

**Cheltenham Borough Council**  
**Cabinet – 10th July 2018**  
**Arle Nursery Strategic Review**

<b>Accountable members</b>	<b>Councillor Rowena Hay, Cabinet Member Finance</b>
<b>Accountable officer</b>	<b>Mark Sheldon, Director of Corporate Projects</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>This report considers the business case for retaining Arle Nursery site, selling it or developing it to be a fully-fledged garden centre for the public.</p> <p>Each option assesses the community, economic, environmental, legal, HR and technological implications. A detailed financial assessment of each option is also provided.</p> <p>The recommendation supports the delivery of additional affordable housing units which is a priority for the Cabinet.</p>
<b>Recommendations</b>	<p><b>Cabinet is recommended to:-</b></p> <ol style="list-style-type: none"> <li>1. Approve option 2 i.e. dispose of Arle Nursery site, and procure the plants for our public realm planting externally; and</li> <li>2. Authorise the Head of Property and Asset Management to determine the most appropriate means of disposing of the property (in one or more parts) in order to obtain best consideration, and to enter into such negotiations as he considers necessary to achieve that outcome</li> <li>3. Authorise the Executive Director, Finance and Assets, in consultation with the Cabinet Member Finance, to accept an offer (or offers, if sold in more than one part) for the purchase of the property (in one or more parts) which in his reasonable opinion (following receipt of supporting professional advice) represents the best consideration that can reasonably be obtained for the site overall;</li> <li>4. Authorise the Borough Solicitor to conclude such documents as she considers reasonably necessary or advisable to reflect the terms agreed under paragraph 3 above</li> </ol>

<b>Financial implications</b>	<p>A summary of the business case that has been created for the 2 options to retain or dispose is included at section 5 and a detailed analysis of the business case is set out at Appendix 2.</p> <p><b>Contact officer: Andrew Knott</b> <a href="mailto:andrew.knott@cheltenham.gov.uk">andrew.knott@cheltenham.gov.uk</a></p>
<b>Legal implications</b>	<p>If Option 1 is adopted, the Council would have to ensure that the buildings are in a fit state for use by employees, and meets current statutory environmental requirements.</p> <p>If Option 2 is adopted, the Council has a statutory obligation under s123 of the Local Government Act 1972 to secure the best consideration reasonably obtainable when disposing of a freehold or long leasehold interest in a property.</p> <p>If Option 3 is adopted, the Council would have to do so through an existing or new company due to the statutory requirements of the Localism Act 2011 and Local Government Act 2003.</p> <p><b>Contact Officer (legal property implications): Rose Gemmell</b> <a href="mailto:rose.gemmell@tewkesbury.gov.uk">rose.gemmell@tewkesbury.gov.uk</a></p> <p>Any purchasing requirements of the Council will need to be carried out in accordance with the Council's contract rules and the Public Contracts Regulations 2015.</p> <p><b>Contact officer (legal contract/procurement implications): Donna Ruck</b> <a href="mailto:donna.ruck@tewkesbury.gov.uk">donna.ruck@tewkesbury.gov.uk</a></p>
<b>HR implications (including learning and organisational development)</b>	<p>There are no direct HR implications arising from this report for employees of Cheltenham Borough Council.</p> <p>There are a number of HR implications arising from the report for Ubico Ltd and these are being managed by the Publica HR team.</p> <p><b>Contact officer: Julie McCarthy</b> <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a></p>
<b>Key risks</b>	<p>If cabinet members decide not to select the option with greatest financial benefit then the MTFS will be negatively impacted.</p>
<b>Corporate and community plan Implications</b>	<p>This review supports CBC's review of its property portfolio, specifically for appropriate disinvestment opportunities in order to deliver additional income to support the MTFS provision of housing.</p>
<b>Environmental and climate change implications</b>	<p>Disposal of the nursery will save on fuel and carbon emissions. The impact of the sale of the land has already been considered as part of the JCS strategy.</p>
<b>Property / Asset implications</b>	<p>Significant and immediate investment is essential in order to keep Arle Nursery fit for purpose.</p> <p><b>Contact officer: Dominic Stead</b> <a href="mailto:dominic.stead@cheltenham.gov.uk">dominic.stead@cheltenham.gov.uk</a></p>

## **1. Background**

- 1.1 A Cabinet decision was taken in December 2017 to adopt a mixed public realm planting scheme within the borough. As a result, there will be a reduced requirement for annual bedding plant stocks to be grown at the nursery. Specifically, annual bedding plants will remain in the Long Garden and Imperial Gardens, and perennial planting will be introduced in all other locations. For these reasons, it is prudent to review the long term future and viability of the nursery.
- 1.2 Revenue from the nursery sales of bedding plants for commercial use has reduced year on year as organisations move to alternative more sustainable planting regimes and public sector cuts drive reductions in contract values. This reduction in income means there is less to subsidise the Council's bedding plants, and therefore the cost to the council for its own planting is increasing.
- 1.3 Substantial investment is required at Arle Nursery to ensure that the existing buildings are fit for current purpose has been identified. An independent review was commissioned on 8<sup>th</sup> November 2017 from Kirkham Pryer, a firm of Chartered Building Surveyors based in Cheltenham, to assess the condition of Arle Nursery and provide a view on the investment sum necessary in order for the facility to continue to operate well in the future and satisfy its commercial contractual obligations. Their findings are captured in the Business Case.
- 1.4 In addition to the maintenance programme, and in view of the mixed planting approach, operational equipment requires replacement and has been assessed in the options analysis.
- 1.5 If the council significantly invests in the nursery facility to make it fit for purpose, there is a risk that the council will not see an appropriate level of return on that investment as more local authorities move away from annual bedding plant schemes.
- 1.6 As part of the recently approved Gloucester, Cheltenham and Tewkesbury Joint Core Strategy (JCS), the area of land at the nursery site has been removed from green belt designation. This opens up options for its redevelopment which will result in a substantial increase in the commercial value of the land. In December 2017, the Planning committee approved an application for 90 homes on land adjacent to the nursery site.

## **2. Reasons for recommendations**

- 2.1 Disposal of the nursery is the least costly of the options available to CBC over a ten year period.
- 2.2 A substantial capital receipt sum from the nursery site asset disposal will contribute to the Medium Term Financial Savings (MTFS) targets.
- 2.3 Asset disposal will realise an opportunity to release land for housing since the Cabinet is committed to delivering additional affordable housing units.
- 2.4 Asset disposal will deliver additional council tax revenue within the JCS boundary.
- 2.5 Asset disposal avoids the need to invest significant maintenance costs and replenish operational equipment.
- 2.6 There is a potential opportunity for local plant growers to tender for CBC annual bedding supply contracts.
- 2.7 Seasonal temporary staff costs will be reduced.
- 2.8 Solutions for the storage of street trees and bedding plants prior to planting in designated spaces have been verified and factored into the business case.

### **3. Key recommendations**

- 3.1 The recommendation is to dispose of Arle Nursery site, and procure the plants for our public realm planting externally.

### **4. Options considered**

Option 1: Asset Retention.

Option 2: Asset Disposal.

Option 3: Asset Development as a retail garden centre / wholesale grower.

### **5. Financial summary**

- 5.1. A high level summary is stated below. A full assessment detailing the asset cost projections over the next 10 years is captured in the business case at Appendix 2.
- 5.2. Option 1, retaining the nursery, will cost £2.5m over a ten year period from 2018/19. This includes over £1m for ongoing maintenance as per the Kirkham Pryer report. This is currently not covered within the MTFS. Also, there is a risk that we cannot reach the income that is projected due to reduced sales to councils. This is because other councils are taking similar decisions to ours and introducing sustainable planting.
- 5.3. Compared to option 1, the projected saving in option 2 is £369k over a 10 year period from 2018/19. This does not include any potential significant capital receipt (as it will be a council decision how this is used) or any expected additional council tax, new homes bonus or NNDR from any development in this area.
- 5.4. Option 3 would require significant investment and it is unlikely that the council would see an appropriate level of return given the competition and there would be significant risk in the current economic climate.

### **6. Consultation and feedback**

- 6.1. The Council's own Property team engaged with Kirkham Pryer, a local firm of Chartered Building Surveyors, specifically for an independent view on the condition of Arle Nursery and level of investment required to make it fit for purpose. Their findings are captured in the Business Case at Appendix 2.
- 6.2. The business case comparing the options was considered by the Asset Management Working Group on 14th June 2018. They were supportive of option 2 i.e. to dispose of Arle Nursery.
- 6.3. The business case comparing the options was considered by Overview and Scrutiny Committee on 25th June 2018. They were supportive of option 2 i.e. to dispose of Arle Nursery.

## **7. Performance management – monitoring and review**

- 7.1** The project team have provided regular updates to the lead Cabinet member to ensure their draft output has been within the requirements of the brief.

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<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk assessment<ol style="list-style-type: none"><li>1.1 Risk assessment - Exempt</li></ol></li><li>2. Options appraisal and business case</li><li>3. Financial summary - Exempt</li></ol>

## Appendix 1: Risk Assessment

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
AN001	If cabinet members decide not to select option with greatest financial benefit then the MTFS will be negatively impacted	Mark Sheldon	19.7.17	4	2	8	Reduce	Ensure the options appraisal covers all options, considerations and assumptions to enable an informed decision to be made	10.07.18	Andrew Knott	no
AN002	If the council significantly invests in the nursery facility to make it fit for purpose, there is a risk that the council will not see an appropriate level of return on that investment as more local authorities move away from annual bedding plant schemes.	Mark Sheldon	19.7.17	4	2	8	Reduce	Independent assessment sought from local Chartered Building Surveyors to inform decisions to be made	10.7.18	Garrie Dowling	no
<p><b>Explanatory notes</b></p> <p><b>Impact</b> – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p><b>Likelihood</b> – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p><b>Control</b> - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											