

**CAMBRIDGE LIBRARY ENTERPRISE CENTRE**

**To:** Highways and Community Infrastructure Committee

**Meeting Date:** 2 June 2015

**From:** Graham Hughes, Executive Director: Economy, Transport and Environment

**Electoral division(s):** All, especially Market ward (Cambridge)

**Forward Plan ref:** N/A **Key decision:** No

**Purpose:** To respond to questions and concerns in relation to the proposal to create an Enterprise Centre in Central Library, Cambridge, further to the decision of General Purposes Committee on 14 April to refer the proposal back to Highways and Community Infrastructure Committee for further consideration.

To update the Committee on measures taken to provide more information and to open up public consultation on the proposals, in response to the concerns of some Members.

**Recommendations:** The Committee is recommended to note the response to consultation and approve:

a) the development of an Enterprise Centre within Cambridge Central Library;

b) entering into an agreement with Kora (part of the Regus Group) to create and run the Cambridge Library Enterprise Centre (CLEC);

c) further detailed consultation on changes to the Central Library, including the layout of the Enterprise Centre;

d) a specific consultation on the proposal to move the Cambridgeshire Collection to the Council's new hub building in Ely; and

e) delegate to the Executive Director - Economy, Transport and Environment in consultation with the Chair and Vice Chair of the Highways & Community Infrastructure Committee authority to approve the final negotiations required to complete this project

<b>Officer contact:</b>	
Name:	Christine May
Post:	Head of Community and Cultural Services
Email:	<a href="mailto:Christine.may@cambridgeshire.gov.uk">Christine.may@cambridgeshire.gov.uk</a>
Tel:	01223 703521

## **1.0 BACKGROUND**

- 1.1 A recommendation to the Highways and Community Infrastructure Committee (HCI) on 17 March 2015 proposing the creation of a Central Library Enterprise Centre was agreed by a majority of 12 members (with 3 abstentions and 1 against). Subsequently 14 County Councillors challenged the decision on the basis of inadequate information and lack of public consultation, and it was reviewed by the General Purposes Committee (GPC) on 14 April 2015, when the majority of members agreed to refer the proposal back to the HCI Committee for further consideration. At the meeting a petition was also received containing more than 3,000 signatures against the proposal. Subsequently, the City Council also passed a motion asking the County Council to reconsider the proposal.
- 1.2 Further details are contained within the original reports and minutes of these committees (available at <http://tinyurl.com/pr4yug5>), and an additional Member briefing was also issued prior to the GPC meeting. Following the GPC meeting all Members were invited to a Member seminar on 28 April, providing an opportunity for Members to meet Kora's International Managing Director and to ask questions, and a to visit to Central Library on 30 April.
- 1.3 It was also agreed to extend consultation on the draft strategy for the *Future Approach to Library Services in Cambridgeshire* by 10 days until 10 May 2015, and to draw people's attention to the Enterprise Centre as part of this strategy. A press release issued following the GPC meeting communicated this message. A display of indicative layout plans for all 3 floors of the library, together with Frequently Asked Questions (FAQs) was displayed at Central Library and on the Council's web site, inviting specific comments, and a public meeting took place on the evening of 6 May at Central Library. A summary of the response to this consultation is appended to this report.

## **2.0 FINANCIAL CONTEXT**

- 2.1 One of the primary drivers for the CLEC proposal is to generate income. The County Council is facing a huge and unprecedented financial challenge and has to save £119M over the next 5 years, having already saved £115M over the last 3 years. Over recent years the Council has tried to protect frontline services, but the size of the challenge means we have to reduce or stop doing some things in order to maintain services on which people depend. In many cases this involves finding new ways of working with others to achieve outcomes.
- 2.2 The Library Service shares in this financial challenge and has to find £1.835M in savings over the next 3 years from a budget of £4.5M (around 40%), having already saved more than £2M in recent years. By 2018 the library service budget will have reduced by around 65% since 2010. In order to minimise cuts to the service, we are keen to maximise income. The proposed Central Library Enterprise Centre (CLEC) is a rare opportunity to both meet a key Council priority (Developing the Local Economy for all) whilst also bringing in a significant new income to help sustain valued services.
- 2.3 This proposal would raise a guaranteed income towards the running costs of Central Library, and it is expected to contribute a significant additional income

through profit share (an income target of more than £200k from library enterprise centres is outlined in the Council's business plan over the next 3 years and £200k per year thereafter). It would be one of the largest income streams from a single source for the library service and would help to sustain its future – without this income stream, further reductions in other areas of service will be necessary, such as the book fund, or the budget to run other libraries.

- 2.4 The proposal is in line with the Commercialisation approach set out in the previous library service review (21<sup>st</sup> Century Libraries programme), when officers were encouraged to be bold and innovative, to work in partnership with business and to be prepared to take risks. It was in this context that the idea of the Cambridge Library Enterprise Centre (CLEC) was welcomed by officers and Members when Regus first approached the service in 2013.

### **3.0 SOCIAL AND ECONOMIC CONTEXT**

- 3.1 The way people work and live is changing; 11% of the workforce in Cambridgeshire is now self-employed which is an increase from 40,100 to 50,800 in the 18 months prior to September 2014 (ONS<sup>1</sup> data). Small sized businesses account for 68% of the total local business population. 84% of users of the British Library's Business Centre in London said their success would not have been possible without the library's support. The public library is the ideal place to support individuals into employment and help start-ups and entrepreneurs with a place to network, share ideas and seek the right information for their needs.
- 3.2 The economic benefits of a successful enterprise centre would be through the creation and development of micro enterprises, generating wealth that is more likely to be retained locally. The centre would also help to improve business survival rates by giving entrepreneurs more access to the skills, knowledge and expertise they need to survive and thrive. It is also recognised that many businesses, even small ones, now operate internationally, so the opportunity for local businesses to tap into an international network could be invaluable.
- 3.3 While this provision and expertise is plentiful and high quality in Cambridge, it is often limited to particular networks (such as the higher education and business sectors) and does not reach out far in to the community. The CLEC would provide a place where anyone who is interested could gain exposure to and mix with the enterprise community. The centre would also be a place where young people and schools can come to support and develop their own enterprise programmes.

### **4.0 PARTNERSHIP WITH REGUS KORA**

- 4.1 Kora (a new division of Regus Group plc) first approached the Council in 2013 with a proposal for an enterprise and innovation centre as a pilot project in Central Library, Cambridge. The concept was inspired by the rich mix of different people using libraries and the potential to connect them in order to enhance their skills, knowledge and employability.

---

<sup>1</sup> Office for National Statistics

- 4.2 Since then, Council officers and Kora have worked together and invested time and resources in developing the CLEC model which is a combination of membership services that generate income (entrepreneurs lounge, day offices and virtual office services) alongside new tailor made services (co-working spaces, innovation room and stage area for events and activities), working alongside the free services provided by the Council's adult learning, youth and careers services. Legal and Finance colleagues have been involved throughout the discussions with Kora in order to ensure due diligence in relation to the financial and contractual negotiations, in line with normal Council processes and procedures. If the model proves successful, it has potential to be rolled out to other libraries in the county.
- 4.3 Whilst elements of this offer may be available separately from other contractors, officers are not aware of another provider that could provide this mix of services together, particularly with an international membership. For all these reasons, officers have been advised that the contract would be a service concession and not subject to competitive tendering.
- 4.4 Since 2013 Kora has successfully established five other centres in Europe, providing some evidence of their income generating potential. In January a meeting was held with Kora Innovation Directors from Finland, France and the Netherlands to hear first hand the experience of those already operating in partnership with Kora. From that it was clear that the partnerships are working effectively with positive benefits both in terms of customers of the services and financial outcomes. Figures received in confidence relating to the performance of the Evoluon centre in Eindhoven for the first 6 months of operation in 2014 clearly show six-figure profits already being raised. At the Aalto University site in Espoo (a suburb 20 minutes bus ride from central Helsinki) the Kora centre is already seeing a 40% occupancy rate since it opened on 1 March this year. The Tampere site in Finland is now seeing 50% occupancy having opened only in November 2014.
- 4.5 Kora would manage services on behalf of the Council and pay a guaranteed service charge, which would cover a proportion of the library's running costs. It is estimated that around 30% of the third floor would be used for new income generating services. Once the centre becomes profitable, the surplus would be split between the partners through a profit share which is favourable to the Council. Both partners would invest £300k to adapt the space to accommodate the CLEC, which would be repaid to the Council over time. The structural elements of the alterations would remain the Council's at the end of the contract, which has a penalty free break clause at 5 years.
- 4.6 Regus is an international company, founded in Brussels in 1989, and based in Luxembourg. The company is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index. In August 2008 the Independent reported that "*Regus, the world's biggest provider of serviced office space, became the latest British company to quit the country because of its uncompetitive tax regime, taking the number of corporate departures from the UK this week to three. .... Regus's move follows hard on the heels of similar announcements....*" Whilst the company's tax arrangements may seem unpalatable they are not illegal, and many other well-known companies (e.g. Google, Amazon, Apple, Facebook, Dyson, Boots) have similarly been criticised. An article in the Guardian in October 2012 (*'Should we boycott the tax-avoiding companies?'*) commented that 'very few companies are

completely clean' in this regard. Regus has a 'statement of commitment' which states that the company has a 'zero tolerance of bribery and corruption' and is committed to 'carry out our business fairly, openly and transparently'.

## **5.0 ALTERNATIVE OPTIONS**

- 5.1 The March Committee report contained two alternative options to the Kora Enterprise Centre proposals in order to give comparison and context. Both of these involved delivering an Enterprise Centre service in house. The officer evaluation at the time was and remains that these in-house options would not have the income generating potential of the Kora proposal. The main reason for this is that an in-house operation would not have access to the same international business networks that the Kora proposal would (Regus has 1.5 million members worldwide). It is these networks, through using the premium services that will provide the bulk of the income from the Enterprise Centre that in turn will then support the other activities that are proposed. In particular, other options would not provide the guaranteed service charge of £80k that will be provided by Kora. On this basis, the in-house options have not been worked up in greater detail, and there seems little purpose in doing so unless different criteria for success are identified.
- 5.2 Some Members have expressed concern about the perceived removal of free services or what has been referred to as the 'privatisation' of space, whilst others have expressed concern about how an altruistic enterprise centre focused on helping job seekers will generate a significant income. The Kora option was recommended precisely because it is a blend of more traditional Regus income generating services (hireable office spaces, virtual office services, entrepreneurs lounge that visiting Regus card holders from around the world would be able to use) that would provide the income generating 'engine' to enable the provision of free and low cost opportunities for those who need them. In this way the Centre would both provide a significant new income to help meet savings targets for the Service, as well as meet one of the key objectives of the County Council in developing the local economy.
- 5.3 There has also been challenge about whether space in the library could have been used for other income-generating opportunities other than the proposed Enterprise Centre. However, the Council has a highly restrictive lease on the building, and the building must be used for community purposes. The Council cannot, therefore, simply sub-lease space and retain a commercial rental income from a building which is leased to the Council at below market rent. The CLEC approach is a service concession, whereby a third party delivers services on behalf of the Council for a profit share arrangement. (This is not dissimilar to the previous arrangement with the café, except that Kora would pay a guaranteed service charge and a much higher proportion of profit share).

## **6.0 CONSULTATION AND COMMUNITY IMPACT**

- 6.1 A summary of the responses to the consultation specifically about the CLEC proposals is appended to this report. A full transcript of all comments received will be made available on the Council's website at <http://tinyurl.com/pr4yug5> by the end of May. 135 (of the total 638 responses to the consultation on the draft strategy for the future of library services) referred

specifically to the CLEC proposals. The overwhelming majority of these respondents disagreed with the proposals (63% compared to 37% agreeing or unsure), although the substance of most of the concerns raised in comments have been answered as part of previous reports, FAQs and the public meeting.

- 6.1 The top 4 aspects of the service from the consultation that most people value (around 66%) are access to a range of free books and resources, space, study facilities and helpful staff. These would still be available in almost the same quantity at Central Library, with the number of study spaces specifically being maintained at current levels. Only 13% of respondents specifically said they do not want or saw no need for an Enterprise Centre. However, it must be acknowledged that there is strong resistance to a commercial partnership, using the library for profit making, and its potential impact on the ethos of the library as a trusted, neutral and non-commercial space. There are particular concerns about the choice of Regus Kora as a partner and the procurement process taken. Given the need to generate income as well as deliver the social benefits it is, however, inevitable that any proposals will involve commercialisation of some space in the library.
- 6.2 Public engagement on the plans and proposals had been scheduled to take place for 6 weeks immediately following Committee approval, and prior to the signing of contractual agreements with Regus Kora. This public engagement which is still planned, would take the form of displaying plans and layouts, inviting feedback, and setting up a temporary stall in the library for library customers to find out more, ask questions and to feedback their comments. This would be expected to influence the final layout design and priorities for the changes before they take place, as well as establish any useful links between the new service and potential clients and partners.
- 6.4 At the time, the planned consultation was considered proportionate to the changes and their impact; the proposals do not constitute a policy change (indeed they are in line with Council direction in terms of the future approach to library services, in developing the local economy, and in taking a more commercial approach), nor will they result in a withdrawal of public library services. A Community Impact Assessment was undertaken which established that overall the project is expected to have a neutral or positive impact. No library services would cease as a result of the changes, only the café which is not a core library service and which is failing to contribute financially to the service as was originally intended. The project would result in a reconfiguration and more intensive use of the space in the library (around 30% of the third floor would be used for new income generating services), all of the current study spaces and public PCs could still be accommodated, and there would be a small reduction in stock of around 5%. Some improvements to existing services would be made, including the children's library and entrance area, along with the introduction of a new service of benefit to local people. Furthermore, the project would contribute a significant income to the service, helping to ensure its sustainability at this time of extreme financial challenge.

## **7.0 CAMBRIDGESHIRE COLLECTION**

- 7.1 The future of the Cambridgeshire Collection has unfortunately become associated with the CLEC proposals. Some library users are convinced that

a proposal to move the Cambridgeshire Collection to join the Cambridgeshire Archives service at Ely (where the service will relocate in late summer / autumn 2016) is due to the proposed creation of CLEC.

- 7.2 In reality, the plan to bring the archives and local studies services together in one building has long been an aspiration for the service and pre-dates any notion of CLEC. It was intended as part of the previously abandoned options to relocate the services to a new building at what at the time was known as Arbury Camp and Foster's silo near Cambridge Railway Station, among others. The model would mirror that for the combined Huntingdonshire Archives and Local Studies. This was intended whether or not CLEC went ahead.
- 7.3 The opportunity to integrate the services in one building was considered in a report to HCI Committee in September 2014 and was welcomed by Members, although no formal decision on this was taken. Given the strength of public feeling about this issue demonstrated through the CLEC consultation, it is recommended that separate public consultation on the future location of the Cambridgeshire Collection is undertaken later in the year.

## **8.0 ALIGNMENT WITH CORPORATE PRIORITIES**

### **8.1 Developing the local economy for the benefit of all**

The report above sets out the implications for this priority in section 3. Libraries generally are important for this objective and the Enterprise Centre specifically will provide real opportunities for people looking for an entrepreneurial career.

### **8.2 Helping people live healthy and independent lives**

By helping more people into sustainable employment, the CLEC would support the Council's priorities to help people live healthy and independent lives, less dependent on state provided services.

### **8.3 Supporting and protecting vulnerable people**

The CLEC, working in partnership with the Council's youth, learning, skills and careers services on the third floor of the library, would help people into employment, develop their career potential, and help build more sustainable small businesses, thereby supporting people who are vulnerable due to unemployment.

## **9.0 SIGNIFICANT IMPLICATIONS**

### **9.1 Resource Implications**

The report above sets out the implications for this priority in paragraph 4.5. The Service would need to find more than £200k in savings or income from other sources on top of the other savings that need to be made; this is likely to increase the risk of library closures (£200k funds at least 4 small village libraries or at least one major town library).

### **9.2 Statutory, Risk and Legal Implications**

There is a risk of legal challenge in relation to procurement of the Enterprise Centre service contract; the reasons for the current approach are set out in paragraphs 4.2 and 4.3. The more the service is cut back (see above), the higher the risk of judicial review of the Council's statutory duty to provide the

service. The Council is legally able to charge for services in libraries over and above the basic provision of free access to books and information.

### 9.3 **Equality and Diversity Implications**

A Community Impact Assessment has been carried out on this proposal (see 6.2). Whilst the CLEC is largely a fee paying model, the partners are committed to providing some free and low cost events and opportunities , whilst free access to PCs, library resources and study space will still be available to all as set out in paragraph 6.2.

### 9.4 **Engagement and Consultation Implications**

The report above sets out the implications for this priority in section 6. In particular, it is intended that a further 6 week consultation on CLEC proposals is carried out prior to the signing of agreements with Kora, enabling public input to the details of the proposal. In addition, it is recommended that specific public consultation is carried out on the future location of the Cambridgeshire Collection and the Council's current plan to relocate it to Ely alongside Cambridgeshire Archives.

### 9.5 **Public Health Implications**

There are no significant implications for this priority.

### 9.6 **Localism and Local Member Involvement**

The engagement of local members in the plans and public consultation will be very important going forward.

#### **Source Documents**

Report and minutes of Highways and Community Infrastructure Committee 17 March 2015.

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/AgendaItem.aspx?agendaItemID=11239>

Reports and minutes of General Purposes Committee 14 April 2015

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=838>

Library Services: developing our approach for the future (web page including draft Libraries Strategy, consultation document and FAQs on CLEC)

[http://www.cambridgeshire.gov.uk/info/20130/news\\_and\\_events\\_in\\_libraries/570/library\\_services\\_developing\\_our\\_approach\\_for\\_the\\_future](http://www.cambridgeshire.gov.uk/info/20130/news_and_events_in_libraries/570/library_services_developing_our_approach_for_the_future)

The Guardian, 17 October 2012 *Should we boycott the tax-avoiding companies?*

<http://www.theguardian.com/business/shortcuts/2012/oct/17/boycotting-tax-avoiding-companies>



## APPENDIX: RESULTS OF PUBLIC CONSULTATION ON CLEC PROPOSALS

From the initial 51 written responses to the consultation in relation to CLEC, the level of agreement to the proposals was as follows:

Strongly Agree	9	6.7%
Agree	17	12.6%
Unsure/don't know	24	17.8%
Disagree	19	14.1%
Strongly Disagree	66	48.9%
Total	135	100.00%

In terms of what people value about the library, the answers were as follows:

### What do you value?

	Number	Percentage *
Range of and free access to resources (Books)	96	34.16%
Place to work/ revise	39	13.88%
Library space	27	9.61%
Library staff and help available	23	8.19%
Café	20	7.12%
Community resource	13	4.63%
Publicly owned and run - not for profit, accessible to all, free to use	13	4.63%
Atmosphere	12	4.27%
PCs	12	4.27%
Access to films and CDs, audio books	7	2.49%
Mix of people using the library	6	2.14%
Cambridgeshire Collection	4	1.42%
Free internet, wifi and printing	4	1.42%
BFI	3	1.07%
Helped me to love reading	1	0.36%
Harry Potter display	1	0.36%

\*some people valued more than one thing so the total is greater than 100%

## Summary of comments:

Theme	Number of comments	% of Comments	Main Comments
Private Company ( <i>This issue is addressed in section 4 of the report</i> )	91	20.04%	Business profiting from using space to serve the public; The tendering process; Reputation of Kora (incl. tax avoidance); Need more funding for libraries; Should be for local business not multinational; Business people will need parking; No alternatives have been considered; Taxes are already paid to fund the library service; commercialism being preferred over peaceful atmosphere; British Museum used in-house scheme; Kora needs profits and residents shouldn't pay them; Kora is the only stakeholder which stands to gain; should be a public space where profit is not necessary;
Library Space ( <i>This issue is addressed in para 6.2 of the report</i> )	84	18.50%	Lack of quiet study space; dissuading students from using library; risks quiet space and overcrowding; dwindling public space; already at maximum capacity; New coffee bar and reception unworkable in terms of noise and logistics; will get very cramped; invaluable for 6th form students; will ruin library visit where so many enjoy to meet;
Library Service ( <i>See section 7 of the report</i> )	73	16.08%	Effects on the library stock; weakening service provision; Ely too small/ inaccessible for collection; Concern for BFI Mediatheque; Squashing the Cambridgeshire Collection into an even smaller space; direct access to the Cambridgeshire Collection (not over internet) has allowed it to flourish; library should be about books but books are not a part of the plans going forward; don't want fewer books, film resource; not clear which books, films etc. will still be available; should instead rent space and have a smaller core library; Risk of developing something which won't work; won't be enough computers; archives at risk; moving collection a backward step as wonderful for history research; concern for staff losing jobs; older people need help with computers
Café ( <i>See para 6.2 of the report</i> )	50	11.01%	Prices could be raised slightly; there are enough coffee bars in the area; good food; friendly staff; good place to meet up with friends; very popular; child friendly; well used; reasonably priced meal; where will the people using this go?; Convenient and welcoming area; significant implications for equality and diversity; important for prevention agenda; valuable community resource; should be made simpler rather than closed

Does not want change	48	10.57%	Do not want the library to change; happy with the space as it is; why ruin a good thing
Council/ consultation process (See para 6.2 of the report)	43	9.47%	Lack of/ issues with consultation; issues with councillors; reputation of the council; should close a smaller, less used library instead; Reducing public assets because council has no money; plans rushed through; council should find another way to make money; undemocratic for city councillors not to be able to vote; secret negotiations for 18 months; an excuse for the council to spend money; ill-founded venture which should be abandoned; should represent public interests; other options not explored; lack of clarity over plans; not clear what the income stream will be; will not bring in expected income so public space lost for drain on revenue; owner of old bowling alley at Ely a 'friend' of the council; members proposing need to be identified as only 2 people in book are in favour; lack of explanations of floor plans; council should take obligation to provide library services seriously; last-minute decision
Enterprise centre (See para 6.2 of the report)	31	6.83%	Do not want an enterprise centre/ there is no need for an enterprise centre; There is space elsewhere in Cambridge; The change will be expensive; It will not generate income or create efficiencies; Resources already in place on third floor; People wanting to start their own business have other options already; New business wouldn't have the money to pay; Shouldn't need to be outsourced. Should be a library, not an enterprise zone; Reasons for change do not make sense; Will be empty and underused; no evidence of demand for this; why is public space the best space for this?; Plenty of unused offices in Cambridge; libraries for books not entrepreneurs lounges
Community Benefit	30	6.61%	Wouldn't benefit the community at large in Cambridge, would only benefit a few; loss of children's play facilities; space especially important for marginalised (young, old, disabled, homeless); Only place in Cambridge for old people to get advice, books and coffee; will reduce value to the community; creates a divisive, paid-for area; no emphasis on providing Cambridgeshire residents with books; library should be for community not enterprise; what about people who want to use but cannot afford to?; Virtual access to services removes community aspect

Positive	4	0.88%	Excellent idea helping self-employed, especially young people; generating revenue streams will maintain services without additional taxpayer cost, an Innovative solution to funding issues; it's amazing; In favour conditional on a review being held as to the success or failure after the end of the 5-year contractual agreement
----------	---	-------	--