

## CABINET

2 NOVEMBER 2010

### REPORT OF THE CABINET MEMBER FOR CULTURE AND SPORT

<b>Title:</b> Future Operation of the Plant Nursery at Central Park	<b>For Decision</b>
<p><b>Summary:</b></p> <p>The financial performance of the Council's plant nursery at Central Park has been in decline for a number of years and has now reached the stage where it is considered to be unsustainable.</p> <p>This decline is primarily due to a significant reduction in orders for plants in parks, on roundabouts, cemeteries, schools and in civic buildings over a number of years.</p> <p>This report recommends the closure of plant nursery at the end of March 2011.</p> <p>In its place, it is proposed to make use of the nursery site as a development opportunity for a social enterprise to establish a community led organic food growing 'peri-urban starter farm' under a 10-year leasing arrangement. This will support the achievement of a number of community priorities as well as the Mayor of London's plan to create new community food growing spaces across the capital.</p> <p><b>Wards Affected:</b> Heath Ward.</p>	
<p><b>Recommendation(s)</b></p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Agree the closure of the existing loss making plant nursery at Central Park; and</li><li>(ii) Authorise the Corporate Director of Adult and Community Services, in consultation with the Corporate Director of Finance and Resources and on the advice of Property Services and Legal Partners, to agree the terms of the lease for the nursery site to a suitably qualified organisation under a 10 year commercial lease which allows the tenant to use the site as a community led peri urban starter farm.</li></ul>	
<p><b>Reason(s)</b></p> <p>To support the achievement of the following community priorities:</p> <ul style="list-style-type: none"><li>• A clean, green and sustainable borough with far greater awareness of the actions needed to tackle climate change, with less pollution, waste, fly tipping and graffiti.</li><li>• A healthy borough, where health inequalities are reduced with greater knowledge of lifestyle impacts on health; and</li><li>• A prosperous borough that supports business, jobs and skills, helps tackle unemployment and creates more jobs.</li></ul>	

<b>Comments of the Chief Financial Officer</b>		
<p>The closure of the current loss making plant nursery at Central Park will save the Adults and Community Services budget £50,000 per annum and if approved will go towards overall savings for the Department.</p> <p>The preferred option of replacing it with a 'peri-urban' starter farm will be based on a nil Council subsidy or other financial commitment.</p>		
<b>Comments of the Legal Partner</b>		
<p>The Legal Partner has been consulted in the preparation of this report.</p> <p>The Council's interest will be secured by letting the property under a ten year lease to the new tenant. Instructions as to the terms of the new lease will be taken from Property Services. The lease will be prepared by the Legal Practice.</p>		
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## 1. Background

- 1.1 The Council's nursery, at Central Park on Rainham Road North, is one of only three in-house plant nurseries remaining in London. This decline in directly operated plant nurseries is mirrored nationally. On the whole, councils now tend to procure bedding plants and other horticultural supplies from large scale private operators.
- 1.2 The nursery's main source of income is via internal recharges to other Council services for the provision of plants for parks and green spaces, cemeteries, roundabouts and schools as well as floral decorations for council and school buildings.
- 1.3 Over recent years, the volume and value of orders placed with the nursery has steadily reduced. The financial impact of this has been partially offset by a reduction in expenditure resulting from not having to buy in as many bedding plants and other items. Also opportunities to sell plants have been exploited where possible at council events in parks and direct to council employees visiting the nursery.
- 1.4 Even so the 2009/10 outturn for the service shows a net cost of £49,827 compared to the original budget estimate of a surplus of £32,600, a deficit of £82,427. It should be noted that this shortfall was contained within the Leisure and Arts

revenue budget and that the planned and in year savings targets for the division were achieved.

- 1.5 Financial performance was equally poor in 2008/09 and there is nothing to suggest that the position will improve in the current year. Indeed it is likely to be much worse with orders in the current year at their lowest ever level.
- 1.6 Also a number of civic buildings and schools have not renewed their window boxes or floral decorations. Similarly a number of council departments are procuring their plants and related items from other sources.
- 1.7 On this basis the operation of the nursery as it currently stands is untenable in financial terms.

### **Community food growing initiative**

- 1.8 In 2009, the Mayor of London announced an initiative to encourage new community food growing spaces throughout London as part of the Productive Landscapes update to the East London Green Grid.
- 1.9 Officers considered that this initiative could potentially provide an innovative and sustainable change of direction for the nursery operation. They secured a grant from the East London Green Grid to support the production of a business plan for a community food growing business at the nursery site that would be operated by a social enterprise.
- 1.10 The business plan, which was prepared by Thames Chase, was informed by discussions with relevant agencies such as Capital Growth and Sustain. Also the performance of two established and locally based community food growing organisations has been reviewed: Growing Communities in Hackney and Organiclea in Chingford. As part of this process both organisations have expressed interest in the nursery site.
- 1.11 Market research by officers, in the form of site visits and meetings with the above and other appropriate organisations, has also been undertaken including a review of leases, business plans and the processes each of the above organisations went through in terms of setting up, taking on leases and lessons learned. These processes were co-ordinated in conjunction with Council Legal Services.
- 1.12 The findings of the business plan and the independent research undertaken by officers strongly indicate that the nursery site has great potential to be developed into a community food growing enterprise that will contribute to the achievement of council objectives and which can be delivered at no worse than neutral cost to the Council.

## **2. Proposal**

- 2.1 The proposal is to lease the nursery site and facilities to a social enterprise under a 10 year lease, in which the permitted use will be as a community led organic peri urban starter farm. The lease will commence from April 2011. The existing nursery operation will cease on 31 March 2011. Under the terms of the lease the social

enterprise tenant will pay the Council a commercial rent for the site, in addition to the use of site being restricted as described above.

- 2.2 The Government defines a social enterprise as a business with primarily social objectives whose surpluses are principally re-invested for that purpose in the business of the community, rather than being driven by the need to maximise profit for shareholders and owners.
- 2.3 Although the day to day business operations of the tenant will be at the lessee's discretion, it is envisaged that the new tenant will grow organic vegetables and sell them through existing box schemes and other initiatives such as farmers' markets and direct to local people. These business opportunities should allow the Council to find a social enterprise tenant willing to lease the site in accordance with the Council's proposals for future use, which proposals will be translated to conditions within the lease.
- 2.4 If approved, officers would begin the process of advertising the lease of the site immediately, with a view to a tenant being in place from 1 April 2011.

### **3. Financial Issues**

- 3.1 The Council nursery is not financially sustainable. There has been a significant shortfall in income generation against target in recent years. This is due to a steady reduction in orders by council services and this trend is worsening.
- 3.2 If members support this proposal, it is expected that the new service will be delivered at no worse than neutral cost to the Council. The tenant will be paying the Council a commercial rent under the lease and accordingly there should be a net financial benefit for the Council under the arrangements.
- 3.3 A grant of £30,000 secured by officers will be released and will be utilised to carry out works to the nursery site in preparation for the land transfer to a leaseholder. These works will be undertaken by the Council prior to the commencement of the new lease. The works will include creation of toilets and washing facilities, breaking out areas of concrete and hard standing and other minor site improvements works to better facilitate community food growing.
- 3.4 Predictions based on business plans and market research carried out by officers indicate that a social enterprise could generate income from food growing and training of up to £285,000 over the first five years, plus income from fundraising of a further £275,000, over the same period.

### **4. Legal Issues**

- 4.1 The Council's Constitution provides for the letting of Council property and ensures that the Council complies with the requirements of the Local Government Act 1972 in relation to obtaining the best consideration reasonably obtainable for the letting of the site to the new tenant.
- 4.2 The Legal Practice and Property Services will be consulted in the negotiation, preparation and drafting of the terms and conditions of the lease.

## **5. Other Implications**

### **• Risk Management**

- 5.1 Legionella and fire risk management responsibilities would transfer to the leaseholder under the terms of the lease. Existing CCTV monitoring would continue to protect the site.

### **• Contractual Issues**

- 5.2 It is proposed that a ten year lease will be offered for the operation of a community food growing business on the nursery site. As part of the lease negotiation process, the Council will establish clear targets for the operation of the service that will support the delivery of Council and wider community objectives.

### **• Staffing Issues**

- 5.3 There are three full time staff based at the nursery but with a Borough wide remit. Due to the marked decline in normal nursery business, the staff have increasingly been used to support the implementation and ongoing operation of other parks and open spaces initiatives, such as the volunteering programme to establish the heritage garden at Valence House.
- 5.4 The Nursery Manager has left the Council as part of the recent voluntary severance programme and his post has been deleted from the establishment. Until the operation of the site is transferred to the community food growing business, the service will be managed by the Barking Park manager.
- 5.5 It is proposed that the remaining two staff will devote their whole time to supporting the delivery of volunteering projects and maintenance programmes at Eastbrookend Country Park and Dagenham Washlands. The cost of this can be contained within existing staffing and other revenue budgets.

### **• Customer Impact**

- 5.6 To date the nursery has only provided a support service to other Council departments and a secondary service to employees. The interim Director of Customer Services has indicated that the cessation of the existing nursery service can be accommodated by his team without much difficulty. As a result it is not considered that the proposed change of use will have any meaningful impact on existing customers.
- 5.7 It is envisaged that the proposed future use of the site could have a positive impact on the wider community, and especially those on low incomes, through the provision of cheap but high quality, organically grown fruit and vegetables. It is also hoped that the operation may provide work experience and training opportunities for adults with learning disabilities. Discussions with Community Enterprise East London and the Youth Offending Service will commence to ensure a joined up approach.

### **• Safeguarding Children**

5.7 There are no children's safeguarding issues associated with this proposal. However, because it is intended that the new service will provide opportunities for adults with learning disabilities, there will be safeguarding issues for vulnerable adults that will be addressed.

5.8 The arrangements in this respect will be set out in the lease with the tenant of the new site and formally monitored by the Council's parks' development team.

- **Health Issues**

5.9 This potential value of this proposal has been recognised by the Barking and Dagenham Partnership, through the Health and Well Being Board, which has committed funding of £30,000 to help make improvements to the nursery site

5.10 The project directly supports the achievement of the Health and Well Being strategy for the borough and in particular the priority theme around healthy eating.

- **Crime and Disorder Issues**

5.11 It is anticipated that the proposed enterprise would bring communities together and create opportunities for inter-generational work. This social enterprise will also have positive economic wellbeing benefits for participants, reducing the propensity for crime. The Youth Offending Service, through its reparation work already has a successful allotment site where young offenders grow vegetables for older people in the community; the Service could actively contribute to these developments.

- **Property / Asset Issues**

5.12 The funding secured from the Barking and Dagenham Partnership will be used to bring the existing nursery site up to the standard required to enable it to be transferred without further investment by the Council as part of a lease agreement. On this basis, it is not expected that any further capital or revenue investment in the site will be required. Any ongoing maintenance or capital investment to the site will be the responsibility of the new leaseholder.

5.13 Advice is being sought from Property Services on the most appropriate Heads of Terms to be agreed as part of the leasing arrangement as well as on other related issues such as ground rent.

5.14 Planning permission will only be required to enable this proposal to be realised if new toilets cannot be accommodated within existing buildings.

5.15 A small part of the Nursery site will be retained for Council use and excluded from the lease. This will be used as a small depot with secure parking for the Ranger service.

## **6. Options appraisal**

6.1 There are considered to be four options available to the Council:

- 6.2 Close the nursery and lease the site to a social enterprise organisation to allow them to establish a community food growing business on the site. This would not be a financial burden on the Council and would support the achievement of Council and community priorities relating to health and well being, as well as job creation, skills and learning. This is the preferred option.
- 6.3 Maintain the current operation but increase income generation to make the service financially viable. It is unlikely that there will be any change to the decline in orders from the nursery by other council services. To reverse this trend would require the establishment of a 'trading arm' so that the nursery could sell to the public. Research suggests that the time, cost and difficulty in doing this make it an unrealistic option. The current terms and conditions of employment of council staff relating to enhanced payments for weekend working would also impact on the viability of this option.
- 6.4 Continue to run the nursery as a loss-making service. The nursery's main client, Customer Services, has confirmed that there will be no change to current purchasing arrangements and that further cuts are planned in future years. In the current financial climate this option is not considered tenable.
- 6.5 Close the nursery and dispose of the site on the open market. This is probably the lowest risk option for the Council. However, the likely value of the site for housing, retail or other commercial use needs to be considered in the context of the adjacent council area services depot and poor access and egress to the nursery site. Choosing this option would also mean that the opportunity to create a community food growing business on the nursery site would be lost.

**7. Background Papers Used in the Preparation of the Report:**

'Growing Communities' Business Plan  
Capital Growth criteria  
Organiclea / London Borough of Waltham Forest lease

**8. List of appendices:**

None