extension of the garden path; funding for shrub planting bordering the new path; provision of 2 garden seats and new signage).

3.0 Future options:

3.4 There are three broad options for consideration with regards to future management arrangements for Scott's Grotto:

- (1) Sale/transfer of asset
  - Freehold sale through open market tender
  - Transfer asset to a local organisation through gifting/donation
  - Granting a long lease (at a 'peppercorn' rent)
- (2) Maintain current management arrangements
  - Carry on as is
  - Enhance touristic potential through investment

(3) Close the site and restrict access

- 3.5 **Essential Reference Paper ‘C’** outlines in detail each option and the benefits and risks associated with them. It also concludes with an options appraisal to analyse each option quantitatively according to five measures: revenue cost, capital cost, value for community, political priority and financial risk.
- 3.6 Transferring the asset through gifting/donation came out as the best option, as this would reduce council liability and ensure that the grotto could be managed by a trust or organisation with a greater interest in sustaining its future as a valued heritage asset. As a consequence, East Herts Council engaged in dialogue with the Ware Society about taking on ownership and full management of the Grotto. After some months of deliberation, they declined to progress these conversations any further. Although supportive of the Grotto the overall feeling was they did not have the capacity to take it on. The Town Council also did not express an interest. In the past approaches have also been made to other heritage organisations (e.g. English Heritage) who have also declined to take on ownership.
- 3.7 However there is the option for the Council to set up an independent trust and then gift the asset to that trust. Although the trust would be underwritten by the council, it presents opportunities for:
- Increased community involvement in local heritage
  - Stimulation of new uses
  - Attraction of new audiences and/or new sources of grants and investment capital to restore/develop the asset further not available to the council. A particular example would be the Resilient Heritage Grant Scheme offered by the national lottery. The grant offered is: £3,000-£250,000. The grant specifies support for charities who are undertaking ‘activities to support a group taking on new responsibility for heritage, such as working with a local authority on an asset transfer process’.
- 3.8 The Ware Society have indicated this would be something they would support and would be willing to provide a trustee. There is also an expectation that they would continue to be involved in the day to day running of the Grotto. This has been the model in place for some years for the Ware Museum which has been successful. Please note Ware Town Council were also approached regarding

this model and have declined to provide any trustees should it go ahead.

3.9 If this option is not pursued, given there are no other agencies willing to take on ownership and management of the Grotto, the likelihood is that the “do nothing” option becomes the direction of travel. In the short term this presents no challenges but in the medium – longer term this could result in incremental disinvestment in the Grotto.

4.0 Next steps:

4.1 Given the setting up a trust to take on ownership and management of the Grotto is deemed the best option, this can be pursued. However Scrutiny views are sought on the principles of this approach before any work is progressed. Key issues to consider are:

4.2 Trust governance and purpose:

4.3 The actual mechanics of setting up a trust are straightforward however there are a number of issues to consider before doing so. Guidance to governance, from the Charity Commission, can be found at the following link: <https://www.gov.uk/guidance/how-to-write-your-charitys-governing-document>].

4.4 Some key principles will be captured within the deeds of the trust, such as making it clear that in the case of the trust folding ownership of the Grotto reverts back to East Herts Council. We would also expect the Council’s Communications, Strategy and Policy Team to support the trust in its initial development stages with training and development of trustees to mitigate against the risk of failure.

4.5 A key issue is to consider what the objectives of the trust should be. The following is a set of possible objectives:

- (A) To continue the advancement of Ware’s heritage by protecting the grotto, the summerhouse and the surrounding gardens; and by continuing to keep the Grotto open to the public.
- (B) To continue the advancement of the grotto for public benefit through education, community involvement and tourism

- (C) To ensure the budget is managed effectively and sustainably, and to ensure that the grotto has funding for the short, medium and long-term.
- (D) To fulfil legal duties as a charitable trust, as set out by the Charity Commission

4.6 *Key question for Scrutiny: are the objectives set out above appropriate? Should the trust have any other objectives?*

4.7 Number of trustees:

4.8 The Charity Commission recommends that a trust should have at least 3 trustees. However it is recommended that more trustees are appointed. A possible approach is to have:

- 2 trustees appointed by East Herts Council
- 2 trustees appointed by the Ware Society
- 1 trustee from the local community (i.e. a Ware resident)

4.9 The trustees do not have to be a named person, but can be a named post (for example, the head teacher at a specified school). Therefore, it would be possible to name a trustee, for example, as the representative member for Ware Chadwell, or Ware Society Treasurer, rather than as a specified individual.

4.10 Both the Council and Ware Society would take responsibility for ensuring appointed trustees are appropriate and appointed through the proper means (i.e. at Annual Council and the Annual General Meeting respectively). Basic vetting must also take place (eg. Checks that nominees have not been disqualified from acting as trustees). A trustee representing the local community can be advertised for or found by word of mouth. Appointed trustees can agree what skills; experience and knowledge are needed to ensure the interests of the Grotto are protected. A brief application and interview process could be undertaken.

4.11 *Key question for Scrutiny: How many trustees should there be? Is the suggestion in (4.8) right?*

5.0 Trust finances and financial support from the council:

5.1 The on-going direct revenue costs to the council for running the Grotto on an annual basis and over the next 5 years in total are as follows:

2016/17 amount (£)	
Building Insurance	1,280
Maintenance of Grounds	1,200
Tourism Partnership Projects	1,100
Warden Salary	1,200
<b>Total</b>	<b>4,780</b>
<b>Total over 5 years:</b>	<b>23,900</b>

5.2 In addition there will be work required to ensure the maintenance of the Grotto, as outlined in the conditions survey. These were estimated as follows:

Timescale for repairs	Amount (£)
Urgent repairs	£ 2,000
Within two years	£ 9,650
Within five years	£ 18,400
After five years	£ 2,200
Desirable (ie extras)	£ 6,500
<b>Total</b>	<b>£ 38,750</b>

5.3 Thus, regardless of whether a trust is created or not, the cost to the council of maintaining the Grotto over the next five years will be in the region of £53,950 - £60,450. The higher figure represents the total costs outline above (less those for “after five years”) and the lower figure removes the “desirable” costs which are optional. This provides the starting point for considering a realistic financial package to support a trust with owning and running the Grotto.

5.4 There are options around how financial support to the trust is provided from the council. However the overwhelming objective is to ensure the trust is sustainable and within five years no longer requires financial support from the council. Options include:

- A one-off payment of £50,000 to cover revenue and capital costs for the next five years with the expectation that the trust is financially sustainable thereafter
- An annual grant of £10,000 for five years, again with an expectation that the trust is financially sustainable thereafter
- ‘Match funding’. The council will offer an initial smaller sum (£25,000), but then offer funding support when grant money is received (up to £25,000) again with an expectation the trust is financially sustainable after 5 years



5.5 The table below suggests different models and their associated benefits and risks.

Model	Amount	Benefits	Risks
One-off Lump Sum	£50,000 (approximate figure based on the lower end of predicted costs to the council for running the Grotto over the next 5 years)	<ul style="list-style-type: none"> <li>• The council and the trust will become an immediate community asset</li> <li>• Financial freedom would allow the grotto to be invested in, as the Trust saw fit.</li> <li>• Gifting the 'right' amount allows the trust to be sustainable, whilst allowing incentive to be self-sufficient.</li> </ul>	<ul style="list-style-type: none"> <li>• Mis-management of funds</li> </ul>
Annual grant for five years	£10,000 per annum over 5years (amount as per the above)	<ul style="list-style-type: none"> <li>• Reduced risk of financial mis-manageme nt</li> </ul>	<ul style="list-style-type: none"> <li>• It would take a series of years before the grotto had freedom from the council. This may limit its increased involvement from the community/grotto improvement.</li> <li>• Regular payments from the Council may disincentivise</li> </ul>

			<p>the trust to apply for grants.</p> <ul style="list-style-type: none"> <li>• Grant ending after 5 years is seen as a “cut”</li> </ul>
Match Funding for five years	One off-sum of £25,000 then additional amount up to £25,000 when funding is secured	<ul style="list-style-type: none"> <li>• Incentivise the trust to apply for grants. This encourages financial sustainability.</li> <li>• Reduced risk of financial mis-management</li> </ul>	<ul style="list-style-type: none"> <li>• If the grotto is awarded a large grant, the council is unlikely to be financially able to match the sum. Terms and conditions of match funding would need to be drawn up.</li> <li>• The council would still be in active role with the grotto, and the trust would have reduced financial autonomy.</li> </ul>

5.6 The financial package should consider that, whilst charities do not pay tax on most of their income, charities do pay tax on dividends and on profits from developing land and buildings.

5.8: *Key question for scrutiny: what is the best financial model to adopt? Are the amounts suggested appropriate to incentivise sustainability?*

## 6.0 Implications/Consultations

6.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**.

### Background Papers

None.

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