

**Author/Lead Officer of Report:**

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Report of: Laraine Manley

Report to: Cllr Jack Scott

Date of Decision: tbc 2016

Subject: Cessation of World Metal Index service and
withdrawal from MI-21 metals database product

Is this a Key Decision? If Yes, reason Key Decision:-		Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000		<input type="checkbox"/>	
- Affects 2 or more Wards		<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Community Services and Libraries			
Which Scrutiny and Policy Development Committee does this relate to? Economic & Environmental Wellbeing			
Has an Equality Impact Assessment (EIA) been undertaken?		Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>			
Does the report contain confidential or exempt information?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-			
The exemption applies to the Appendix only.			
<i>"The (appendix) is not for publication because it contains exempt information under Paragraph (4 & 5) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>			

Purpose of Report:

Report to recommend the closure of the World Metal Index fee based information service based within the Libraries, Archives and Information Service (LAIS) and the withdrawal of the service from the MI-21 metals information database product.

Recommendations:

- To cease the operation of the World Metal Index service (WMI)
- To withdraw WMI's involvement in the MI-21 database product
- To seek to transfer elements of the WMI service to a third party and if possible to maintain access to information for Sheffield based companies and individuals via Sheffield Libraries
- To launch an Achieving Change/MER process covering the existing WMI staff dependant on advice from Human Resources and in discussion with Trades Unions and staff.

Background Papers:

N/A

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Su Farrar
		Legal: Henry Watmough-Cownie
		Equalities: N/A
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission:	Laraine Manley
3	Cabinet Member consulted:	Cllr Jack Scott
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any	

additional forms have been completed and signed off as required at 1.	
Lead Officer Name: John Murphy	Job Title: Business and Service Development manager
Date: 8 th November 2016	

1. PROPOSAL

- 1.1 The World Metal Index (WMI) is a fee based service delivered by Libraries, Archives & Information Service (LAIS) and is used mainly by companies involved in the metals industry. Historically WMI provided metals information (such as hardness, composition, and comparable grades) to local companies, but now the majority of its customers are based outside of Sheffield. The service is currently located in the Central Library and is run by 1.5 FTE staff. The service is not required as part of the City Council's responsibility to provide a statutory library service under the 1964 Libraries and Museums act.
- 1.2 Several years ago WMI helped develop a metals information database (MI-21) as part of a European funded Objective 1 project. Surviving 'partners' from the original project are SCC, The Welding Institute (TWI) and Granta Design Ltd. WMI and TWI currently enter data in to the database and the product is marketed and sold by Granta Design Ltd. The information held in the MI-21 database is extracted from various published sources including metals standards. WMI receive royalty payments generated by these sales from Granta Design Ltd. In addition, WMI generates income through individual company subscriptions for which the subscribers receive a direct telephone/e-mail enquiry service and access to the MI-21 database.
- 1.3 In recent months a number of significant challenges have emerged. The service is currently operating 'out of contract' with Granta Design and TWI and SCC Commercial Services have advised that to comply with current legislation this situation cannot continue. The service is also operating at a loss with income insufficient to cover operating costs, or to allow for future service development. Finally, and perhaps most seriously the service has faced a potential copyright challenge in regard to the extraction of information from published sources and the re-use of that data in the MI-21 database.
- 1.4 Following an initial instruction from the Head of Library and Community Services, confirmed by the Executive Director Communities to seek to wind up the service, SCC has notified TWI and Granta Design Ltd of our intention to withdraw from the existing arrangement. A third party has expressed an interest in potentially maintaining some aspects of the service but at this stage no detailed discussion have been held, or proposal received.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 The cessation of the service would have little direct impact on the people of Sheffield. Whilst a number of Sheffield companies are subscribers, the specialist nature of the service means that it is not used by the general public. Depending on the outcome of discussions with third parties, there is the potential that at least some aspects of the existing

service/product may be available to current Sheffield subscribers.

- 2.2 An assessment of the resources held by WMI would be made to determine what materials should remain in the possession of the Library Service. This could include, for example, historic trade catalogues from Sheffield based companies.

3. HAS THERE BEEN ANY CONSULTATION?

No formal consultation has been conducted. The service is not part of the City Council's statutory duty under the 1964 Libraries and Museums Act.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 N/A – There are no equality of opportunity implications of the decision.

4.2 Financial and Commercial Implications

- 4.2.1 **Financial:** WMI's budget is made up on the expenditure side by salaries, web hosting fees, library materials and small amounts for postage and telephones. Overheads such as heating, lighting etc. are picked up from core library budgets. Income comes from member subscriptions and royalty payments. The year-end out-turn budgets for WMI for the last two years (2014-15 & 2015-16) reported deficits of £23.8k and £18k respectively. In pure cash terms the deficits were £13.1k and £7.1k, but the service did have income targets above cash limit of £10.7k and £10.9k in those years.

Royalty payments from Granta Design Ltd have been variable in size, presumably because of variations in the number of sales of the MI-21 product. The frequency of the payments has also been variable and the reason for this is unclear. However, if averaged out over the last 3 years royalty payments have been in the order of £33.5k per annum. This is gross income as WMI pays Granta Design Ltd approximately £13k per annum for database hosting and maintenance fees.

Income from company subscriptions to WMI has fallen from just over £50k in 2013-14 to £25k in 2015-16. However, it is worth noting that the collection of subscriptions was halted when the copyright issue emerged in early 2016. Without this interruption the likely total for 2016-17 would have been a little over £30k.

As is mentioned elsewhere in the report we do not know how much it would cost to resolve the potential copyright issue. The service would need to negotiate directly with the publishers of each title and at this point we cannot predict the likely outcome.

In addition to the potential costs required to resolve the copyright issue, the costs and commercial risk of tendering for a new contract and the

ongoing problem of the current trading deficit, the service needs additional, ongoing investment to remain viable in the future. The current staffing and resource levels give no scope for service development, marketing, or succession planning.

Currently the Library Service purchases an annual subscription to British Standards Institute (BSI), a service without which WMI could not operate. WMI contributes 50% of the £20k annual subscription charge. Use of the BSI service by other library users is very low so it is proposed that if the WMI service is wound up then the annual subscription would be cancelled. The money saved would allow the Library Service to remove the current £6.4k income target (above cash limit) from its overall budget. The remainder of the saving would be channelled back in to the Library Service's book fund for business related materials.

The final point to make is that as the service is not now collecting subscription income, and it is unlikely that further royalties will be received, the service budget is currently forecasting a significant deficit of approx. £52k if all costs are incurred to year end (March 2017).

- 4.2.2 **Commercial/Contractual:** WMI are currently operating out of contract on the MI-21 database product. There is little transparency in the current operating arrangements and SCC receives minimal information on how royalty payments have been calculated, or indeed, who the database has been sold to. Clear advice has been given by SCC Commercial Services that WMI can no longer continue to operate without an appropriate contract in place.

Discussions were held between the Library Service, Commercial Services, TWI and Granta Design in 2014 with the aim of resolving the contractual and financial issues, but no clear model emerged as to how best to move forward. Importantly, Commercial Services indicated that the Library Service cannot simply enter in to a new agreement with TWI and Granta Design Ltd and that a suitable tendering process would need to be followed to ensure compliance with the relevant legislation. The cost of a tender exercise has been estimated by Commercial Services to be in the order of £20k.

It should also be noted that there would be an element of commercial risk with any new contractual agreement, as there is no guarantee that the arrangement would deliver higher levels of income than is currently generated.

4.3 Legal Implications

- 4.3.1 Earlier this year SCC received a potential copyright challenge from a supplier to WMI of American standards (technical documents containing information on the properties of different grades of metal). The challenge centred on the fact that we extracted data points from these standards and entered the data in the MI-21 database. The issue was passed to SCC's Insurance and Risk team who in turn engaged specialist legal

advice from BLM, a London based legal practice.

Discussions with BLM indicated that there could be alternative solutions to the copyright issue which mainly involved seeking permissions to use data directly from the publishers of the material rather than from a 3rd party supplier. This could for example involve a licence or a commercial agreement based on some type of transactional cost linked to use of the data by WMI's customers. It is important to note, however, that any solution or indeed solutions would involve a set of concomitant risks and likely costs including but not limited to:

1. The publisher simply refuses permission for their data to be used
2. Permission is granted but it requires either a one-off payment, an on-going licence, or a transactional charge
3. Advice from Legal Services is that we would need to secure permissions or licences for *all* data sources
4. The scale of effort and cost to negotiate these agreements is unknown, but could be significant in relation to the size of WMI's operation.

It is worth stating that none of the staff or managers responsible for the current WMI service were involved in the delivery of the MI-21 project and database product, and were, therefore, unaware that there was a possible copyright issue with the service. Following the challenge, WMI stopped adding new data from any source to the database and removed content derived from the supplied standards.

4.4 Other Implications

- 4.4.1 **Human Resource:** The WMI service is currently delivered by 1.5 FTE staff (3 people). Cessation of the service will make these three staff vulnerable to redundancy and an MER process will need to be initiated.

A third party have indicated that they may be interested in making a proposal to SCC to maintain some aspects of the service and/or the MI-21 product. It is not known if this would include a need for staffing input, but potentially if the service was transferred a TUPE scenario could apply.

- 4.4.2 **Service:** WMI is a unique and very specialist service whose customers are primarily private sector companies, the majority of which are located outside Sheffield. The environment in which the Library Service is currently operating remains challenging and priority in terms of resource allocation has to be focussed on the parts of the service which directly meet the needs of the citizens of the city in accordance with our statutory duties under the 1964 Library & Museums Act. The budget settlement and MER implemented in 2014 saw significant reductions in Library staffing, the transfer of the Help Yourself database to another part of the Portfolio, the closure of the mobile library service and the transfer of 15 (soon to be 160) libraries to volunteer groups. At that time WMI was protected from those reductions as the aim was to ensure that the

service became self-financing. As this report shows, the service's negative trading position, coupled with the contractual and potential legal issues has made this aim impossible to achieve within the existing LAIS budget or resources.

With this in mind it is felt that the Sheffield public library service is no longer the most appropriate location for a service such as WMI. A third party has indicated an interest in trying to maintain the MI-21 product and we would wish to explore the potential for transferring elements of the service to this organisation.

The responsibility for resolving any future copyright issues linked to the product and the information enquiry service would transfer potentially to the interested third party. There may be some residual value in the intellectual property of WMI, but the value of this is extremely difficult to quantify, not least because of the uncertainty created by the copyright issue. The Library Service would work with Commercial services to realise any residual value for SCC.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Discussions were held with Commercial Services as to the possible contract options available, and the most appropriate seemed to be some type of licence based model. However, the key factor was that the service would be required to tender for a new service provider for the database and the estimated costs of £20k would need to be picked up from within the Library Service core budget.

5.2 Prior to the copyright issue a survey of existing subscription members was conducted in an attempt to discover what they valued about the service. The survey showed that the service was well regarded by its users. However, WMI staff have consistently indicated that there is not much scope to raise more income by increasing the cost of the subscriptions as many of the companies are relatively small and would be likely to cancel if their subscriptions were increased by significant amounts.

5.3 As was mentioned elsewhere third parties have expressed an interest in making a proposal regarding the MI-21 database product. At this point we do not know what form that proposal will take, but we would seek to transfer/preserve as much of the existing service and resource as possible to ensure access to the information for Sheffield based companies.

6. REASONS FOR RECOMMENDATIONS

6.1 WMI is currently operating out of contract with Granta Design Ltd and to continue the service would definitely need to tender for a new supplier/service arrangement. The estimated cost of £20k for this exercise would have to come from the existing library budget. There is also a commercial risk that a new agreement would not maintain the

existing level of income, or be capable of generating more.

- 6.2 The service is not currently able to cover its costs or meet its income targets and is in effect being subsidised from the core Library Service's budget.
- 6.3 WMI has faced a potential legal challenge over copyright and on legal advice has removed the externally supplied content from the Mi-21 database. Further legal advice has indicated that for the service to continue agreements would need to be reached with the publishers of a number of sources used. There is a risk that publishers would refuse permission and we have no way of estimating in advance the possible costs of rectifying this problem.
- 6.4 The Library Service implemented significant reductions in its service provision in 2014. WMI was excluded from those reductions with the aim that it would be able to become self-financing through negotiating a new contract for the Mi-21 database and developing a better business model for WMI services. Unfortunately, for the reasons outlined above this has not been possible, and the scale of the future financial risk is impossible to quantify at this point. With the ongoing need to maintain and develop its core library services to the general public, the Library Service does not have the scope within its existing budget, or resources, to continue to offer a non-cost neutral specialised metals service aimed primarily at private sector companies.

