

CAMBRIDGE LIBRARY ENTERPRISE CENTRE - RESPONSE TO THE THREE ELEMENTS OF THE DECISION REVIEW

To: **General Purposes Committee**

Meeting Date: **14 April 2015**

From: **Executive Director of Economy, Transport and Environment**

Electoral division(s): **All; in particular Market Ward in the City**

Forward Plan ref: **Not Applicable** *Key decision:* **No**

Purpose: **The Committee is asked to consider the response to the three elements of the decision review, namely:**

- **that there was no consultation either with the library members or with the wider public**
- **that members had inadequate information with which to make a decision – about the company to which the library space might be offered and about the financial performance of the catering outlet**
- **the complete lack of information regarding the logistics of establishing such an enterprise given the displacement of services it would generate**

Recommendation: **It is recommended that the Committee uphold the decision of the Highways and Community Infrastructure Committee on 17 March 2015 that being to approve the following recommendations:**

- a) the development of an enterprise centre within Cambridge Central Library;**
- b) enter into an agreement with Kora (part of the Regus Group) to create and run the Cambridge Library Enterprise Centre (CLEC); and**
- c) delegate to the Executive Director of Economy, Transport and Environment in consultation with the Chair and Vice Chair of the Highways and Community Infrastructure Committee authority to approve the final negotiations required to complete this project.**

<i>Officer contact:</i>	
Name:	Christine May
Post:	Head of Community and Cultural Services
Email:	Christine.may@cambridgeshire.gov.uk
Tel:	01223 703521

1. BACKGROUND

- 1.1 The background to this issue is contained within the report to the Highways and Community Infrastructure Committee on 17th March, which is appended as Appendix A to Agenda Item 3(a). This includes the objectives of the project in terms of contributing to the Council's strategic objectives.
- 1.2 Funding of £300k in total for a Cambridge Library Enterprise Centre project has been agreed in the Council's Business Plan in 2014/15 and 2015/16 financial years and income from the proposal, expected to exceed the investment and therefore deliver savings, was built into the five year programme. The intention to create an Enterprise Centre within Central Library was referred to in the draft Strategy for the Future Approach to Library Services, approved by the Highways and Community Infrastructure Committee in January.
- 1.3 Prior to this, officers had discussed the emerging proposal with Highways and Community Infrastructure Spokes and earlier with Cabinet members, under the Council's old governance system.
- 1.4 Responses and further information on the three areas of review for General Purposes Committee are contained in the following sections.

2. CONSULTATION WITH LIBRARY MEMBERS AND THE WIDER PUBLIC

- 2.1 The Council, through its Business Plan and, more recently the Libraries review, has included the concept of delivering the Enterprise Centre over a number of years. In preparing the final stages of the proposals prior to the Highways and Community Infrastructure Committee, it was considered therefore that the principle of a centre had been fully established. It was not necessary to consult on the decision to incorporate an enterprise centre prior to the Committee decision because there was to be no overall loss of library services. The impacts of the centre on layout and condensing of space were to be a matter for later local consultation.
- 2.2 In addition, the Council's relationship with Regus Kora is bound by a confidentiality agreement due to the commercial nature of the negotiations. This binds the partners 'Not to make any public announcement or other disclosure regarding the Project without the prior consent of the other party'. The agreement covers all information relating to the project including '... , plans, proposals and or trading prospects...' Under this agreement, therefore, officers, members and partners were not at liberty to disclose information about the project to the wider public until the project partners have agreed on a communications plan for the project. The timing of announcements and stakeholder engagement was discussed and agreed to take place once all negotiations had been concluded, agreements reached, and there had been formal approval in principle of the project to proceed. Information on the business case and proposals were appended as confidential appendices to the Highways and Community Infrastructure Committee report. The proposals were also discussed informally with Committee spokes several weeks before the Committee meeting.
- 2.3 Legal advice confirmed that there was no requirement for the proposal to be subject to competitive tendering as the proposals are a concession and not subject to service procurement regulations; indeed, a procurement would

have brought discussions to a close, with little prospect of alternative proposals coming forward.

2.4 A number of factors could have made this project unviable. These included:

- the legal and financial negotiations with Regus Kora, which could have broken down had there been disagreements that could not be reconciled
- lack of agreement from the landlord to allow a deed of variation to be drawn up to enable the Enterprise Centre to operate in the Central Library
- demands from the landlord that would make the financial business case unviable
- planning constraints on the use of the building

2.5 There would have been a number of risks had the Council engaged library members and the wider public in consultation at an earlier stage in the development of this project, including:

- risk of litigation and legal costs if the confidentiality agreement was breached, reputational damage if consultation was launched on proposals which were then unable to proceed due to any of the factors outlined in paragraph 2.2
- damage to partnership relationships, partner staff morale and partner business success (especially the café) if proposals were discussed before they were agreed to go ahead

2.6 There is also the question of proportionality; 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. The proposals feature in the Library review Community Impact Assessment and a Community Impact Assessment for the centre has been undertaken which established that overall the project is expected to have a 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, some improvements to existing services and 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.

2.7 Public engagement on the detailed plans had been scheduled to take place for 6 weeks immediately following Committee approval, and prior to the signing of contractual agreements with Regus Kora. The delegation to the Executive Director, in consultation with the Chair and Vice-Chair of the Committee, allows for matters arising from consultation to be considered, prior to concluding the details of the scheme. This public engagement 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 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, but not change any decision to go ahead with the centre.

3. INFORMATION ABOUT KORA

3.1 The Committee report referred to Kora being part of the Regus Group, and pointed members to its website www.thinkkora.com. Spokes were informed that officers were working with the company. The report mentioned Kora's 'vision for connecting businesses and learning communities, inspiring growth and providing support and space on a global scale' and their international network. The web site sets out where Kora outlets are located, who the partners are, introduces the team of directors and staff, and gives details of their offer, with prices. Social media feeds show discussion and activities that are taking place across the network.

3.2 Kora is a division of the Regus Group PLC, whose 2014 annual report is available at <http://tinyurl.com/nk259qy>. In this report (p.3), there is reference to diversification of Regus:

'Regus facilities can be found within shopping malls and retail outlets, university campuses and community centres, public libraries and innovation centres'.

3.3 On page 12, Regus Chief Executive Mark Dixon comments on Kora initiatives as follows:

'There is continued strong interest and demand globally, from a wide variety of infrastructure owners and operators, for us to engage with and help them better serve their customers. During the year we partnered with the Singapore Government to open facilities within their public libraries ... We launched a new initiative aimed at universities, the first deal of which was signed with Helsinki University. We also partnered with Philips, taking responsibility for the management of their innovation centre Evoluon in Eindhoven'.

3.4 Each individual Kora outlet is established as a separate business within this division. Kora is led by Roger Perrin, Global Managing Director, who is based in Cambridge, knows and uses the Central Library, and is committed to blending free services open to all who use the library with some chargeable services on the third floor.

3.5 As part of the draft Management Agreement between the Council and Kora, there will be a guarantee relating to payment of the Service Charge and profit share. Regus is a well-established international company that has operated since 1989 and now has 3000 business centres in 900 cities all over the world, serving 800,000 customers daily. The code of ethics of the company is available at <http://www.regus.co.uk/governance-conduct-and-ethics/index.aspx>.

3.6 The financial projections for the Cambridge Library Enterprise Centre, contained in the confidential appendix to the original report, are supported by more detailed spreadsheets showing unit costs and anticipated occupancy levels based on Regus Kora operations elsewhere. This information is commercial in confidence. It has been checked by the Council's Finance Officer and is available to Members on request.

3.7 The Management Fee (expressed as Central Overheads in the financials) is set less than Regus' standard management fee of 16% (available in audited Accounts for 2014). It covers central Marketing and Website development that

will provide leads and revenue for Central Library; central Accounting, HR, operational systems and software, plus senior team responsibilities associated with the site; and health and safety, helpdesk for IT / telecommunications support.

4. INFORMATION ABOUT THE CAFÉ

- 4.1 The café at Central Library is run by Cleaning & Catering Services (CCS), a trading unit of the County Council. The lease on the Central Library building is very restrictive in terms of catering options and a very specific existing Deed of Variation stipulates that the café has to be positioned on the third floor and that it can only be operated by the Council or by an existing tenant of the Grand Arcade (unless none wanted to do so); if the Council were to sub-lease to a third party, the Landlord would be entitled to a share of the rent. Therefore the Council had very few options in terms of catering supplier when the library reopened in 2009 following refurbishment.
- 4.2 The Library Service had an initial 3 year agreement with CCS which specified the catering offer, hours and financial terms etc. The café was fitted out at CCS' expense and these costs were recouped during the first few years of operation. No rental or service charge is payable by CCS, although a profit share (25% to the library service) was payable once the operation became profitable.
- 4.3 In the early years the Central Library café did show an overall profit. However, in accounts shared with the Library service in August 2014, the Central Library cafe was already making a loss for the first part of the year and was projecting an overall loss of £3,000. Given the financial challenge facing the Library Service, it cannot continue to sustain this discretionary service since it does not contribute financially to the library. Whilst it is acknowledged that there could be ways of developing the café offer to reduce this loss or even generate a small profit, that needs to be weighed up against the significant financial benefit that will flow from the Kora proposal which in turn, as it is built into our Business Plan, will help to sustain the overall library service.
- 4.4 Information on the business case and proposals were included in the confidential appendices to committee and discussed with Spokes prior to the committee agenda being published.

5. LOGISTICS OF ESTABLISHING THE ENTERPRISE CENTRE

- 5.1 The logistics of creating the new centre have been discussed and planned extensively by the project implementation group, which is made up of representatives of the services involved, and Council support services. Key elements of the first floor include enlarging the children's library, creating a new Young Adult library area, introducing tablet kiosks, improving Wifi benching and seating, introducing a new welcome counter, and ensuring a good range of popular stock for customers in refreshed surroundings.
- 5.2 On the second floor, the team have investigated denser shelving to house the stock; public consultation will help shape this design, and redesigning the layout to accommodate the same number of fixed public PCs that are currently available. BFI Mediatheque have approached the library, quite independently, and want to work with the service to create a new style of access for the

public – avoiding the specialist, enclosed area that has proved inflexible for customers, staff and BFI themselves. The third floor will house the business and career books that will complement the Enterprise Centre, whilst other stock will move to the second floor, where we will seek to create as many study spaces and quiet zones as possible. So in essence, nothing is being lost from the library as a result of these proposals and in fact the offer to a wide range of customers is being enhanced.

- 5.3 Paragraph 2.10 of the original Committee report sets out the implications in terms of closure and displacement: it would take 8 weeks to install the enterprise centre on the third floor and require at least one week closure of the whole library (three weeks maximum), during which time other essential work will take place on the first and second floors. The Library Learning Centre would operate from Arbury Court Library for the duration of the works, whilst the National Careers Service and Youth Support Services would continue to be accommodated on site during works. There would be no café / refreshment facilities during works.

6. SIGNIFICANT IMPLICATIONS AND ALIGNMENT WITH CORPORATE PRIORITIES

- 6.1 Significant implications and alignment with corporate priorities were set out in the report to Highways and Community Infrastructure Committee and are unchanged.

Source Documents	Location
<i>Source documents are referenced within the text of this report and given as hyperlinks.</i>	N/A