

**AN ALTERNATIVE DELIVERY MODEL FOR HERTFORDSHIRE LIBRARIES**

Report of the Director of Resources

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**1. Purpose of report**

1.1 To present to Cabinet proposals to explore an alternative delivery model for Hertfordshire Libraries as the best means of delivering the ambitions of the Inspiring Libraries Strategy and achieving required budget savings.

**2. Summary**

2.1 When the 'Inspiring Libraries' Strategy was adopted in 2014, it included the provision that "*the service will also consider the best operating models to deliver the strategy within a reduced budget.*"

2.2 [Libraries Deliver: Ambition for Public Libraries in England 2016-2021](#), published by the Department for Digital, Culture, Media and Sport (DCMS) in 2016, challenges local authorities "to explore alternative forms of delivery and financing for library services before making any reductions in library services."

2.3 The library service has been asked to consider ways of making a further saving of £500,000 over the next two to three years, over and above savings already identified, due to ongoing pressures on the Council budget.

2.4 It is estimated that adopting an alternative delivery model could save £588,000 in non-domestic rates (NDR), although establishing an independent organisation would also incur some additional expenses.

2.5 There are a number of examples of local authorities successfully delivering public library services through mutuals or other alternative delivery models.

### **3. Recommendation**

- 3.1 The Education, Libraries & Localism Cabinet Panel will consider a report on this item of business at its meeting on 7 November 2017. The Panel will be invited to recommend to Cabinet that Cabinet agrees that:
- i. a multi-disciplinary working group be established to further explore the business case for establishing an alternative delivery model for Hertfordshire Libraries, including representatives from Legal Services, Finance and HR.
  - ii An application should be made to the Department for Digital, Culture, Media and Sport (“DCMS”) Mutuals Team for free professional support and advice to inform this work.
  - iii A consultation document should be published on the principle of creating an alternative delivery model for Hertfordshire Libraries in order to seek feedback on the idea from customers, partners, stakeholders, library staff and volunteers.
  - iv a further paper to be presented to Cabinet in the spring of 2018, for decision on whether to adopt an alternative delivery model.
- 3.2 The Cabinet Panel’s recommendation/s to Cabinet will be reported orally at the Cabinet meeting and circulated to Members in the Order of Business sheet.

### **4. Background – Inspiring Libraries Strategy**

- 4.1 [‘Inspiring Libraries’](#): a new strategy for Hertfordshire Library Service 2014-2024’ was adopted by Cabinet on 14 July 2014 to set the vision and direction for the service over the next ten years, and provide a framework for future decisions about service priorities.
- 4.2 The strategy focussed on three main themes:
- The library as a vibrant community asset
  - The digital library
  - The library as an enhanced gateway to reading, information and wellbeing
- These themes were designed to ensure that the library service remained relevant to changing community needs and customer demands, and sustainable within a reducing local government budget.
- 4.3 The Paper ‘Inspiring Libraries – The Next Phase’ outlines the achievements of the strategy over the last three years, and sets out ambitions and priorities for next phase of ‘Inspiring Libraries’ from April 2018 onwards, including:
- Improving library buildings

- Extending access to library services
- Developing technology
- Maintaining service delivery

4.4 In addition to the £2.5 million budget reduction identified at the outset of the 'Inspiring Libraries' strategy, the library service has now been asked to consider ways of making a further saving of £500,000 over the next two to three years, due to ongoing pressures on the County Council budget.

4.5 When proposals for '[Delivering the Inspiring Libraries Strategy](#)' were agreed in September 2014, to cover the three year period from April 2015 to March 2018. It was recognised that:  
*"Beyond the next three years, there will be a continuing need for libraries to respond to demographic and social change. This will mean continuing to invest in technology to ensure that the Library Service remains relevant and up to date. The service will also consider the best operating models to deliver the strategy within a reduced budget."*

## 5. Government guidance

5.1 [Libraries Deliver: Ambition for Public Libraries in England 2016-2021](#), published by the Department for Digital, Culture, Media and Sport (DCMS) in December 2016, and endorsed by the Local Government Association, sets out a vision for public library services in England. The document challenges local authorities "to explore alternative forms of delivery and financing for library services before making any reductions in library services."

5.2 In March 2017, the DCMS published an [Alternative Delivery Models Toolkit](#), designed to support Councillors, commissioners, library service managers, and community groups to consider the desirability, viability and feasibility of a range of alternative delivery model options for their library services.

5.3 The government has also stated its belief that:  
*"public service mutuals have an important role to play in public service reform and in creating a more inclusive economy. It sees potential for these organisations to drive more innovative, responsive, efficient and better quality public services, enhancing social outcomes in our communities"*.  
 A package of free professional support and advice for organisations wishing to explore the development of a public service mutual is expected to be available through the DCMS Mutuals Team from December 2017.

## 6. The national picture

6.1 There are a number of different alternative delivery models for library services established across the country. Some of these, chiefly in unitary authorities, provide library services as part of broader culture and leisure trusts. This is usually predicated on the idea that income from sports and leisure facilities can

be used to support library services.

- 6.2 Some library authorities, chiefly London boroughs, have chosen to outsource library services. Carillion operates Library Services for Croydon, Ealing, Harrow and Hounslow through its non-profit arm 'Cultural Community Solutions'. Greenwich Leisure Ltd (GLL) runs library services in Greenwich, Lincolnshire and Wandsworth.
- 6.3 The examples featured in the Alternative Delivery Models Toolkit reflect the government's preferred 'public service mutual' model. These include three county councils, whose library service structure is similar to that of Hertfordshire:
- Suffolk Libraries: an Industrial and Provident Society, established in 2012, made up of Friends Groups and Member Organisations supporting each of the County's 44 Libraries, has just had its contract extended for a further five year period.
  - Libraries Unlimited South West: launched in April 2016 as a Company Limited by Guarantee – social enterprise with charitable status – to run Devon Libraries.
  - York Explore: an Industrial and Provident Society, one third owned by staff and two thirds owned by community members, spun out from York City Council in May 2014.
  - Inspire Nottinghamshire: launched in April 2016 as an independent Community Benefit Society with charitable status to deliver cultural services on behalf of the County Council, including libraries, archives, arts, music services and community learning.

## **7. Potential benefits**

- 7.1 An alternative delivery model for Hertfordshire Libraries would still allow the County Council to fulfil its statutory responsibilities, and to deliver the themes of the 'Inspiring Libraries' strategy for the benefit of residents.
- 7.2 The potential benefits of adopting an alternative delivery model are:
- It should enable the service to make some immediate savings in non-domestic rates, and potentially some further long term savings in overheads and administration costs.
  - Community seats on the governing body may help to root the service in the communities it serves and respond better to localities.
  - Independence from the County Council and a clear single focus on libraries may enable the service to be more flexible and responsive.
  - Being one step removed from the local government structure may enable the service to be more innovative and respond more rapidly to market opportunities and changes in customer demand.
  - It may enable the library service to access grants and other sources of funding that would not be available to the County Council. Three of the four library services featured in the DCMS toolkit have successfully bid to become National Portfolio Organisations in the latest Arts Council funding round.

- It may allow the service to work more easily with partners across County borders, which could potentially bring efficiencies.
- It may allow the service to develop more commercial behaviours and to take advantage of sponsorship and closer working with businesses.
- It would be a bold and positive way forward - an expression of confidence in the future of the public library service in challenging times.

## **8. Potential challenges**

8.1 The potential challenges and risks of adopting an alternative delivery model are:

- The Council would maintain statutory responsibility, and provide most of the finance through the contract, so the service would still be vulnerable to future budget reductions, but the Council would have less direct control over what libraries deliver.
- Any new model would almost certainly propose that the Council continues to own the library buildings, leading to a complex relationship with Property Services.
- The Library Service would still need to be able to bid for Council capital funds for development.
- The Council would still keep the costs associated with the commissioning of the Library Service in its alternative model.
- Beyond the immediate saving in non-domestic rates, further savings are uncertain. Some of the savings made in other authorities (e.g. changes to terms and conditions for staff) have already been made in Hertfordshire.
- Costs and resource would be required to investigate and set up an alternative delivery vehicle. An independent organisation would need to develop or buy-in expertise in HR, Finance, Legal Services, ICT, communications etc.
- The process of transition is complex and requires investment - there would be significant financial and HR issues to work through, such as VAT, TUPE and pensions liability.

## **9. Function and form**

9.1 A number of possible legal forms are available for an independent organisation delivering public library services – trusts, mutuals, social enterprise companies etc. However, the advice from the government and from other local authorities is that form must follow function. The first priority is to identify exactly what we want the new organisation to deliver; only then can a decision be taken on the most appropriate legal vehicle to deliver that function.

9.2 The driver for exploring an alternative delivery model is to determine whether, in the medium term, a library service delivered through an independent organisation would be better able to deliver the high quality, relevant and sustainable library services to Hertfordshire residents than a service delivered 'in-house' by the Council. If a decision is taken that this does provide the best

way forward for the library service, then we can also consider whether there are other Council services, such as Heritage Services, that could be included in the model.

## **10. Financial implications**

- 10.1 The immediate saving from the adoption of an alternative delivery model for library services would be in non-domestic rates (NDR). At present, the Council pay approximately £735,000 for libraries as NDR, of which 20% comes back to the Council. Therefore, the overall saving would be £588,000. The government has indicated that local authorities could in future retain 100% of NDR. If implemented, this could negate the benefit of NDR savings, depending on the future split of rates income between county and districts, and the treatment of charitable reliefs. At present, however, these proposals have been put on hold.
- 10.2 Libraries currently pay £2.0 million in central recharges to cover the costs of HR, Finance, ICT, SMS contract, Legal Services, Corporate Comms etc. plus approx. £2.5 million in property costs. In developing an alternative delivery model, it would be necessary to disentangle and apportion these and other costs to the new organisation. The new organisation may wish to explore procuring its own support and this will involve reviewing existing contract arrangements. This may involve a transitional period to allow time for the new organisation to tender for these services.
- 10.3 However, there would also be additional costs in the running of the new entity, which potentially include a finance manager and client side expert/commissioning costs, to ensure viability and sustainability of the operating model, and the cost of the annual completion of account audits.
- 10.4 The new entity would have to be registered for VAT, as it will meet the £83,000 turnover threshold. VAT will have to be paid on income generated at standard rate and will be reclaimable on costs to generate that income. Other authorities (e.g. Suffolk) have avoided the VAT issue by setting up Suffolk Libraries as agents for the Council. The implications for VAT and Corporation Tax will need to be explored to minimise any negative impact to HCC
- 10.5 Any business case for an alternative delivery model will need to include the costs of setting up the new organisation, which could potentially be the subject of an Invest to Transform bid.

## **11. TUPE**

- 11.1 Library service staff would transfer to a new independent organisation under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). This process would include a period of formal consultation with staff and trade unions in advance of any transfer.
- 11.2 New staff employed by an independent organisation may be employed on new

terms and conditions.

- 11.3 The issue of pension liabilities would require careful consideration. It is likely that a new independent organisation would apply to be admitted to the Local Government Pension Scheme (LGPS). Otherwise, it would need to provide a similar scheme for staff transferred under TUPE.

## **12. Next steps and consultation**

- 12.1 The creation of an alternative delivery model is not a quick option. The process of transition is a complex process that requires careful exploration, preparation and investment, and the experience of other authorities suggests that it would take 12 to 18 months from the date when a decision is taken to the launch of the new organisation.
- 12.2 In order to take the first steps in this process, it is proposed that:
- 12.2.1 A multi-disciplinary working group should be established to further explore the business case for establishing an alternative delivery model for Hertfordshire Libraries, including representatives from Legal Services, Finance and HR.
- 12.2.2 An application should be made for free professional support and advice from the DCMS Mutuals Team to inform this work.
- 12.2.3 A consultation document should be published on the principle of creating an alternative delivery model for Hertfordshire Libraries in order to seek feedback on the idea from customers, partners, stakeholders and library staff and volunteers. This consultation should be undertaken during the winter of 2017/18 and should be promoted in libraries, online and through social media.
- 12.3 This exploratory work and feedback from the consultation exercise will inform a further paper to be presented to Panel and to Cabinet in the spring of 2018, when a decision will be taken on whether to adopt an alternative delivery model.
- 12.4 If the decision is to go ahead, then a timetable will be set out with a view to launching the new organisation in 2019, with appropriate 'gateways' for final decisions to be taken on the legal form, the financial model, the contractual arrangements with the County Council and the implementation date.

## **13. Equalities implications**

- 13.1 When considering proposals placed before Members it is important that they are fully aware of, and have themselves rigorously considered, the equality implications of the decision that they are making.
- 13.2 Rigorous consideration will ensure proper appreciation of any potential impact of that decision on the County Council's statutory obligations under the Public Sector Equality Duty. As a minimum this requires decision makers to read and carefully consider the content of any Equalities Impact Assessment (EqIA)

produced by officers.

- 13.3 The Equality Act 2010 requires the County Council, when exercising its functions, to have due regard to the need to (a) eliminate discrimination, harassment, victimisation and other conduct prohibited under the Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The protected characteristics under the Equality Act 2010 are age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief; sex and sexual orientation.
- 13.4 An overarching Equalities Impact Assessment for the next phase of the 'Inspiring Libraries' Strategy is included at Appendix 1 to the accompanying paper 'Inspiring Libraries – The Next Phase'. This document indicates possible areas of differential impact on groups with protected characteristics, and measures taken to mitigate this.
- 13.5 A separate Equalities Impact Assessment is included at Appendix 1 to this report, which covers the proposed consultation exercise to be carried out in the winter of 2017/18 to ensure that the consultation exercise engages with groups across Hertfordshire and is representative of the county's population.
- 13.6 A further Equalities Impact Assessment on the creation of an alternative delivery model for Hertfordshire Libraries will be published alongside the recommendations paper when it is presented to Panel in the spring of 2018.

#### Background Documents

- [Inspiring Libraries: A new strategy for Hertfordshire Library Service 2014-2024](#)
- [Delivering the Inspiring Libraries Strategy'](#)
- [Libraries Deliver: Ambition for Public Libraries in England 2016-2021](#)
- [Alternative Delivery Models Toolkit,](#)