

Public Consultation into Library Savings Proposals

Analysis of Pro-Rata cuts of 15%

1. A proposal was put forward that a pro-rata cut of 15% is applied to all (library) services, therefore reducing spending on staff, central services, opening hours and management. It was suggested through the public consultation, that this would be the fairest and most equitable option as users in the major towns would suffer the same reduction in service as those in the smaller communities' throughout the County.
2. In order to analyse the validity of this suggestion, consideration was taken of the factors impacting on these elements to reach a view as to whether this represented an alternative way of meeting the savings requirement.

Direct Costs

3. Direct costs include staffing and the cost of supplies and other services.
4. Staffing and management reductions have already contributed to £300,000 of the Medium Term Financial Strategy (MTFS). A pro-rata reduction as suggested would require a further reduction in opening hours, above that which has already been proposed if all libraries are to remain open, and an additional staffing restructure.
5. The library service has already negotiated competitive rates with its various suppliers, and has driven efficiencies through consortium purchase of its key suppliers of books and the library management system. This is considered ongoing business but is unlikely to generate an additional 15% of saving.

Opening Hours Reductions

6. The proposal requires a proportion of saving to be made from the reduction in opening hours. However there are very limited savings in some costs when there is no reduction in the overall numbers of libraries being managed.
7. Some of the largest elements of running costs within libraries are fixed (for e.g. property and ICT costs). Fixed costs are defined as periodic costs that remain unchanged irrespective of output levels – therefore, overall costs of libraries would not be reduced on account of reductions in opening hours no matter how significant these were. It should also be noted that some libraries have higher fixed costs than others (due their size and building) and an arbitrary 15% cut would have a much bigger impact on that individual site. Not only would this contradict the 'fairness and equitability' of this proposal but the impact could be so severe and unsustainable, that it could potentially threaten the survival of the library.
8. Further to the above, the proposal does not indicate any changes to property and ICT costs so it is not possible to appraise any savings in detail. It is worth nothing

though that the Council would have to continue to invest in these areas, because if not, there would be higher costs in the long term.

9. It is unlikely that additional contributions could be found from infrastructure savings as a result of a reduction in opening hours unless the size of the network was to be reduced.
10. Reducing opening hours does not automatically lead to a reduction in the line/operational management in the same proportion as the proposal suggests. Whilst staff contracts (hours) might be reduced the number of staff employed may not reduce much, or at all, dependent upon decisions taken about how reductions would be implemented and any agreement with unions.

Indirect Costs

11. Indirect costs include the non-operational management and support costs that contribute to the successful delivery of the service.
12. Leicestershire Library Service's Management view is that it is unable to generate any further savings from the costs of managing its libraries (infrastructure costs) whilst it still has to directly provide services to its large network of libraries. Therefore no further contribution could be found from infrastructure savings unless the size of the network was to be reduced. It should also be noted that the current MTFS will require further reductions from overall Communities and wellbeing (C&W) infrastructure costs (including libraries) to meet future savings targets and this will mean a range of challenges for the library element of the service going forward.

Premises Costs

13. Premises costs include items such as repairs and maintenance of buildings, utilities, rents, and rates.
14. To achieve economies of scale and ease management of a vast asset base, many premises related contracts within the Council are managed and charged (allocated) centrally.
15. Consequently, any savings made from these areas would not be applicable against the Communities & Wellbeing Service and the £800k savings target. The most significant premises costs are those such as rates which are fixed costs and therefore would not reduce. Even where premises costs have some potential for variation these reductions, such as those for a reduction in energy costs caused by reducing opening hours, would not be significant.

Cut Back in Central Services/Management

16. As has been referenced, the largest elements of central overheads are property and ICT costs and the Council would have to continue to maintain these across the whole network at a similar level. Other centrally managed overheads cover a combination of direct support to allow the service to function and governance for the organisation. For a saving to be made on the direct support element, the proposal

must be show that it can lead to an actual cost saving. Whilst the County Council continues to support the whole library network, savings from central services will be limited.

Conclusion

17. The County Council's Cabinet (September 2014) has approved a 20% reduction in opening hours at Market Town and Shopping Centres Libraries to commence April 2015.
18. Appendix C contains details that support funding for the highest performing libraries (16 libraries).
19. The alternative proposal received suggests that the County Council should follow the lead of the private sector and central government by making redundancies and 'flattening the management structure'. As reported in the Annual Statement of Accounts, since 2011/12, the number of officers (non-school) whose employment has been terminated by Council is just over 670 across all services.
20. Libraries running costs include a large element of high fixed costs and some libraries have higher fixed costs than others. Therefore, an illogical 15% cut would have a much bigger impact on one site than another and could potentially threaten the existence of that library.
21. A 15% cut across all areas is a suggestion based solely on financial information as it does not account for any longer term budget pressures or price increases such as inflation, increases in rents, utilities etc. Based purely on percentage, this proposal may appear to make the required saving for one year, but it does not allow for any sustainability in the longer term. The Council's current proposals for Community Libraries have built in a tapered financial and business support over a number of years which takes into account the above factors, making it more a viable and robust option.

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