

**A MEETING OF THE OVERVIEW AND SCRUTINY COMMITTEE
WAS HELD ON 13 JANUARY 2011**

Councillors Bradley, Dickson (P), Forder (Chairman) (P), Foster-Reed, Geddes (P), Hylands (P), Jacobs (P), Jessop (P), Kimber (P), Scard (P), Mrs Searle and Miss West.

It was reported that, in accordance with Standing Orders, Councillor Wright had been nominated to replace Councillor Mrs Searle for this meeting.

41. APOLOGIES

Apologies for inability to attend the meeting were submitted on behalf of Councillors Bradley, Foster-Reed and Mrs Searle.

42. DECLARATIONS OF INTEREST

There were no declarations of interest.

43. REPORT OF SCRUTINY WORKING GROUP INTO NURSERY OPERATIONS AT GRANGE FARM

The Chairman advised that the report of the Nursery Working Group raised important and critical issues and introduced the following officers who would be giving evidence before the Committee.

- Edwina Hoey (Nursery Supervisor)
- David Jago (Environmental Services Manager)
- Ian Lycett (Chief Executive)

The Chairman stressed that there was no intention to allocate blame and that it was important to conduct the meeting in a constructive way.

EDWINA HOEY

Ms Hoey explained that she was speaking on behalf of herself and her work colleague, both of whom supported the scrutiny of the operation of the nursery.

Ms Hoey drew attention to paragraphs 11.3 and 11.4 of the Working Group's report and stated that the issues relating to the north boundary were not a rumour and, in fact, the Chief Executive had indicated the proposed boundary. The minutes of the meeting of the Overview and Scrutiny Committee held on 29 January 2009 had made mention of a new facility at the nursery as part of the Rowner Redevelopment.

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Morale at the nursery was low due to uncertainty and lack of information from Senior Management. The Environmental Services Manager had told staff that there would be no new facility and there had been no mention of any call for investment.

Staff at the nursery grew whatever they had been told to grow. Any over-production would need to be explained by management. A large number of bulbs in glass house number 4 could be thrown out.

The audit report of 2004/05 showed that some beds had been incorrectly measured. Solutions to this problem were easy but had taken a long time to resolve. There had been 24% over production for the flower beds at Foster Gardens and at Rowner Road 224%. This amounted to a waste of funds and lost opportunities.

With regard to the tender to Southampton City Council, if wastage had been dealt with, the issues could have been resolved.

When comparing the size of bedding pots it was sensible to use packs which would provide a better return.

Sometimes it was difficult to produce enough plants for Gosport.

If management were serious about producing plants for customers, the issues should have been addressed. Only one meeting had been held regarding the tender to Southampton City Council and Legal Services had advised against tendering for the contract.

Ms Hoey drew attention to paragraph 15.1 and Appendix 5 to the report. Appendix 5 was the budget monitor report for 12 October 2010 and showed incorrect charges to the Nursery for watering and the supply of manure. The costs at the bottom of page 2 of the budget monitoring report were different in that the incoming recharge had been effected and, despite the incorrect accounting on the compost and watering, the Year To Date expenditure was only around £ 16,000. Ms Hoey felt costs were being deliberately inflated.

Councillor Kimber advised that Appendix 5 represented the best information available at the time.

Ms Hoey referred to the meeting of the Overview and Scrutiny Committee on 6 December 2010 and the preference expressed for a partnership approach as an option. She felt that management did not realise the potential profitability of the nursery and had not looked properly at the 2006 Business Plan. A possible partner had been approached.

Ms Hoey advised that she would be interested in leasing the site from Gosport Borough Council as part of the Localism Bill.

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Ms Hoey then spoke on behalf of her colleague at the nursery and advised that the staff had provided 20 million plants for Gosport. The Nursery staff asked for trust in that it was possible for the Nursery to operate properly and they would like to be given the chance to do so. Staff had skills, creativity and experience.

The Chairman advised that, at the December 2010 meeting of the Overview and Scrutiny Committee, the option of a commercial partner was just one of a number of options and was not a preferred option. The Council would need to explore this area.

Councillor Wright advised that in 2004 to 2006 there had been concerns regarding the Nursery and a Working Group had been set up to look into them. In answer to a question from Councillor Wright, Ms Hoey advised that very little of the Business Plan had been implemented.

Councillor Wright circulated some photographs and received confirmation from Ms Hoey that these portrayed plants ordered but not used. Ms Hoey confirmed that the same situation existed for bulbs, earth and compost. She stated that these items were purchased and charged to the Nursery.

In answer to a question from Councillor Wright, Ms Hoey confirmed that this type of situation had not arisen until responsibility for design had been taken away from the Nursery and moved to the Town Hall. There had been problems twice a year since 2006.

Ms Hoey stated that there had been a number of problems with the Nursery budget.

Councillor Kimber drew attention to paragraph 12.6 of the Working Group's report and asked whether the CCTV situation had received the support of the Nursery staff. Ms Hoey advised that, at the time of installation, it appeared that there was a need for the facility. She realised afterwards that Nursery staff did not know much about it and management did not tell them. She wanted to know the protocols for use and whether it was to prevent crime, ensure safety on the site. She also wished to know about the storage of images.

A visit had been made by a school group but no signage had been provided. Ms Hoey had asked the Corporate Services Manager about this but no protocol had ever been organised. There would be no concerns if the system operated in the same way as that at the Town Hall. The Head of Streetscene had told her that he could now watch everything going on at the Nursery.

DAVID JAGO

Mr Jago drew attention to the Business Plan and stated that, since 2001 the Nursery had always made a financial loss despite recharges being higher than the level at which the Council could purchase produce. There had been a political desire to keep the Nursery open and for it to be successful. Compared to other similar towns, Gosport had done well with its bedding, using 200,000 plants per year. This had now been reduced to 90,000 in the summer and 90,000 in the winter.

The Business Plan represented a political desire to keep the Nursery open with reduced costs and added value to the community and public involvement. It was now clear that even if the Business Plan were fully implemented it would still result in a financial loss to the Council.

With regard to growing for other authorities, Mr Jago advised that the tender for the Southampton City Council contract had been withdrawn as larger plants and additional space would have been required. There was also a risk that the boilers at the Nursery could break down and the Council would therefore not have been able to fulfil the contract.

There had been no opportunities to tender for other Authorities since the Southampton City Council bid. Mr Jago felt that Gosport Borough Council would not have won this contract and had little hope of competing in the future. Even if the Council had won the contract it was likely that the profit margin would have been very small. Currently Fareham Borough Council paid £23,000 for 50,000 plants. If a profit of 20% were achieved on this price this would represent a profit of £4,500. The Nursery was making losses when recharges were taken into account. If a successful bid for a contract could be made and profits in the region of £10,000 to £20,000 were achieved there would still be a net loss. These sort of profits would probably not be achievable.

With regard to St Vincent and Sparshott Colleges, a profit of £1,000 might have been made. When St Vincent did not proceed with the Sparshott College tie up there was no point in discussions with Sparshott on its own as the college had its own facilities for training students on site.

Weekend courses would provide added value but would not make any significant money for the Council. There would be costs involved in providing courses which would affect any profits made.

With regard to providing plants for Civic occasions, other Councils did not normally use as many plants but, where they did, they had other contracts in place. Opportunities for bidding for such contracts were limited due to travelling distances. This also significantly reduced the opportunity to provide displays for conference centres and hotels. Again any successful bids would provide limited profits.

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With regard to plant sales in the past, the Nursery had raised added income but the highest was £15,000 in 2003. The net loss to the Nursery was £55,000 at that time so those sales did not eliminate losses. Plants had also been bought in to sell which is not consistent with the limitation relating to selling excess stock. There had also been a decline in public demand for bedding plants thereby limiting sales despite publicity initiatives including newspaper and Coastline advertisements.

With regard to courses for schools, these were desirable but there were pressures on school budgets which meant that they would not be in a position to pay for the courses. There were also health and safety issues in that there was no safety glass at the Nursery.

With regard to friends groups and volunteers, contact had been made with the Friends of Crescent Gardens but this did not generate any income. Whilst support for the friends was desirable it would not generate income.

With regard to infrastructure costs the Nursery needed new boilers and automatic watering and ventilation facilities. The estimate for the boilers and associated thermostats was over £70000. The panel had suggested that a biomass boiler be investigated. In the year 2007 the biomass boiler would have cost £100,000 to install. This would enable reduced running costs but the fuel requirements for this type of boiler were very restrictive. The material would need to be dry which precluded using shrub and tree cuttings obtained via the Council's operations without some form of pre-treatment. The installation of equipment would need to be justified by a payback within a maximum of 5 -6 years. As the Nursery was already making a loss such a payback could not be achieved.

In conclusion Mr Jago stated that the Working Group were correct in that 'to do nothing' was not an option. The Nursery was a very old fashioned design and investment was needed in equipment to make it successful. He did not feel that the facility could ever break even although it was still a community asset. Once lost it would be lost forever. Unfortunately the Council would never be able to compete with commercial organisations dealing in this area of work and the budgetary pressures on the grounds maintenance budget were leading to a reduction in bedding which made the Nursery less and less viable each year particularly given the need for investment.

In response to a question from Councillor Scard regarding the priority of the Nursery, Mr Jago advised that Streetscene had done its best to make it work but without investment this was difficult. Everyone concerned wanted the Nursery to be retained as per the Business Plan particularly as the facility was unique. The current economic situation made justifying the expenditure difficult.

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In response to a question from Councillor Geddes, Mr Jago advised that the net cost of the Nursery this year after recharges was £78,000. The cost of plants was recharged out at twice the price for which they could have been purchased. Those commercial organisations spoken to provided high quality merchandise. Fareham Borough Council used a good contractor and had won gold medals in South and South East in Bloom for their plant displays. Last year they had won the category for best in the area so there was no issue with the quality of plants they received.

Councillor Jacobs raised the issue of capacity and that there were two derelict buildings on the nursery site. Mr Jago advised that there had been a lack of capacity when the bid to Southampton City Council was being considered, and that the derelict buildings were not operational. They had been derelict for some time and it was believed they were used for storage. It was confirmed that capacity at the Grange Farm Nursery was greater than at Gosport Park.

Councillor Wright raised the issue of the 2004 to 2006 Business Plan and asked why it had not been implemented. Mr Jago advised that efforts had been made to implement the Plan but the main element had been to bid for other work. The lack of a successful tender meant that, even if all parts of the Business Plan had been achieved, the resulting income would not have affected the financial viability of the facility.

In answer to a question from Councillor Wright, Mr Jago advised that losses made by the Nursery were viewed in comparison to buying from commercial growers. This did not apply to other areas of the Council. Any area of work could be privatised but there were limits as to who could bid for it. There were many organisations who could supply plants to the Council.

Councillor Wright stated that sales at the Nursery had diminished because regulations limited how the Council was able to sell its produce. Other local authorities seemed to be able to sell their produce and, if Gosport Borough Council had done the same, the money raised could have helped to pay for a new boiler.

Mr Jago advised that within the overall costs of running the Nursery, £15,000 would not be all profit. If £10,000 profit were made it would take ten years to pay for the cost of a boiler. Financial Payback was normally required within five years.

With regard to over-ordering, Mr Jago advised that after the Nursery had started growing this season a decision had been taken to reduce the number and size of some beds. This generated an excess of plants this year.

Bedding design had been carried out with the use of a computer programme. There had been some initial problems but the sizes of beds were now largely overcome. There had been some problems with the contractor who did not necessarily plant up with the numbers they were supposed to, which resulted in some being left over. A new contractor would be in place from April 2011 and this problem should be resolved. In answer to a question from Councillor Wright, Mr Jago advised that he was not aware of any over ordering of bulbs but would make enquiries. There would always be a surplus of plants to deal with any damaged or missing ones but there should be no over ordering of bulbs. Plugs were ordered in set amounts so there could be a surplus of these, for example, if plugs came in lots of 500 and the requirement were for 300, the Nursery might grow on all 500.

With regard to a question from Councillor Kimber, Mr Jago advised that Southampton City Council had changed its tendering requirements at a very late stage to require larger pots than previously indicated. The Nursery Supervisor had advised that the Nursery did not have the required capacity to produce these and management did not have the time to check the figures. The boiler at the Nursery was not a critical factor at the time, but Gosport Borough Council prices obtained for Gosport's requirements indicated the Council would not have won this tender. With regard to the potential bid to Havant Borough Council in 2010, Mr Jago advised that the Council was not in a position to bid as the boiler was undergoing repair and it could not be guaranteed for the life of the tender.

In answer to a question from Councillor Kimber regarding the non implementation of the Business Plan, Mr Jago advised that there had been every intention of complying. Efforts had been made with the Southampton City Council bid and the St Vincent/Sparshott College initiative. There had been interest from St. Vincent College. They were enthusiastic but had not followed up the interest. The Council had wanted to proceed with the initiative which would also have brought in a small amount of money. The Council had wished to proceed with the weekend courses but there were issues with costs and the capacity to offer the courses. Again income would have been minimal and would not have improved its financial position.

Efforts had been made to provide floral displays for civic events at Havant and Fareham Borough Councils but the offers had been declined.

Councillor Jessop raised the question of the Business Plan and that, if officers did not believe in it, why this had not been brought to the attention of Members. Mr Jago advised that at the time he supported the Business Plan and had thought, even in 2008, that there was a good chance of implementing it. However, the economic situation had overtaken events. He had been becoming concerned in 2009 but by then the Overview and Scrutiny Committee had become involved.

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Councillor Jessop asked whether, if it was known that there would be 15,000 excess plants, should attempts not have been made to sell them. Mr Jago advised that plant sales had been held but these plants had not been sold despite efforts being made to advertise their sale.

Councillor Kimber raised the issue of the watering of flower beds being charged to the Nursery and not a more appropriate budget heading. Mr Jago advised that he did not believe this should be charged to the Nursery as there was another, more appropriate, budget elsewhere. This would be looked into as there was certainly no intention to inflate Nursery costs.

Councillor Kimber stated that Edwina Hoey had said that the Nursery staff grew what they were told to by management. Beds were measured in 2004 and too many plants were ordered for Foster Gardens and in Rowner. Streetscene had checked for the right density but still the 25% over-production had not been flagged up. The computer programme should be challenged.

Mr Jago undertook to look into this. In the past, allegations had been found to be without foundation. There had been differences of opinion over measurements. Where there were allegations, beds had always been re-measured. There was a problem with the computer programme which had been taken up with the supplier and subsequently changed. There had also been occasions when the contractor had not planted beds to the required density. Mr Jago undertook to investigate the problem further and to deal with it.

In reply to a question from Councillor Forder regarding the non-implementation of the Business Plan. Mr Jago expressed the view that it would have been an advantage if the Grounds Maintenance Working Group had continued. Without it there had been no mechanism to report difficulties with implementation of the Plan.

IAN LYCETT

Mr Lycett stated that, with regard to the Rowner Development issues, staff had been spoken to. When the application had been submitted the developers indicated that they needed some land north of the Nursery. The Council had said that it was carrying out a review of the Nursery and there were two possible outcomes.

1. The new Nursery would be smaller in floor area and modern and efficient and the sale of a piece of land could be recommended; or
2. The Nursery would be closed and the land sold off. No promises had been made to the Rowner Partnership.

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With regard to the Southampton City Council bid, Mr Lycett stated that he had been party to the withdrawal. The Council would have been open to criticism if it had won the contract and subsequently been unable to fulfil it. With regard to the Havant Borough Council contract, the Council had been right not to bid as the boiler at the nursery was in a poor condition.

Mr Lycett stated that the time had now come for a decision to be made regarding the future of the Nursery.

Upon looking at the invoice for watering of bedding, Mr Lycett advised that the cost centre for the Nursery was 1039 and this invoice had been coded to cost centre 1043. Mr Jago would check on this. He stated that, in any case, the Council's accountants and auditors would not allow virement such as this and there was no plot or conspiracy surrounding the nursery.

The appearance of the Borough was a high priority and Mr Lycett stated that, if there were any problems regarding this, Members and the public were very quick to let Members and officers know. Officers were employed to implement the policies of Members. They were able to be open with Members but, at the end of the day, it was Members who made the Council's policies.

Mr Lycett stated that he had sympathy for the staff at the Nursery as it was under threat. However the Nursery staff were part of a team and management could not be blamed all the time should everything not go to plan.

The problems with leftover plants had now been resolved. The introduction of manual checks would be looked into.

Mr Lycett stated that this was an unusual situation. Members had agreed the Business Plan but no capital finance had been subsequently approved for the Nursery during the budget process.

If it had been decided to spend capital money on the Nursery, the situation would have been different.

Mr Lycett held the view that the report of the Working Group was very useful and highlighted lessons to be learned. The government grant situation for 2011/2012 was dire and difficult decisions would need to be made. All services would be losing finance and there were a number of services which were desirable but may be lost as a result of this. The Council would be losing staff due to redundancies and some services would have to be cut.

Mr Lycett stated that the Nursery was a simpler calculation. The Council could purchase quality plants more cheaply than it would cost to produce them in-house. This was nobody's fault as the Nursery was in competition with commercial firms who were in a position to produce in bulk.

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Mr Lycett stated that Members and Officers had all tried to retain the Nursery and it would be distressing to lose it. However he felt he was in the position of recommending to Council that it be closed.

In reply to a question from Councillor Wright regarding the viability of greater contact with Bournemouth Council, Mr Lycett advised that there would be difficulties due to the distance between the two boroughs.

Members expressed their thanks to the Working Group for the work they had carried out and the Chairman thanked Members for the way in which the meeting had been conducted.

RESOLVED: That the Committee adopt the report of the Nursery Working Group and forward its recommendations to the Community and Environment Board.

44. ANY OTHER BUSINESS

There was no other business to discuss.

The meeting ended at 7.47 p.m.

CHAIRMAN