



STATE LIBRARY™
NEW SOUTH WALES

A benefit cost analysis

Outsourcing of Acquisitions, Cataloguing and Processing
in NSW Public Libraries

A benefit cost analysis

Cataloguing

Processing

Cataloguing

Acquisitions

OUTSOURCING OF ACQUISITIONS, CATALOGUING AND PROCESSING IN NSW PUBLIC LIBRARIES FEBRUARY 2010



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NEW SOUTH WALES

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NSW Public Library Network Research Committee

Linda Bathur Waverley Library

John Bayliss Macquarie Regional Library

Chris Jones Great Lakes Library Service

Michelle Mashman Canterbury City Library

Mylee Joseph State Library of New South Wales
(joined the committee to coordinate this project)

Cameron Morley State Library of New South Wales

Leanne Perry State Library of New South Wales

Frances Sims State Library of New South Wales

We would also like to thank the many NSW public library staff who provided data, participated in interviews, surveys and conversations about the costs and benefits of the different ways in which they acquire, catalogue and process collections in their libraries.

A benefit cost analysis

—
Outsourcing of Acquisitions, Cataloguing and Processing
in NSW Public Libraries

February 2010

Prepared by Macroplan Australia Pty Ltd



STATE LIBRARY™
NEW SOUTH WALES

The project was commissioned by the State Library of NSW on the recommendation of the NSW public Library Network Research Committee for the Library Council of NSW.

The project was undertaken by Macroplan Australia Pty Ltd

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Public Libraries in NSW are currently enjoying a period of sustained growth with libraries being used at levels higher than ever before. Over the last five years Library visits in NSW have grown by more than 17% to over 36 million visits per annum, the use of free Internet services has grown by 41% in the last year and loans are still growing reaching a level of 48.7million loans annually.

This growth, attributable to sustainable and high demand for library services, would be the envy of any business. We should be proud and confident that we have evolved our services over the years. This responsiveness has enabled libraries to be relevant to the needs of their communities.

However, to sustain this level of growth in an environment of increasing financial pressure and restrained budgets, NSW public libraries must consider and evaluate their traditional ways of delivering library services, including how collections are procured and managed.

Outsourcing of collection procurement, cataloguing and processing in a public library context is becoming increasingly commonplace in libraries throughout Australia. Outsourcing library services is an important decision with implications for both library staff and users and it is a decision which needs to be considered in an evidence based framework.

The NSW Public Library Network Research Committee, which is convened by the State Library of NSW, has recognised the need for the network to develop an informed comparison between outsourcing, in house provision or a combination of these collection management models.

This report uses the Public Library Statistics as base data and builds methodologies developed as part of the *Enriching Communities* research to provide an invaluable tool for library managers and NSW local councils. The report provides an evidence based framework and a practical tool which will support public libraries in their endeavour to optimise resources available while at the same time providing high quality and innovative library services.

REGINA SUTTON
State Librarian and Chief Executive

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1 Executive Summary

Project summary

The public library is a profoundly important cultural, economic and social institution. Libraries collect and disseminate information; they provide comfortable and convenient places for people to read and learn; their physical spaces form meeting places for community groups; and they improve access to knowledge for all members of the community, contributing to a fairer society.¹

In Australia, there are over 1,500 public libraries that receive around 100 million visits per year from 12 million visitors.² The libraries are primarily funded by Local Government but there are also varying financial contributions from State and Territory Governments.

Although it is important for libraries to continue to provide relevant and quality services, the public library system in Australia is under increasing financial pressure, with some public libraries needing to revitalise their infrastructure, programs and offerings in order to maximise the benefits they provide to the community in a changing technological and communication environment. As a result, there has been an increasing tendency for public libraries to outsource some services in order to streamline costs, improve service delivery and create resource efficiencies.

This study, commissioned by the State Library of New South Wales, explores, establishes, analyses the costs and benefits of outsourcing public library services, (namely acquisitions, cataloguing and processing) in a variety of contexts relevant to the New South Wales (NSW) public library network.

In NSW there are 368 public libraries and over 36 million library visits each year.

Benefit Cost Findings

Overall, this study suggests that outsourcing on a library by library basis could achieve a Benefit Cost Ratio (BCR) of around 2.0 to 2.3. This range of benefit is considered relatively significant compared to other potential government projects. Typically projects with BCRs less than 2.0 are not considered significant.

The key finding of this study was that outsourcing provides opportunities to re-distribute staff more efficiently and effectively across more value adding activities as opposed to back of office processes. That is, the major benefit of outsourcing to result from the re-allocation of cost savings via reduced back of house tasks, to functions such as events and programs, new space, collection quality and customer focus. This redistribution of resources was found to generate a range of benefit multipliers, namely productivity/cost effectiveness gains, social/user benefits and floorspace productivity benefits:

¹ State Library of Victoria, 2005. 'Libraries Building Communities: The vital contribution of Victoria's public libraries – a research report for the Library Board of Victoria and the Victorian Public Library Network.'

² NSLA National and State Libraries of Australasia, 2009 Australian Public Libraries Statistical Report 2007/08 ² Public Libraries NSW Metropolitan Association, 2009. 'Creating the Future: The strategic direction and sustainability of Australia's public library system.'

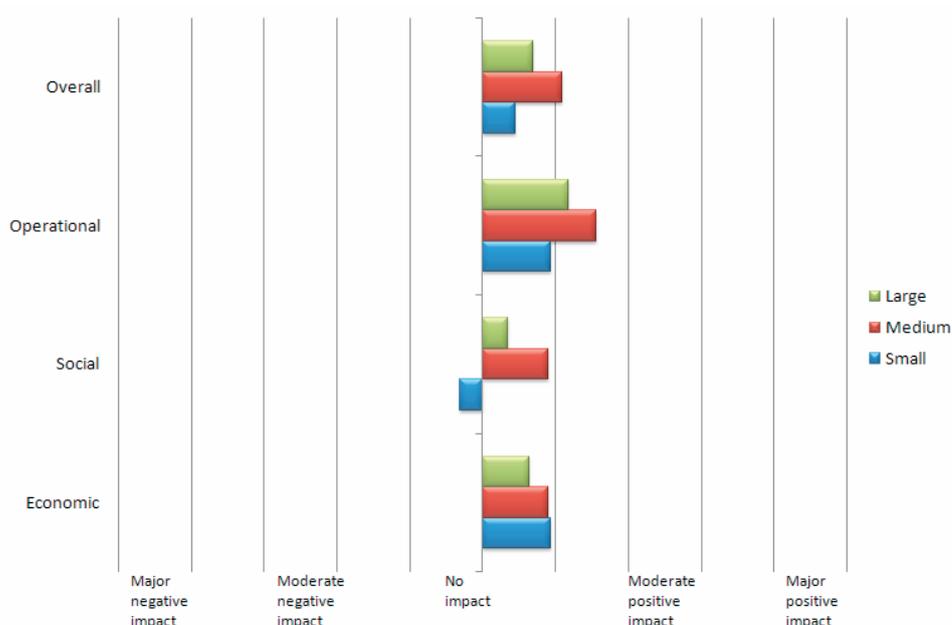
- Productivity / cost effectiveness gains – increased output for the same or reduced inputs. Change in turnover was used as a proxy to estimate this benefit (i.e increase book turnover for the same or reduced expenditure on resources). The study found that there was a \$3.28 productivity multiplier for every dollar in cost savings.
- Social / user benefits – increased user benefits as a result of reallocating resources to value add roles. Attendance at programs and events has been used as a proxy for this benefit. The study found that there was a \$2.05 user benefit multiplier for every dollar in cost savings.
- Floorspace productivity benefits - release space that can be used to house events, new books or non-book stock, as less space is required on site to provide for cataloguing and back of house resources. The study found that there was a \$2.46 floorspace productivity multiplier for every dollar in cost savings.

It is important to note that some of these benefits will be more valid in some libraries than others. In individual Library cases, one or more of the benefits may apply. This should be taken into account when assessing individual library requirements. This point is relevant for the triple bottom line assessment outlined below.

Triple Bottom Line Key Findings

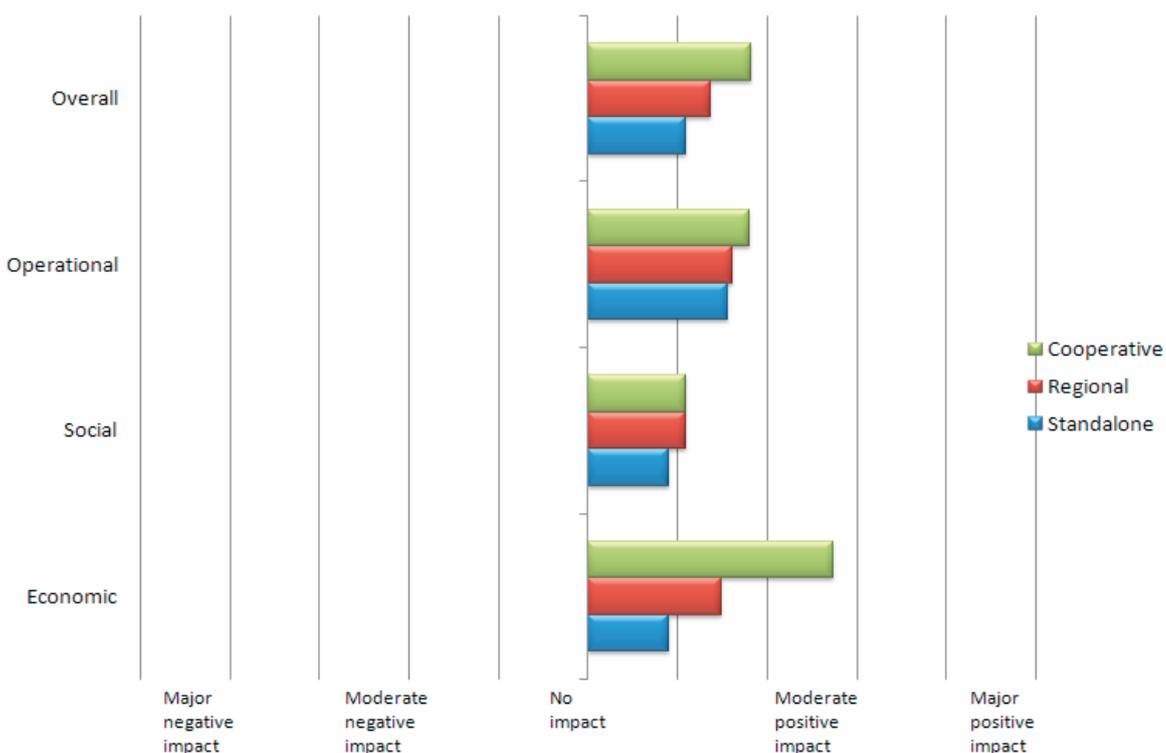
A Triple Bottom Line (TBL) assessment was conducted to understand how benefits and costs may change depending on a range of variables such as Library size and Library Operation model (i.e. Local / Regional / Collaborative). The outcome of the TBL assessment is outlined in the figures below.

Library Size



- Small: Rank 3rd (Average score: 0.9): Of the three typologies, Small libraries were ranked last in terms of the Social bottom line, but first for the Economic bottom line. The key reason for this is that the impact of potential staff losses from outsourcing are more pronounced relative to Medium and Large libraries, particularly for very small libraries in rural locations.
- Medium: Rank 1st (Average score: 2.2): Performed well against all bottom lines, particularly Social and Operational. The key reason for this is that outsourcing provides medium sized libraries with the increased ability to shift resources into more value-add roles relative to Large and Small libraries.
- Large: Rank 2nd (Average score: 1.4): Performed well against all bottom lines, but did not achieve the benefits of medium sized libraries. Large libraries are already achieving economic efficiencies in labour and may be able to undertake processing and cataloguing tasks in a relatively more cost effective manner, and therefore do not achieve the same benefit multipliers from outsourcing as medium size libraries.

Library Model



Based on this TBL analysis, the Cooperative model achieved the highest ranking and performed most strongly in the Economic bottom line. This indicates that outsourcing under a Cooperative library model has the potential to produce large economic returns, particularly in terms of improved purchasing power and economies of scale. If these cost savings are redistributed into value add activities, then benefit multipliers are likely to be significant, as illustrated by the performance of the Cooperative model under the Social and Operational bottom lines.

It appears that a Cooperative or Centralised model could achieve even greater cost savings and benefits through economies of scale and purchasing power. Given that a BCR of 2.0-2.3 is

achieved on a library by library basis, it is expected that a Cooperative or Centralised model could achieve a BCR of 2.5 - 3.5.

Implication of assessment findings

The implication of these findings is that the benefits of outsourcing will only be realised if cost savings are redistributed. Cost saving alone is unlikely to be sufficient in establishing a business case to outsource. Further, this means that the relative benefit achieved will vary from library to library and depend on a wide range of variables including:

- **Type of re-distribution:** The type of activity / service provided as a result of the cost saving achieved from outsourcing will also impact on the scale of the benefits generated. Essentially, the benefits refer to an increase in outputs (e.g. productivity benefits, user benefits and floorspace productivity) so it is critical that the re-distribution meets the needs of the communities in order to maximise this benefit.
- **Existing cost efficiencies:** If a library is already undertaking functions in a cost effective manner, then the cost saving, (and therefore benefit multipliers), from a shift to outsourcing are likely to be relatively lower. The TBL analysis by library size demonstrated that smaller to medium sized libraries are likely to achieve larger cost savings as they may not yet be achieving substantial economies of scale for labour costs.
- **Model type:** The TBL analysis demonstrated that outsourcing under a Cooperative model could achieve more significant benefits and greater cost savings including economies of scale and purchasing power.
- **Other factors** such as technology improvements, more shelf ready services, and other measures are also likely to impact on the marginal benefits from outsourcing.

Outsourcing considerations

Libraries must consider a number of factors which must be considered before determining if outsourcing is the most effective and cost efficient model for acquisitions, cataloguing and processing of collections for a particular Library context. These include:

- **Existing position in the value chain / transition:** Some libraries may already be undertaking some back of office functions in a cost effective manner. The marginal benefit of outsourcing for these Libraries may not be the most effective and cost efficient model. See Appendix E for graphical representations of value chain efficiencies.
- **Capability** to redistribute resources to value added activities: This capability will be critical in determining whether to outsource acquisitions, cataloguing and processing. A business case describing how resources will be redistributed should be encouraged when considering outsourcing.
- **Impacts on small communities:** Where libraries are a key employer in a community, special consideration and weighting should be applied to potential losses in jobs. This issue could be even more pronounced in communities who are already facing difficulties such as loss of population and economic activity as a result of the forces of globalisation and of competition from larger centres and the city, or difficulties related to ageing and

service provision. Any impact on employment is likely to have severe consequences to a community's standard of living. Therefore, any decision to outsource operations, particularly in a small / rural library setting should pay special attention to the potential impact of losing staff.

- **Future library model:** As libraries shift towards a more 'modern' library model that responds to the changing technology and communications environment, approaches to collection development management, including selection, cataloguing and processing will evolve as part of the broader transition to the future library model. As this transition occurs, the marginal benefits generated through outsourcing may be reduced, as it is likely to have a systemic impact on the way libraries operate and position themselves in the community. Further, other models, such as Public Libraries Automated Information Network (PLAIN) in South Australia, have illustrated a convergence between per item cost between the Public Library Service and those of individual libraries. This convergence may continue particularly in light of increased shelf ready items, improved technologies and processes, and a decreased reliance on acquisitions as libraries shift towards a more 'modern' library model. If this is the case, this will reduce marginal benefits generated through outsourcing.
- For this reason, the **precautionary principle** may be useful in any decision to outsource a library selection, cataloguing and processing at this stage. It may be more cost effective in the long run for a library to define their future library model before any decision is made about their outsourcing of selections, cataloguing and processing.
- Other factors such as existing order to shelf processes, service population, collection size, acquisitions, and model typology.

These factors form the basis to a practical tool for library managers and NSW councils to identify the most effective and cost efficient model for procurement, cataloguing and processing of collections for their particular context.

Practical assessment tool

This study included the development of an assessment tool that draws upon the findings of the study to help Library managers evaluate their services and to provide strategic directions regarding outsourcing. An evaluation tool for outsourcing of acquisitions, cataloguing and processing has been developed in Excel. It contains the following stages:

- Step by step guide that guides the user through the process.
- Performance and score assessment of Library services
- Assessment matrix that identifies the outsourcing profile of the Library
- Recommended actions based on the assessment matrix

A hard copy version of the assessment tool is provided at Appendix F.

2 Introduction

The public library is a profoundly important cultural, economic and social institution. Libraries collect and disseminate information; they provide comfortable and convenient places for people to read and learn; their physical spaces form meeting places for community groups; and they improve access to knowledge for all members of the community, contributing to a fairer society.³

In Australia, there are over 1,500 public libraries that receive around 100 million visits per year from 12 million visitors.⁴ The libraries are primarily funded by Local Government but there are also varying financial contributions from State and Territory Governments.

Although it is important for libraries to continue to provide relevant and quality services, the public library system in Australia is under increasing financial pressure, with some public libraries needing to revitalise their infrastructure, programs and offerings in order to maximise the benefits they provide to the community in a changing technological and communication environment. As a result, there has been an increasing tendency for public libraries to outsource services in order to streamline costs, improve service delivery and create resource efficiencies.

MacroPlan Australia have been commissioned by the State Library of New South Wales to explore, establish, analyse and document the costs and benefits of outsourcing public library services, (namely acquisitions, cataloguing and processing) in a variety of contexts relevant to the New South Wales (NSW) public library network. An informed comparison between outsourcing, in house provision and a combination of these collection management models will also be developed as part of this project.

2.1 Project scope

The aim of this project is to establish a benefit cost framework that identifies the quantitative and qualitative benefits and costs of outsourcing. Given the wide range of variables that can impact on the function of a Library, this benefit cost framework is based on a library by library basis rather than assess the impact of a centralised network.

The structure of this report is as follows:

- **Changing Role and Function of Public Libraries:** State and local government provision of public library services has changed over the past decade. This section will review these changes and provide commentary about the context of outsourcing in the future Library model.
- **Outsourcing issues:** This section broadly identifies the key issues arising from outsourcing and is based on a literature review and stakeholder consultation.

³ State Library of Victoria, 2005. 'Libraries Building Communities: The vital contribution of Victoria's public libraries – a research report for the Library Board of Victoria and the Victorian Public Library Network.'

⁴ NSLA National and State Libraries of Australasia, 2009 Australian Public Libraries Statistical Report 2007/08 ⁴ Public Libraries NSW Metropolitan Association, 2009. 'Creating the Future: The strategic direction and sustainability of Australia's public library system.'

- **Benchmarking analysis:** This section presents a quantitative time series analysis of NSW library statistical information based on the issues identified through consultation and the literature review. The purpose of this benchmarking analysis is to make comparisons between libraries that outsource their back of office processes (i.e. cataloguing, processing and acquisition) with those who perform these processes in-house. This will provide an indication of what impact, if any, outsourcing has had on library key performance indicators (KPI's).
- **Case study analysis:** This section presents the summary of findings from the Case study analysis which complements and extends the findings as well as adds strength to what is already known through previous research. This case study analysis will inform the assumptions and estimates used in the benefit cost assessment and the Triple Bottom Line analysis.
- **Benefit cost analysis:** In this section, a benefit cost framework is developed to estimate the quantitative benefit and costs for an example library. Key quantities benefits include cost savings, user benefits, productivity benefits and floorspace productivity improvements.
- **Triple Bottom Line analysis:** A Triple Bottom Line analysis has also been undertaken to illustrate the benefits and costs that could not be quantified in the benefit cost analysis. This analysis incorporates a range of sustainability based Key Performance Indicators (KPIs), including separate interpretive analyses of economic, social and operational considerations/ impacts, and drawing on information received through consultation and research. This analysis compares the benefits and costs of outsourcing across a range of typologies (i.e. size and model).
- **Conclusions:** This section draws together the analytical chapters and makes conclusions about the costs and benefits of outsourcing public library services in a variety of contexts relevant to the New South Wales (NSW) public library network. This section also outlines a practical tool for library managers and NSW councils to identify the most effective and cost efficient model for procurement, cataloguing and processing of collections for their particular context.

2.2 Outsourcing of Library Operations

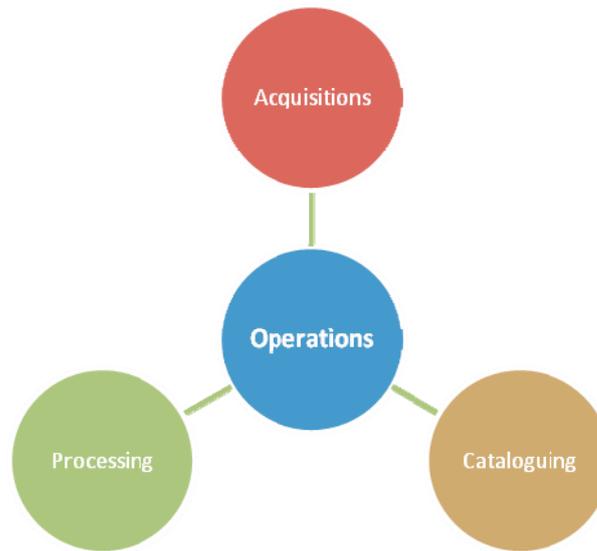
Outsourcing is defined as the 'contracting of activities to an outside individual or organisation (which may be another publicly funded body) in place of the use of in-house staff'.⁵

For the purposes of this project, the outsourcing of library services refers to the outsourcing of operations only; that is the outsourcing of acquisitions, cataloguing and processing of library collections.

Library operations have been defined as follows:

⁵ (Boss, 1999) cited in Ball, D., & Earl, C. (2002), 'Outsourcing and externalisation - current practice in UK libraries, museums and archives', Bournemouth University, UK.

Figure 1. **Operations**



- Acquisitions: includes profiling, selection of new books and ordering (i.e. choosing a supplier, raising an order, querying orders, cancelling orders, receiving orders)
- Cataloguing: Creating catalogue records, amending catalogue records. Does not include conversion of systems (i.e. from manual system to computer based system).
- Processing: Work involved in making the item shelf ready including loan stationery, security devices, ownership labels, special covering, shelving ready for use. Includes journals.

Source: MacroPlan Australia

MacroPlan have reviewed examples of library outsourcing projects, particularly those occurring in New South Wales, as well as throughout Australia and internationally to provide a general overview of current trends in library operations.

2.3 New South Wales Public Library Services

There are a number of arrangements in place that support the delivery of public library services in New South Wales, including outsourcing of library operations. These include the Public Library Services division of the State Library of New South Wales, including the Multicultural Purchasing Cooperative, Local Government Procurement and collaborative models and initiatives such as South Sydney Region Of Councils (SSROC) and regional library arrangements:

- The delivery of public library services in New South Wales are supported by the Public Library Services division of the New South Wales State Library. The Public Library Services division provides funding advisory services, strategic leadership, information and advice on all aspects of public library provision, control and management to New South Wales local authorities and public libraries.

- In 2006, Local Government Procurement (LGP) was established to provide a fully integrated procurement service dedicated to the needs of Local Government and associated organisations in NSW. While it is not mandatory, libraries that outsource their operations generally appoint suppliers, vendors and contractors through the LGP process. This aims to provide a cost effective, compliant, standardised and risk adverse approach to tendering and contract management.
- A number of libraries are also under formal cooperative arrangements (i.e. regional library arrangements, Shorelink, Mid North Coast Cooperative and South Coast Cooperative) to jointly undertake agreed components of library service provision. Although services shared vary between cooperatives, standardised management and cataloguing systems could result in greater benefits achieved from outsourcing.
- There are also a number of collaborative initiatives currently occurring throughout New South Wales, including with the South Sydney Regional Organisation of Councils (SSROC), a group of 16 Councils (including Ashfield, Canterbury and Woollahra) who are looking to work collaboratively on a number of projects including a shared library management system and cooperative purchasing arrangements.

2.4 Assessment Typologies

To understand a variety of contexts relevant to the NSW public library network, libraries were reviewed by different typologies as part of this assessment.

Two assessment typologies are referred to in this study:

Library size typology

Due to the nature of this study, MacroPlan have used number of acquisitions per annum as a proxy for Library size. While this is different to the classification system used in the NSW Public Library Statistics, this classification used by MacroPlan is useful in understanding the relationship between acquisitions and outsourcing.

- Small: Acquisitions less than 12,000
 - Very small defined as less than 5,000
- Medium: Acquisitions between 12,000 and 25,000
- Large: Acquisitions greater than 25,000
 - Very large defined as 35,000+

Model typology

- Standalone libraries: Local Government Areas (LGAs) operating under the standalone model have accepted the responsibility to independently provide library services to their community.

- Regional libraries: Where two or more LGAs formally agree that one LGA undertakes to deliver library services on behalf of the others- S12(1) of the Library Act, the model is classified as regional.
- Cooperatives: Where two or more LGA's formalise an arrangement where one council undertakes agreed components of library service provision, they are deemed to be operating under the cooperative model, as enabled by Section 12 (2) of the Library Act.

Commentary will be made about the potential benefit and costs for each of these contexts.

2.5 Study Limitations

It is important to note the limitations of this study given the complex nature of data collected such as issues associated with estimating staff time accurately, variations in organisational structures between services, and the wide range of operational processes undertaken. The benefit and cost context is likely to vary from one library to another.

In particular, a number of data issues were found with the library survey. The volume of data required from each service was large and complex, and in most cases required detailed cost estimates. This resulted in a number of data issues including non-response error and response error.

To overcome these issues, MacroPlan conducted a number of case studies. The case study analysis examined different library typologies to understand the impacts of outsourcing. This case study method involved an in-depth examination of a single case rather than using a sample of results.

Of course there are still some data collection and validation issues relating to case studies. In particular, they provide benchmarks rather than a validation of how all libraries could or would perform.

Due to the nature of case studies, the estimates used in the benefit cost analysis are therefore indicative only and are based on very small sample sizes and may not reflect different library services. Instead, this study provides a framework analysis of a library service.

It is important to note that a wide range of factors could influence the actual or observed benefits from outsourcing. Other factors could also impact on performance such as changes in management practices; new systems and technologies; industry trends; different methods of calculating time and costs.

In addition, there are inherent differences in the way each library operates. Some of the differences that may impact on the findings of this study include:

- Type of outsourcing can differ. In some cases, libraries may outsource all of their operations, while others may only outsource one or two components. The components outsourced will also differ from library to library.
- Operational differences. In some cases even if the libraries perform all operations in house, there are other factors that may influence the cost effectiveness of the individual library. This could include the availability of shelf ready services.

- Acquisitions methods can vary significantly. In some cases a library may outsource their acquisitions but still be involved in some extent in the profiling and selection.

3 Changing role and function of Public Libraries

3.1 Overview

State and local government provision of public library services has changed over the past decade. Each year there is a need to provide more resources with tight capital and revenue budgets, and the dynamic technological environment is making it costly and inefficient for local libraries to retain all of their services in-house. As a result, it has become increasingly common for libraries to outsource their services to private contractors and suppliers, as well as enter into partnerships or collaborative arrangements with other libraries in order to create economies of scale.

Specific factors that are contributing to this trend include:

- Increasing budget restrictions (both capital and operating);
- Increased focus on the provision of quality customer service;
- Increased focus on creating economies of scale;
- Improvements in Information and Communications Technology (ICT); and
- Benchmarking performance results against other libraries to meet ‘service standards.’

Overall, the role and function of public libraries has needed to change in recent years, in order to respond to a changing social, cultural and economic environment.

This section reviews some of the key trends in library service provision as a response to these changes, particularly in the outsourcing of library operations.

3.2 Key project issues

Libraries are a vitally important form of community infrastructure. As such, factors and trends that impact on modern community infrastructure also affect libraries. These factors and trends include:

- Good strategic decision making relies on good information and careful change management programs that engage and communicate with stakeholders
- There are constant opportunities and challenges for government to revitalise its community infrastructure. Provision of good facilities will both promote the government’s work, assist clubs and strengthening links with the community
- There are significant economic and social benefits for the community that could be gained from innovative community infrastructure. One of these is increasing the liveability of an area which can boost population growth, investment and economic development
- Through innovative management approaches, there may be opportunities to co-locate groups to maximize use of public assets and increase participation opportunities. Some

benefits that arise from shared use facilities include less duplication and maximum use of facilities and services

- Consideration of the broad community benefits/strengthening, governance, economic, environmental and social impacts to local government agencies and statutory bodies

Although libraries are a vitally important form of community infrastructure, MacroPlan operates on the assumption that libraries play a critically important – and unique - role around the world in helping individuals and communities grow, develop and prosper.

In Australia, libraries perform a significant role as key elements of our community, knowledge and cultural infrastructure and have done so since the first modern public libraries and mechanics' institutes.

However, libraries are constantly changing – in response to a changing world – and must be continually assessed in order to continue to maximise benefit to the community. Libraries should continue to provide relevant and quality services. This relates to the location, size, type and scope of facilities and the services provided.

It is also important to acknowledge that the role of libraries has changed. Public libraries developed from the late 19th and early 20th centuries and combined the roles and functions of two earlier institutions. These were the subscription lending library providing books for recreational reading and the mechanics institute which aimed to provide affordable educational opportunities for working people. These twin roles of recreation and education have continued.

3.3 Value of Public Libraries

Libraries Building Communities

The landmark Libraries Building Communities report, the first comprehensive Australian study to examine the value public libraries bring to their communities and initiated by the Library Board of Victoria and the Victorian Public Library Network, highlighted many of these current and emerging trends. In particular, some of the factors impacting on libraries have been and continue to be:

- A growing wealth divide between the 'haves' and 'have nots' which increases the need to refocus library activities increasingly towards skill and knowledge enhancement
- Recognition that learning is a life-long process – not confined to formal schooling. Jobs are changing much more rapidly than in the past so people must constantly acquire more knowledge to keep up
- An ageing society which alters the demand profile of library users over time. Many of the increasingly ageing population will still need to work, due to insufficient superannuation and other savings, and will require continuous retraining and re-skilling. Libraries can – and should – play an increasingly important role in this process
- A recognition of the importance of community cohesion for the well-being of individuals and the role of libraries in contributing to this

- The development and popularisation of the Internet. Increasingly, information is available online rather than in printed form. This has changed the way libraries provide information and the skills needed from staff. Librarians are increasingly required to act as information brokers – helping people find useful and validated information from the great mass of material on the Internet. Increasing amounts of staff time and resources are dedicated to provision of computers in the library and providing remote access to information through online databases
- The “digital divide” has become more marked. People need information technology skills and resources to earn a living and libraries are in a position to provide these universally at an affordable cost
- The availability of recreational materials in alternative formats such as video/DVD and MP3. DVDs in particular are available commercially at a low cost through video shops (in a way that printed popular materials have never been) so there are questions about the extent to which public libraries should provide them.

Enriching Communities: the value of public libraries in NSW

In undertaking this analysis, MacroPlan has relied on the existing work about the economic value of libraries undertaken on behalf of NSW Public Library Network Research Committee. This report, *Enriching Communities*,⁶ provides clear evidence of the contribution and value of NSW public libraries in terms of the Triple Bottom Line, or economic, environmental and social impact.

3.4 Trends

In addition, in recent years, the environment in which libraries have operated has changed significantly. Several clear trends which impact on the structure of library services into the future have been identified and are well documented. They include:

- Development of electronic services via a ‘virtual library’(e.g. remote / wireless searching and retrieval of information from electronic databases available over the internet, etc)
- The development of libraries as a ‘hub’ for a range of community services
- Collocation with retail / town centres as an activity generator
- Thematic spaces that reflect the needs and aspirations of a particular area or “community”
- As a public places most frequently visited by members of the community, libraries are taking a central role in social engagement, community building and associated programs and processes
- Lifelong learning - continuous education and the re-skilling of the community. Libraries are integrating with other service providers such as TAFE, schools and universities to engage in this process. Libraries are also actively providing relevant training and courses to communities in IT and related areas

⁶ Library Council of New South Wales, 2008. *Enriching Communities: the value of public libraries in NSW*

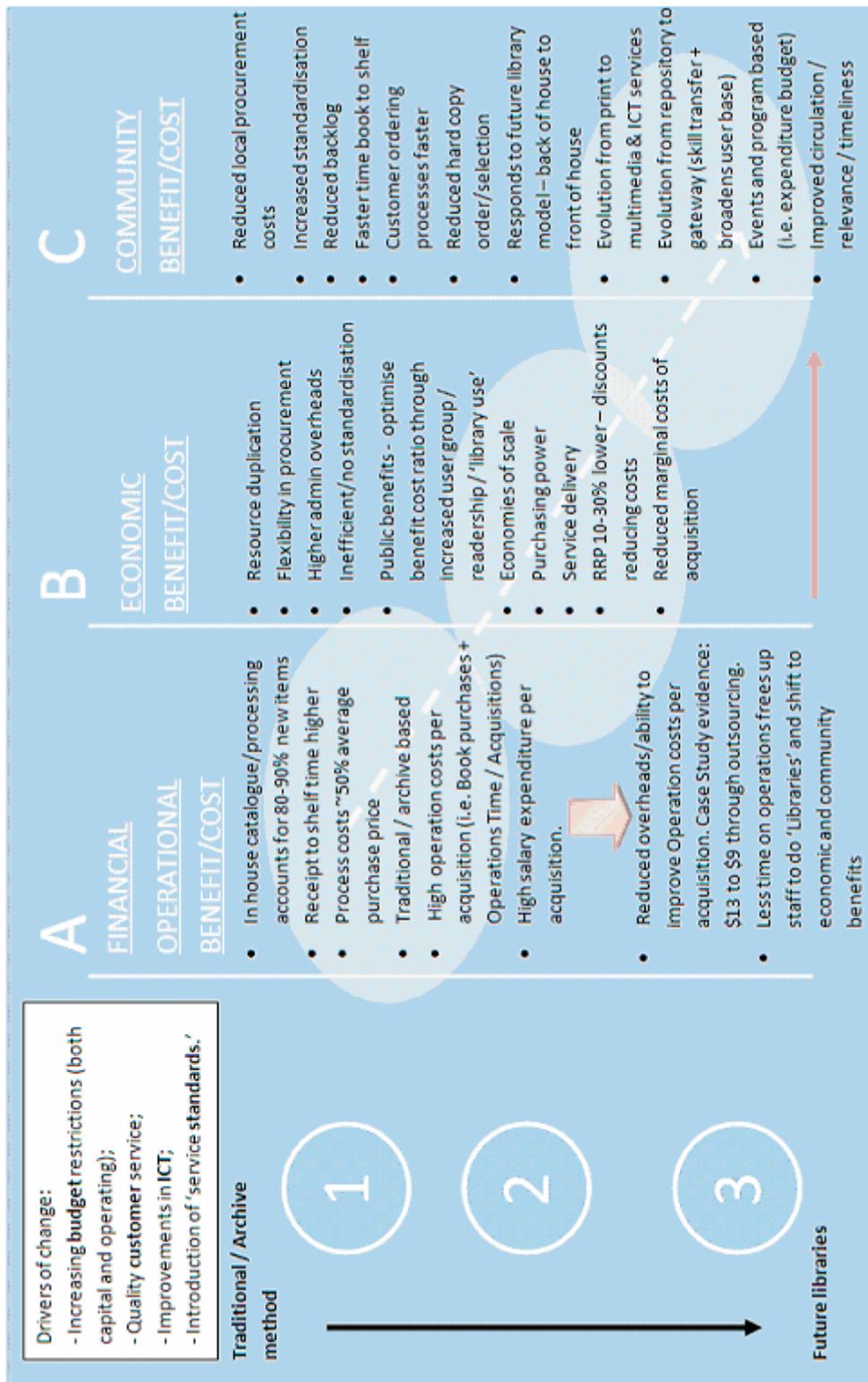
- Co-location and integration of libraries with other services - tourist information, art galleries, theatre, multi-media centres, history centres, museums, bookstores, cinema, business incubators etc
- These issues indicate that libraries of the future may be designed differently and perform a different function than in the past. This could include the provision of information centres, with a Council presence.

3.5 Conclusions

The figure below presents a conceptual model of the transition process of libraries moving from a traditional method of archiving to a future library model.

This study will assess the extent to which outsourcing can help a library move through this value chain and transition into a future library (see Appendix E for graphical representations of value chain efficiencies).

Figure 2. Transition model



Source: MacroPlan Australia

4 Outsourcing Issues

This section broadly identifies the key issues arising from outsourcing. The outcomes of this analysis will inform the benefit cost and Triple Bottom Line assessment and assist in the development of a decision making framework that will identify the most effective and cost efficient model for procurement, cataloguing and processing of collections for their particular context.

4.1 Outcomes from literature review

The purpose of the literature review was to determine the issues associated with outsourcing procurement, based on national and international research and analysis.

According to a UK study on outsourcing ⁷, there are a number of factors that need to be considered in regards to the suitability of outsourcing library services. These can be defined under the following categories: Cultural, Functional and Economic.

The following section summarises some of the key issues that MacroPlan have identified from the literature review under the three broad categories identified in the study.

A summary of the literature reviewed as part of the background research for this project can be found in Appendix A.

Cultural

The transition towards outsourcing library operations can potentially impact on the culture of the library, including staff morale, organisational structure and local identity. ⁸ Therefore, most literature on the subject of outsourcing highlighted the importance of the communication process in ensuring that these impacts were minimised.

In contrast, previous studies into the provision of library services in New South Wales also revealed that cultural events and programs are perceived by both library users and managers to add considerable social/cultural value to the provision of library services and the community more generally. They are also seen to have a significant contribution to cultural wellbeing.

Given that library staff are considered to play an important role in the coordination of these programs and events, the outsourcing of operations provides libraries with the opportunity to free staff from process related tasks to concentrate on the delivery of cultural events and programs.

⁷ David Ball and Carleton Earl, 2002 Outsourcing and externalisation: current practice in UK libraries, museums and archives. David Ball and Carleton Earl, 2002

⁸ Robertson, Sharon (Brisbane City Council) and Catoggio, Anita, (Yarra Plenty Regional Library), 2008. 'Strategic Procurement of Library Collections.'

Functional (processes)

The ability to improve the timing, efficiency, quality of collections and cost of service delivery is an important consideration in the outsourcing of library services.

In the literature reviewed, outsourcing was perceived to have the ability to improve library functions, as well as the quality of services delivered by libraries by decreasing costs, time spent on selecting, cataloguing and processing and increasing time spent on customer service provision. In summary, benefits were found to be optimised under the following conditions:

- There was a standardised system in place for cataloguing and end processing;
- There was a limited panel of suppliers;
- Time was spent refining selection profiles to ensure they would work;
- There was regular communication and feedback with suppliers;
- There was regular monitoring and evaluation of performance and resources; and
- There were service level agreements with each supplier that included KPIs that detailed delivery times and performance.
- Collaborative purchasing opportunities
- Staff were well informed of the process, with new job roles, structural changes and training requirements communicated effectively.

In New South Wales, there are three broad public library models: Standalone, Regional and Cooperative⁹. While there are perceived benefits and costs associated with each, it can be concluded that regional and cooperative libraries are more likely to obtain greater benefits through outsourcing, due to ability to achieve economies of scale through sharing services such as standardised cataloguing and library management systems, as well as increased purchasing power through a collective approach.

Economic

Outsourcing services such as book purchasing and selection has the potential to not only free up staff resources to focus on programmes and events such as exhibitions, but can also release space that can be used to house these events, as less space is required on site to provide for cataloguing and back of house resources.

Cost efficiencies gained from outsourcing also have the potential to free up costs for library capital (overhead) costs, including infrastructure and library equipment.

⁹ J.L Management Services Pty Ltd, 2007. 'Library Models in New South Wales- At a Glance,' Public Libraries New South Wales – Country.

4.2 Outcomes from stakeholder consultation

MacroPlan consulted with several stakeholders, including local and interstate public libraries that are fully outsourced or currently in transition to a fully outsourced model, as well as a number of state libraries across Australia. The objective of this consultation was to identify some of the major issues and barriers associated with moving to a fully outsourced model.

The outcomes of consultation with these libraries is summarised in the following section.

A summary of the consultations undertaken with each of the above organisations can be found in Appendix B.

Cultural

Staffing

Most libraries that were consulted reported minimal impacts on staffing levels, with the majority of staff redeployed or retrained as a result. Some of the changes in roles as a result of outsourcing included restructuring to shift technical staff to front-of-house and customer service roles, an increased focus on library programs and contract management.

Most libraries acknowledged that there were a number of risks associated with the transition to a fully outsourced model, namely:

- Outsourcing would result in the loss of skilled staff and/or technical knowledge in-house.
- Loss of staff and changes in organisational structure due to outsourcing was perceived to potentially lead to loss in motivation and staff morale
- There would be a perceived loss of control over acquisitions, collections and overall process by staff

These risks were effectively mitigated by most libraries through an ongoing and detailed communication process by library managers to staff to ensure they understood the changes in staff roles.

In reality, the shift to a fully outsourced model was generally found to improve staff morale and culture. For example, increased flexibility in processes improved the existing culture of libraries, especially if the existing culture was rigid and process focused, rather than customer focused.

It was also found that staff previously conducting process related activities were made available to focus on customer service related activities as a result of outsourcing. However, consultation found that it is important to ensure that some control of the process is left to in-house staff. Most of the fully outsourced libraries that were consulted managed cultural risks such as loss of local identity by keeping local/cultural collections in-house and sourcing new collections through profiling. These libraries considered that retaining this process in-house and outsourcing the remainder of the

process resulted in operational efficiencies gained while still retaining control over the crucial elements of the process.

Communication

All libraries highlighted the importance of communication in the process of outsourcing, and that it was critical for success. In particular, once the decision is made to outsource, the communication process needs to happen over a period of time to ensure that staff members are fully aware of the implications that could arise from changes in resources and staff structures.

Libraries also reported that it was essential to build a relationship with the suppliers, vendors and contractors (particularly in the first 12 months), and that this was a dynamic, ongoing process. Libraries also reported that communication standards should be written into the contracts, determining frequency of communication required.

Therefore if the decision is made to fully outsource it is important to consider retaining staff in-house that can communicate with suppliers and vendors (e.g. ex-library technicians could move to contract management).

Functional

Timing

According to the consulted libraries that have been outsourcing for some time, efficiency in book processing from purchase to shelf-ready increased immensely. All libraries reported significant benefits from outsourcing this process, both for staff who were relieved of backlog pressure, and customers who had improved access to up to date materials.

Overall, consulted libraries reported that outsourcing processes was easier, more reliable and consistent, as it relieved pressure on resourcing arrangements within the library. For example, absent staff members would generally result in a reduced resource capacity to process or catalogue books and potentially in an increase in backlogs.

As for the literature review, a number of libraries highlighted the importance of communication with vendors to timing and the outsourcing process, in particular communicating what is required to the vendor effectively to ensure that processes run smoothly and issues are recognised. For example, libraries highlighted the importance of providing detailed profiling information and the need to maintain communication with vendors if the delivery of certain items needs to be prioritised.

Quality

Generally, libraries reported positive improvements to the quality of service provision and collections. As well as improving processing and cataloguing standards, outsourcing was considered to potentially reshape traditional cataloguing culture by introducing flexibility and therefore better meet customer needs (e.g. the State Library of South Australia has an e-tagging cataloguing process that allows users to assign keywords and references to collection items).

Further to this, most of these libraries create detailed selection profiles of their users that form the basis for book selection. Collection was also controlled for through the use

of quality checks - the frequency and key performance indicators of which were written into the contracts.

Efficiency

Most of the libraries reported a significant improvement in efficiencies as a result of outsourcing processes. The backlog of materials was significantly reduced, and the processes were far more streamlined, allowing staff to be utilised elsewhere in the library. Libraries also highlighted the ability to create economies of scale through outsourcing. For example, outsourcing cataloguing significantly reduces resource costs (from a resource point of view, cataloguing 100 copies of 1 book is the same as cataloguing 1 copy of the book). The National Library of Australia (NLA) module and database provides an extensive cataloguing source and can also reduce overall costs of cataloguing.

Reduction in backlogging issues that are often the result of inefficient in-house systems, however, can also be an issue when outsourcing especially if the services that are outsourced are not effectively improving the functioning of the library overall.

Economic

Costs

Impacts on costs were varied, with some libraries reporting no significant costs savings as money is diverted into outsourcing costs, whilst other libraries reported significant savings and improvements (i.e. cost per book reduced, savings of salaries as less technically qualified staff required).

While some libraries reported increases in costs involved with the outsourcing process, especially as staff were redeployed (i.e. no loss of staff), it was noted that the amount of money spent on improving service delivery had increased. Some libraries highlighted the potential to reduce costs in book purchasing even further through a collaborative arrangement, as it was recognised that libraries with expenditure of over \$1million have more purchasing power.

Infrastructure

Outsourcing has resulted in a significant reduction in back room and storage space generally. In newer libraries this could result in lower building and maintenance costs.

The types of use for library space once used for processing was varied, with some libraries reporting that the space has been internally reallocated (e.g. for storage space or staff rooms). For older libraries, this space can then be re-allocated as public space or to develop library programs. This has occurred in Canterbury, where the Central library has now offered the space as 'public' space. For newer libraries that were in an office building (e.g. the City of Sydney) the additional space was reallocated back as office space. Others reported that the old processing space was not utilised at all.

The majority of libraries (36%) however, reported that they now have less space for processing of back of house operations, as it is no longer required. Some libraries have also moved since outsourcing processes and the new space has been smaller. A further 18% reported no impact to infrastructure and use of space due to outsourcing processes

4.3 Conclusions

The following table summarises the key impacts of outsourcing as determined by the literature review and stakeholder consultation. It highlights any additional information that will be required in order to establish the benefits and costs of outsourcing library operations.

Figure 3. **Key findings**

	Positive impacts	Negative impacts	Conclusion	Further information required
Cultural	Improved staff morale Increased staff flexibility Increased staff resources on customer service delivery	Decreased staff morale Loss of local identity Loss of technical knowledge	Communication is crucial to the outsourcing process. Need to incorporate flexibility into the process to ensure that local knowledge and expertise is maintained.	Total staffing changes from a shift to a fully outsourced model Total time spent on customer service related activity, including programs and events
Functional	Increased efficiencies from purchase to shelf ready Decreased backlogs Improved quality in collection Increase in programs and events	Decreased efficiencies due to non-standard cataloguing or library management systems	Collaborative arrangements and standardised processes are necessary to increase purchasing power and create process efficiencies Communication with suppliers and vendors is crucial to quality of service delivery	Total hours spent on acquisitions, cataloguing and processing
Economic	Decreased costs Increased space Capacity to reallocate spending on collections, programs, events and facilities	Increased costs	Collaborative arrangements and standardised processes are necessary to increase purchasing power and create process efficiencies	Real cost savings from shift to a fully outsourced model, e.g. cost to purchase book plus staff time spent on acquisitions, cataloguing and processing

Source: MacroPlan Australia

4.4 Key Considerations

Based on the findings from this Paper, MacroPlan has identified the most important considerations in the outsourcing of library services in New South Wales in order to achieve the efficiencies, cost savings and social benefits that can potentially result from outsourcing of library services.

- Communication – is crucial to the outsourcing process, particularly between management and in house staff to ensure that employees understand their changing roles, and the objectives of outsourcing.
- It is also important to maintain close communication between in house staff and out of house vendors and suppliers. This ensures that in house staff are able to maintain some control over the process, and that the library can meet its delivery objectives.
- Flexibility – One of the biggest issues with outsourcing is the loss of in house control. To retain local knowledge and expertise, it is possible to outsource some (e.g. 80%) of services and retain 20% of services in-house. Not all acquisitions, cataloguing and processing services need to be done 100% through outsourcing. This can also potentially improve communication between library staff and contractors/vendors.
- Knowledge – It is important to understand existing processes and regularly monitor progress so that any gaps in service provision can be communicated effectively to vendors and contractors e.g. provide detailed profiling of borrowers to contractors, understand the strengths and weaknesses of your library, the library's goals, the main reasons for outsourcing etc.
- Partnerships – Collaborative arrangements are necessary to optimise efficiencies. Examples include SSROC, who are currently in the process of creating a more streamlined process through a collaborative Library Management System (LMS) and Radio-Frequency Identification (RFID).
- Standardisation – A standard Library Management System can potentially improve provision of services. Currently regions have their own LMS that they have developed loyalty for, therefore it could be difficult to implement across the whole State at this stage. However, sub-regions are able to form partnerships (such as SSROC).

5 Benchmark Analysis

This section presents a quantitative time series analysis of NSW Library statistical information based on the issues identified through consultation and the literature review.

The purpose of this benchmarking analysis is to make comparisons between Libraries that outsource their operations (i.e. cataloguing, processing and acquisition) with those who perform these operations in-house. In this assessment, statistical data is analysed to understand if outsourcing has led to changes on Libraries key performance indicators (KPIs).

KPIs are used as evaluative measures in determining the relative benefits of outsourcing. In this assessment framework, all estimates of KPIs for the subject group are interpreted relative to the benchmark group.

5.1 Key Performance Indicators

An analysis of library service performance indicators was undertaken to understand the relative benefits of outsourcing. This information was obtained from NSW Public Library Annual Statistics. Key Performance Indicators (KPIs) have been selected based on the following key objectives:

- Education - informal learning
- Information - basic access and I.T.
- Recreation - fiction; events; social interaction
- Welfare - fiction; nonfiction; newspapers; social interaction; word processing / copying

Using this framework, the following KPIs were selected:

- Expenditure on library material per person
- Turnover per capita
- Visitation per capita
- Salary expenditure per capita

Commentary will also be provided on other indicators where relevant.

5.2 Benchmark groups

Benchmarking compares business processes and performance metrics, and in this case Library KPIs. Essentially, benchmarking establishes a snapshot of the performance of a subject group to help understand how it is performing in relation to the peer group.

In this case the “subject group” refers to Libraries who outsource most or all of their operations, while the “peer group” has been defined as Libraries who undertake most of these operations in-house.

A peer group has been defined in order to establish relativity in KPI movements. For example, it would be incorrect to assume that a strong increase in visitation per capita for the subject group is as a direct result of outsourcing if the peer group experienced the same trend. What will be important however is when indicators for the subject and peer move in different directions or by different magnitudes.

Benchmark groups have been defined based on the findings of the Library Survey conducted in May, 2009 and through subsequent consultation. Based on this, it was possible to define the 'Operations Typology' of a library. Operations Typology refers to the Library's collection management model:

Figure 4. **Operations Typology**¹⁰

Typology	Description	Sample
A	fully outsourced model where the library fully outsources acquisition and supply of shelf-ready library material.	3
B	hybrid model where the library outsourcing a large share of collection acquisition, cataloguing and processing functions	7
C	hybrid model where the library does most of the selection, cataloguing and processing in house, but has some elements of outsourcing.	22
D	in house model where the library does all selection, cataloguing and processing in house	22
Total:		54

Source: MacroPlan Australia

For the purpose of this assessment, Typology A and B have been combined due to small sample sizes. Together, typology A and B are defined as the ‘subject group’. The ‘peer group’ has been defined as Typology C and D.

With regards to the subject group, the City of Sydney Library service has been removed from this analysis. This is because that the City of Sydney Library service performs a different role and function compared to the subject group and will therefore distort the benchmark analysis.

5.3 Benchmark analysis

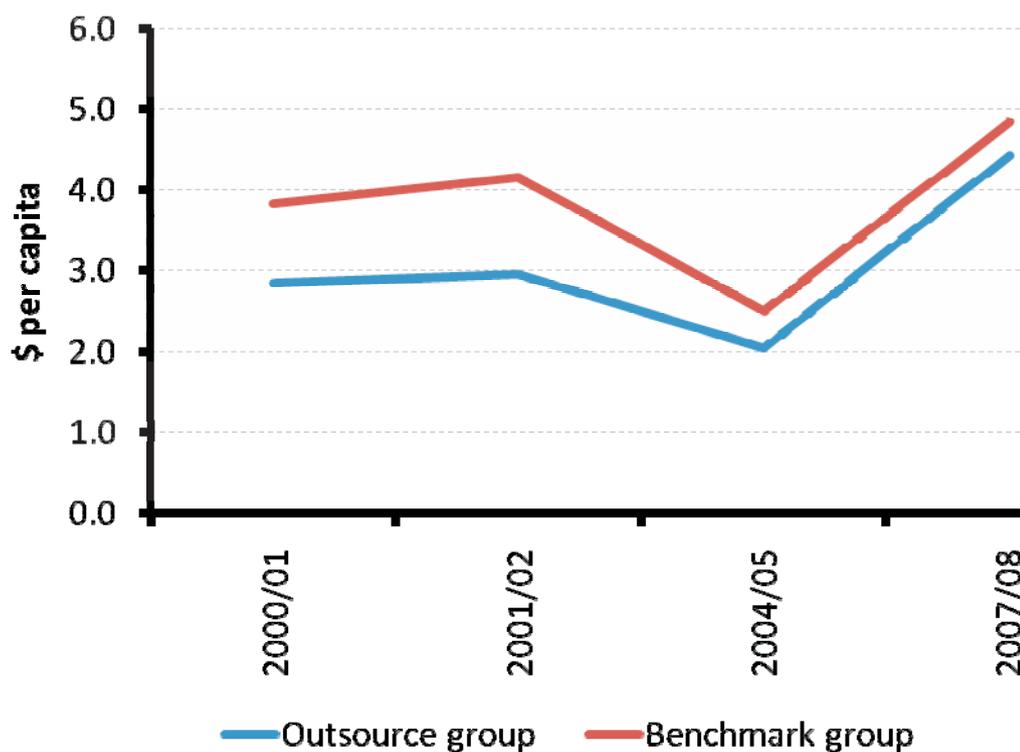
Expenditure on library material per capita

Expenditure on library material per capita refers to the level of library material provision per head of service population. This indicator measures a number of the Key Library Objectives outlined above and can be considered a measure of the sustainability or a library collection.

¹⁰ See Appendix D for a list of Library services included in this analysis.

As illustrated in the figure below, the subject group experienced a fall in expenditure on library material per capita over the period 2001/02 to 2004/05 before increasing sharply in 2007/08. This movement was also observed for the peer group. Therefore, it appears that there is no statistically significant difference in library material expenditure between Libraries who do and do not outsource.

Figure 5. **Expenditure on library material per capita**



Source: NSW Library Statistics, MacroPlan Australia

Turnover rates

Turnover rates refer to the level of stock use and are calculated by dividing the total circulation by the total library lending stock. This indicator measures the relevance and appeal of a Library Service collection and meets the Key Library Objectives outlined previously.

As illustrated in the following figure, the subject group has steadily increased turnover rates over the assessment period 2001 to 2008. Over this period, turnover rates for the subject group increased from 3.3 to 4.2. This movement was less prevalent in the peer group which experienced only a minor increase. Based on this, it appears that outsourcing may improve the relevance and appeal of a library's collection.

This observation may be due to outsourcing freeing up time for staff to work on other value adding activities such as:

- Increased time on selection and profiling
- Increased time on discards

- Increased time on customer service
- Faster order to shelf times.

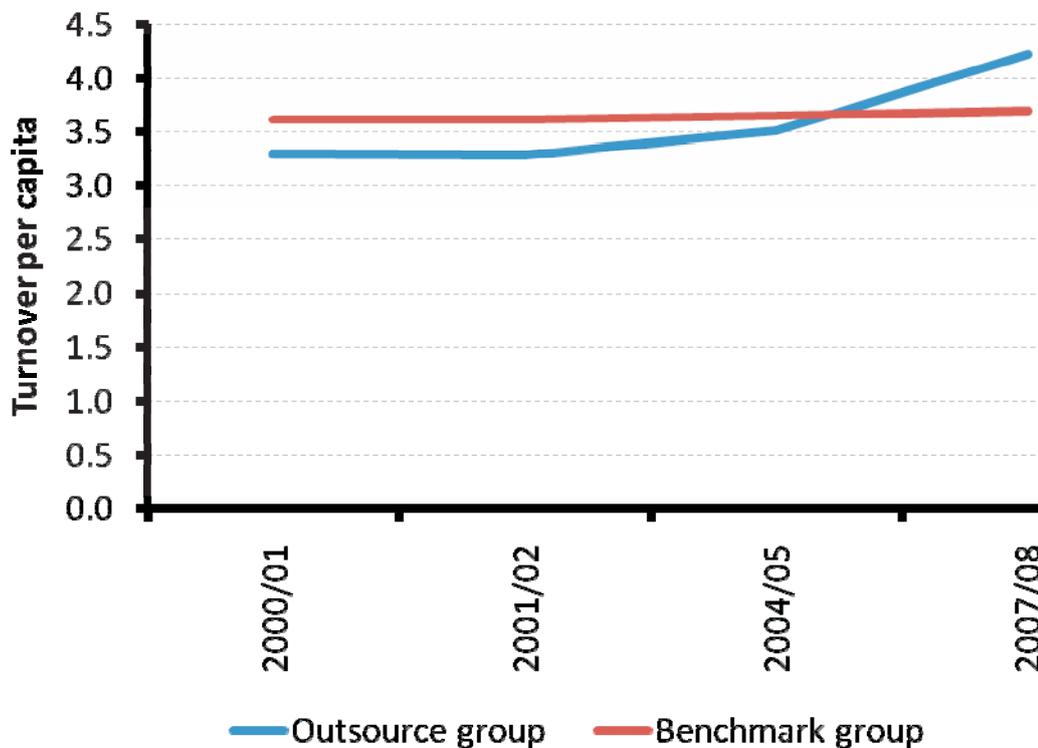
Together, these activities could result in significant productivity gains (i.e. more loans per book stock).

It is important to note that the subject group have outperformed the peer group in terms of turnover rates, even though expenditure on library material per capita has moved in the same magnitude for both groups. This implies that outsourcing libraries are relatively more efficient in their use of resources (i.e. more outputs, or benefits for each unit of input).

In particular, a closer look at the data shows that Canterbury experienced strong increase in turnover rates after moving to an outsourcing model. Turnover rates for Canterbury increased from 2.95 in 2001 to more than 5 in 2007/08. Of course other factors may influence this rate of increase. However, compared to the peer group who did not experience any significant increase it appears that outsourcing has had some impact on the level of turnover.

It will therefore be important to build longitudinal data on this variable in order to further understand the impact (scale and magnitude) of outsourcing on this indicator.

Figure 6. Turnover rates



Source: NSW Library Statistics, MacroPlan Australia

Visitation per capita

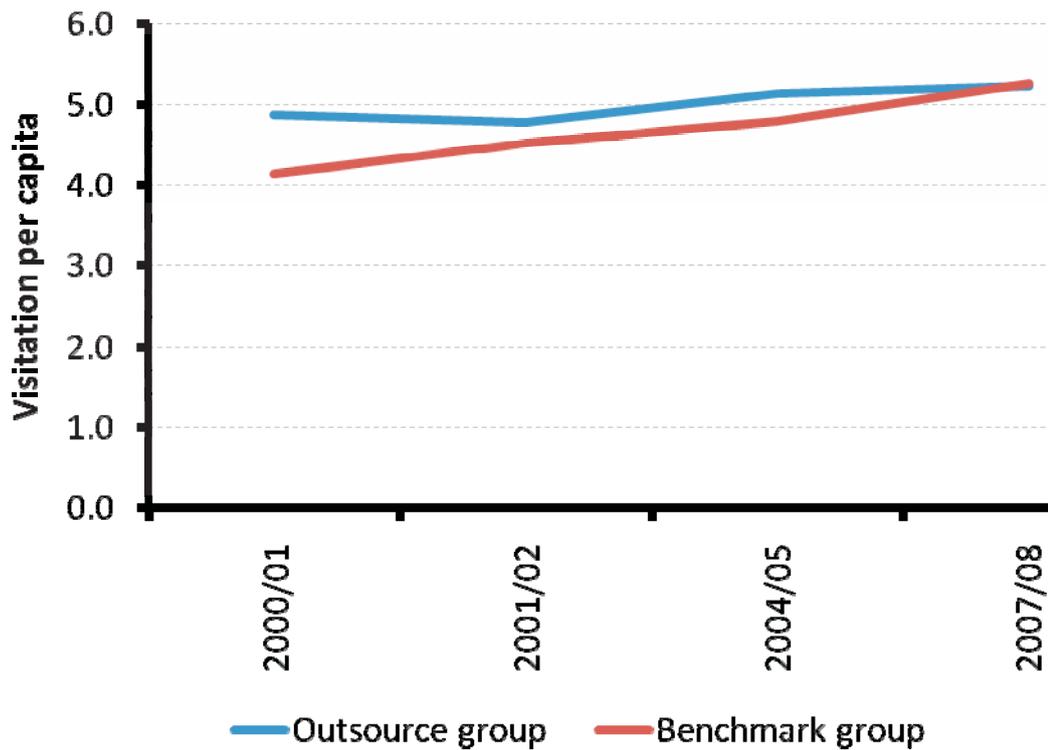
Visitation per capita refers to the level of visitation to a library service per head of population it serves. This indicator measures the relative penetration rate of a Library service and is reflected in the Key Library Objectives including recreation and welfare.

As illustrated in the figure below, the subject group's visitation per capita has marginally increased over this study period. This movement was also observed for the peer group. Based on this, it appears that there is no statistically significant difference between libraries who outsourcing and libraries who do not for this KPI.

However, it would be reasonable to assume that if collection quality increased due to outsourcing (as illustrated by turnover rates above), then visitation would also increase. This observation outlined below could be explained by a number of factors:

- While overall visitation levels have not increased for the subject group, the profile of visitation may have changed. For example, there may be a shift in visitation to programs and events rather than general visitation. This will need to be explored in more detail in the case study analysis.
- Strong visitation growth in regional libraries such as Newcastle and Richmond-Tweed explain some of this observed growth in the peer group. Both of these libraries have had large increases in expenditure per capita over this assessment period.
- I.T. based visitation could also explain some of this increase over the period 2001 to 2008.

Figure 7. Visitation per capita



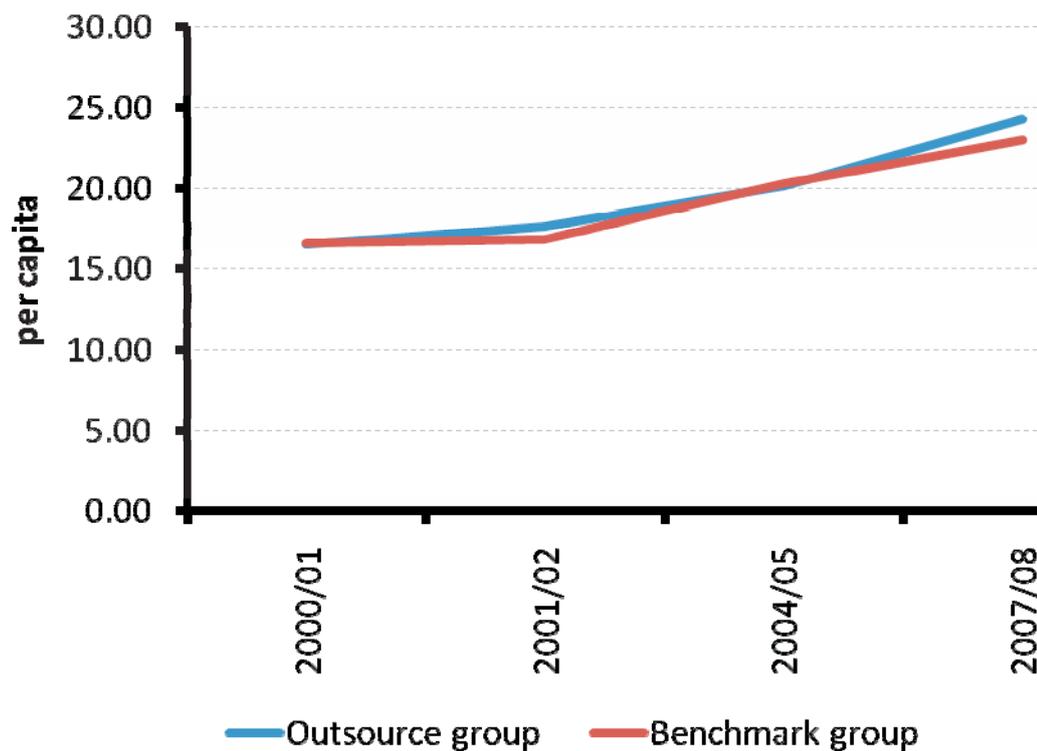
Source: NSW Library Statistics, MacroPlan Australia

Salary expenditure per capita

Salary expenditure per capita refers to the level of resources available per service population. This indicator can measure the relative levels resources available to perform back and front of office activities.

As illustrated in the following figure, salary expenditure per capita has increased at the same rate for the subject and peer group. This movement suggests that other factors are influencing the level of salary expenditure per capita and that there is no statistically significant difference between Libraries who outsource and libraries who do not at this KPI.

Figure 8. Salary expenditure per capita



Source: NSW Library Statistics, MacroPlan Australia

Other Indicators

It is noted that outsourcing back of office processes may indirectly influence KPIs through reallocation of resources. For example, while salary expenditures per capita are increasing, the level of benefit achieved may depend on how this salary expenditure is allocated to different tasks.

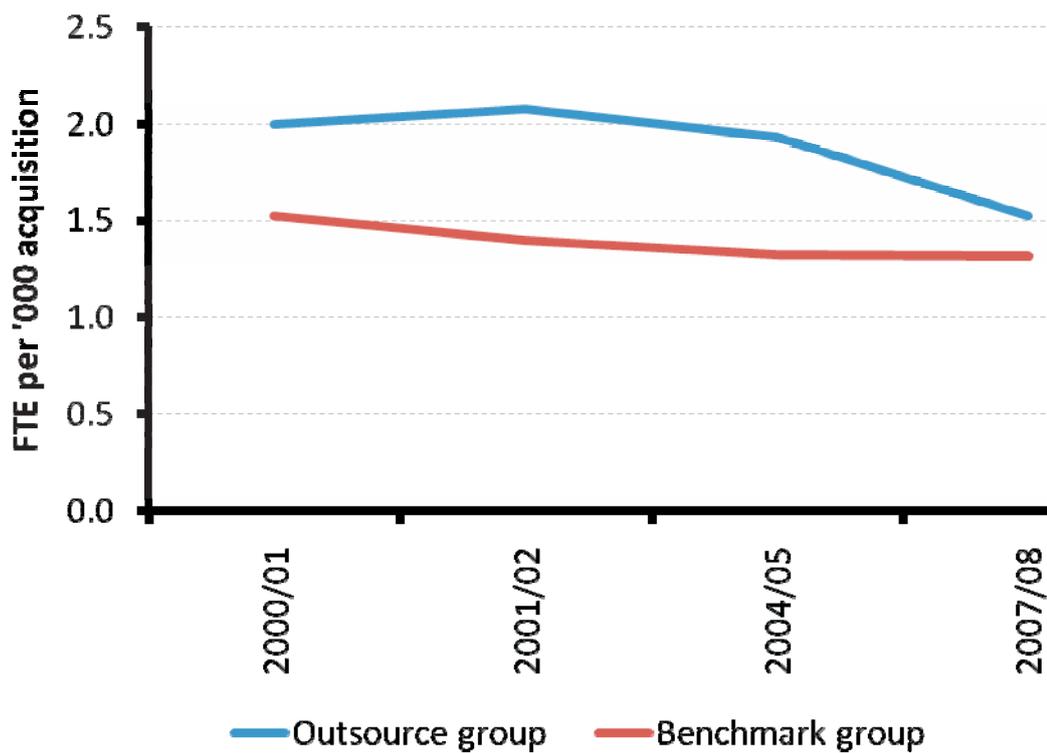
The following figure shows the level of Full Time Equivalent (FTE) staff required per acquisition. Higher levels of FTE per acquisition may indicate a higher resource requirement for each book, while lower levels may indicate cost-efficiencies in operations such as processing, cataloguing and acquisitions. Of course a range of other variables may impact on this indicator such as the level of customer service provided or the role and function of the library. However, what will be important is whether there are different movements for the peer and subject group.

As illustrated in the figure below, the subject group has experienced a sharp decline in FTE per acquisition since 2002. For the subject group, the level of FTE's has decreased from 2.1 to 1.5 per 1,000 acquisitions over the period 2002-2008. Alternatively, the peer group has remained relatively stagnant over this same period.

From this analysis, it appears that outsourcing may reduce the level of staff required for each book acquired.

This is consistent with the conclusions made about productivity improvements in figure 6.

Figure 9. FTE per acquisition



Source: NSW Library Statistics, MacroPlan Australia

The decreased reliance on staff per acquisition does not directly result in lower cataloguing or processing costs or increased benefits for a library service. What is important however, is how the cost saving or staff are reallocated within the library service. This will be explored in more detail in the benefit cost analysis (See section 7).

5.4 Conclusions

The following figure summarises the significance of the variables assessed in this section. From this benchmarking analysis, it appears that outsourcing does not have a significant impact on most of the KPIs identified. The most significant variables appear to be turnover per capita and FTE per acquisition.

Figure 10. **Benchmark Summary**

	Significance
Expenditure on library material per person	-
Visitation per capita	-/+
Salary expenditure per capita	-
Turnover per capita	+
FTE per acquisition	+

Source: MacroPlan Australia

The following section will build on the findings of this section to develop a framework that will allow for a comparison of the benefits and costs of outsourcing cataloguing, processing and acquisitions processes.

6 Case Study Analysis

This section presents the summary of findings from the Case Study analysis which complements and extends the findings from Section 5 as well as add strengths to what is already known through previous research. This analysis also informs the assumptions and estimates used in the benefit cost assessment (Section 7) and the Triple Bottom Line assessment (Section 8)

This case study analysis has been divided into two sections:

- Interstate case studies
- NSW case studies

6.1 Interstate case studies

Outsourcing of functions such as cataloguing and processing is becoming more commonplace in libraries across Australia. This section reviews a number of interstate case studies.

South Australian Public Library Network

The South Australian (SA) government operates a library support network, Public Library Services (PLS), which includes 143 libraries. This network operates using Memorandum of Agreements between state and local governments. The local governments provides the bulk of the funding, while the state government funds the “network” that provides key services to the individual libraries such as; internet access, centralised procurement and contract management, interlibrary loan services and online databases.

The PLS provides support services such as Public Libraries Automated Information Network (PLAIN) which is centrally automated online acquisitions, cataloguing and processing service, but also provides a range of other services outside the scope of this study.

A number of larger libraries have experienced some issues with the PLS network, including a loss in diversity of collection as well as a loss in local content.

In August 2005 the Public Libraries Services Unit released a report which estimated the per unit costs of book acquisitions and other key services for individual libraries and the PLS. This was undertaken by analysing the labour and non labour costs of different library tasks for the PLS and individual libraries. The labour costs were estimated using surveys with the estimated time required for each tasks multiplied by their relative salary. The individual libraries were divided into three separate groups – Metropolitan, Country libraries and Joint use libraries.

The cost of the total service provided by PLS for each item purchased is less than the cost of services that could be undertaken by a library. PLS cost per unit was estimated at \$18.73 in 2004/05 compared with \$34.88 per item for Metropolitan Libraries (population of 151,400); \$79.31 per item for Country Libraries (population of 20,399) and \$143.49 per item in Joint Use Libraries (population 3,865).

This analysis reveals that there are substantial economies of scale for labour costs. The analysis showed that larger libraries are able to operate at costs significantly closer to PLAIN than smaller libraries. The report noted that larger libraries may be able to undertake some functions in a cost effective manner while smaller libraries may not.

The time series analysis shows that the per item cost between the Public Library Service and those of individual libraries is narrowing. The report cites factors such as the increase in shelf ready services are replacing some of the services PLS provides.

While the South Australian context is different, inferences can be made about the size of the library (in this case in terms of purchases) and the relative cost of undertaking Public Library Services tasks. Based on this study, MacroPlan make the following observations:

- There is likely to be a relatively larger cost savings through outsourcing for smaller libraries as opposed to larger libraries due to the less efficient cost structures of smaller libraries.
- This type of system may impact on the diversity of a collection, particularly for larger libraries.
- The convergence in PLS costs per item and a Libraries cost per item needs to be considered in more detail. This convergence could continue particularly in light of increased shelf ready items, improved technologies and processes, and a decrease reliance on acquisitions as Libraries shift towards a more 'modern' library model.

Brisbane City Council

Brisbane City Council Library Service serves a population of over 1 million people with a collection of over 1.34 million items. Around 150,000 items are purchased annually.

In 1998, the Public Library tendered for the outsourcing of cataloguing, processing and selection of materials.

Prior to outsourcing around 15 staff (FTEs) were required to undertake cataloguing, processing and selection. Post outsourcing, this requirement was 1.5 staff.

In 1999, annual cost savings were estimated at \$464,000.

MacroPlan notes that this level of cost saving equates to a cost saving of around \$3.80 per item¹¹.

Yarra Plenty

¹¹ Based on 120,000 items purchased in 1999.

The Yarra Plenty Regional Library Service (YPRLS) in Victoria has been operating in an outsourced model of collection management for some time. Yarra Plenty serves a population of 300,000 people with a collection of over 560,000 items. Around 76,000 items are purchased annually.

In 2005, YPRLS became the first Victorian library to fully outsource its acquisitions and technical services. Yarra Plenty's cost benefit analysis projected a saving of \$300,000, which was confirmed by the Strategic Asset Audit.

MacroPlan notes that this level of cost saving equates to a cost saving of around \$4 per item.

6.2 NSW Case Studies

Case Study 1 – Outsourced, Standalone, Medium Library

Case Study 1 is categories as a standalone library of medium size (i.e. population of 90,000 – 180,000).

Case Study 1 outsourced their acquisition, cataloguing and processing tasks in 2002. The process to a fully outsourced operations model took around 12 months, and involved providing suppliers with selection, cataloguing and processing specifications as well as communicating changes in organisational structure and processes with library staff.

Benefits were evident immediately and staff responded positively to the change, despite an increased workload 3 months after full outsourcing commenced to provide specifications to suppliers and ensure requirements were met.

Key benefits included:

- Ability to spend money more effectively, resulting in improved **quality collection**. While the number of items added to the collection has not changed significantly (average of 18-20,000 items per annum), the quality of collection acquired has improved.
- Improved **service delivery** – This is mainly due to an increase in programs and events as well as greater turnover of stock.
- **Turnover** improved as a result of increased efficiency that then resulted in improved quality (i.e. new and more current stock).
- The number of **programs and events** delivered by the library increased as a direct result of outsourcing and has had a large impact on the overall quality of service provided. FTE on programs and events increased from 1.86 in 2001 (4%) to 4.11 in 2009 (10%). In 2001 there were around 9,900 attendees to programs and events at the library. This increased to 23,000 attendees by 2009.

- **Cost Savings** - it was estimated to be 36% more expensive to stay in house or a difference of \$3.45 per item on cataloguing and processing.
- **Space savings** – the library reconfigured around 160m² of existing back of house space for multicultural collections (State Government grant of \$140,000 was received to improve the multicultural collection)
- Total time for an item to arrive **on shelf**: 6 weeks (from time of order). Previous to this there was less consistency – it could take up to 6 months for an item to arrive once ordered.

Key costs or risks included:

- Inability to communicate with suppliers is the biggest risk. e.g. cataloguing specifications
- Things can go wrong e.g. the wrong materials, especially in the early stages. It was also noted that this can still happen in house.
- No real impact on purchasing power through outsourcing. Other factors such as a cooperative network are considered to have a greater impact on purchasing power.

Prior to outsourcing, time spent on acquisitions, cataloguing and processing was estimated by Case Study 1 as follows:

- Acquisitions: 2.49 FTE
- Cataloguing : 2.14 FTE
- Processing: 0.86 FTE
- Total: 5.49 FTE

This equates to around 0.17 FTE's of time spend on acquisitions, cataloguing and processing per 1,000 acquisitions.

Case Study 1 also provided comparisons between pre and post outsourcing of cataloguing and processing. There appears to be no significant change in acquisitions.

After outsourcing, time spent on acquisitions, cataloguing and processing was estimated by Case Study 1 as follows:

- Acquisitions: 2.43 FTE
- Cataloguing / modifying records / processing: 0.4 FTE
- Total: 2.83 FTE

This equates to around 0.12 FTE's of time spend on acquisitions, cataloguing and processing per 1,000 acquisitions.

Identified a cost saving of \$3.45 per item between pre and post outsourcing of cataloguing and processing. This finding is similar to the Brisbane City Council and Yarra Plenty cost saving estimates.

Case Study 2 – Outsourced, Regional, Large

Case Study 2 is categories as a Regional library of large size (i.e. population > 180,000).

The library began outsourcing all of their acquisition, cataloguing and processing tasks in July 2008, based on the outcomes of a service review with an independent consultant that recommended the library fully outsource their operations.

Growth and change in the region had resulted in significant changes in library management and resource allocation. As a result, processes had become quite fragmented across the branch libraries and a refined solution was needed that was more centralised, relieving the workloads at branch libraries. Case Study 2 also acknowledged the need to consider a 'modern' library model.

Efficiencies in operations were evident immediately, with cost savings realised after the end of the first financial year. It was also noted that time spent liaising with suppliers increased in the first 12 months in order to ensure specifications were met. This Case Study did however lose some staff after the change.

Key benefits included:

- Significant **cost savings** that transferred directly to money spent on better collections, programs and events
- While there has been a small overall increase in **circulation**, the main benefit is in overall **quality** of collection and alignment to borrower requirements.
- The **processes** at Case Study 2 library became more centralised and refined
- Professional staff built up other areas of **expertise – redeployed** more than 2.5 FTE to customer service roles.
- **Programs and events** doubled, increasing by 2 FTE staff. Currently, around 20% of total staff are allocated to Programs and Events.
- Total **time** for an item to arrive on the shelf: 7 days from the time an item arrives at supplier warehouse. Items are often pre-ordered, up to 3 months in advance of release. Previous to this there was less consistency – it could take up to 6 months for an item to arrive once ordered.

Key costs included:

- Case Study 2 implemented new cataloguing software (RFID) at the same time as the transition to a fully outsourced library. This caused a few implications and resulted in a few backlogs.
- Loss of some staff.
- Costs associated with changing and managing suppliers

Reallocation of resources – found that outsourcing resulted in more than 2.5 FTEs being redeployed into customer service role. Time on programs and events also doubled.

Case Study 3 – Outsourced, Standalone, Large

Case Study 3 is characterised as a standalone, large library (i.e. population >180,000).

Case Study 3 has been outsourcing most of their library operations for the past 5 years, including all of their cataloguing and processing tasks. The decision to outsource mainly came from budget restrictions that resulted in the need to evaluate cost efficiencies. The transition took around 12 months, with the new operations model commencing in 2005.

Case Study 3 still select their own items, but is currently in the process of shifting to a fully outsourced model where selection will be conducted by suppliers via profiling. As a result, it is difficult to measure the quality and time spent on this task, as it is distributed across a number of staff members and their level of commitment to this task can vary. Timing efficiencies are also an issue, with books arriving between days and months of order depending on whether the right item was ordered.

This Case Study expects that a collaborative network would improve the quality of outputs, particularly through collaboration of staff skills that were lost during the outsourcing process.

Key benefits included:

- Benefits from this model were realised within the first year, mainly in staffing costs.
- The biggest change realised was in staff time spent on customer service. Around half of total staff time is currently spent on customer service tasks, compared to 10-20% previously. This was mostly attributed to outsourcing.

Key costs included:

- While FTE has remained the same, staff morale and skills also decreased initially as a result of this change. However, this was also due to organisational restructure and has increased again since.

- Initially, there was additional time spent managing contracts and suppliers. The library spent around 6 months negotiating to get the right specifications

Reallocation of resources – found that outsourcing resulted in increased time (10-20%) on customer service tasks.

Case Study 4 – In house, Regional, Large

Case Study 4 conducts most of their library operations in-house, with some of their selection and processing operations (around 5% of total items) outsourced. They have not yet considered fully outsourcing their operations, but have considered outsourcing all processing operations. Their main concern was that this would result in loss of staff or an increase in overall operational costs.

Time spent on acquisitions, cataloguing and processing was estimated by Case Study 4 as follows:

- Acquisitions: 3.0 FTE
- Cataloguing : 2.0 FTE
- Processing: 0.5 FTE
- Total: 5.5 FTE

This equates to around 0.1 FTE's of time spend on acquisitions, cataloguing and processing per 1,000 acquisitions.

Case Study 5 – In house, Regional, Large

Case Study 5 conducts most of their library operations in-house, with some of their selection and processing operations outsourced. They have not yet considered fully outsourcing their operations, as they consider the library to run effectively, and would like to retain control over the selection process.

Case Study 5 assist surrounding smaller libraries with purchasing and cataloguing. These smaller libraries typically have only 1 staff member devoted to desk or customer service work. The central library also provides technical support, IT expertise and run the library management system for these smaller rural libraries.

Time spent on acquisitions, cataloguing and processing was estimated by Case Study 5 as follows:

- Acquisitions: 1.5 FTE
- Cataloguing: 3 FTE
- Processing: 0.4 FTE
- Outsourcing: \$100,000 (assumed to be equivalent to 1.4 FTEs¹²)
- Total: 6.3 FTEs (including outsourcing costs equivalised into FTEs)

This equates to around 0.09 FTE's of time spend on acquisitions, cataloguing and processing per 1,000 acquisitions.

Case Study 6 – In house, Standalone, Small

Case Study 6 conducts most of their library operations in-house, with some of their selection and processing operations outsourced. They have not yet considered fully outsourcing their operations, as they consider the library to run effectively, and do not consider cost savings to be significant.

Time spent on cataloguing and processing was estimated by Case Study 6 as follows:

- Acquisitions: Not stated.
- Cataloguing : 0.09 FTE
- Processing: 0.15 FTE
- Outsourcing: Not stated.
- Total: 0.24 FTE

This equates to around 0.06 FTE's of time spend on acquisitions, cataloguing and processing per 1,000 acquisitions. It is likely that this estimate would increase above 0.1 if acquisitions and outsourcing time was included.

¹² Assumes a salary of \$73,000 if this task was completed in house.

Case Study 7 – In house, Standalone, Small

Case Study 7 conducts most of their library operations in-house, with some of their processing operations outsourced (around 30% of their operations). They have considered expanding their outsourcing to cataloguing and end processing, but given the library is small, staff would like to maintain control over their selections.

Case Study 7 estimates that it costs \$6.70 per item of staff time from select to shelf ready. This excludes expenditure on materials and the purchase of the book.

Time spent on acquisitions, cataloguing and processing was estimated by Case Study 7 as follows:

- Acquisitions: 0.1 FTE
- Cataloguing: 0.22 FTE
- Processing: N/A (Outsourced)
- Outsourcing: \$6,775 (assumed to be equivalent to 0.1 FTEs)
- Total: 0.24 FTE

This equates to around 0.33 FTE's of time spend on acquisitions, cataloguing and processing per 1,000 acquisitions.

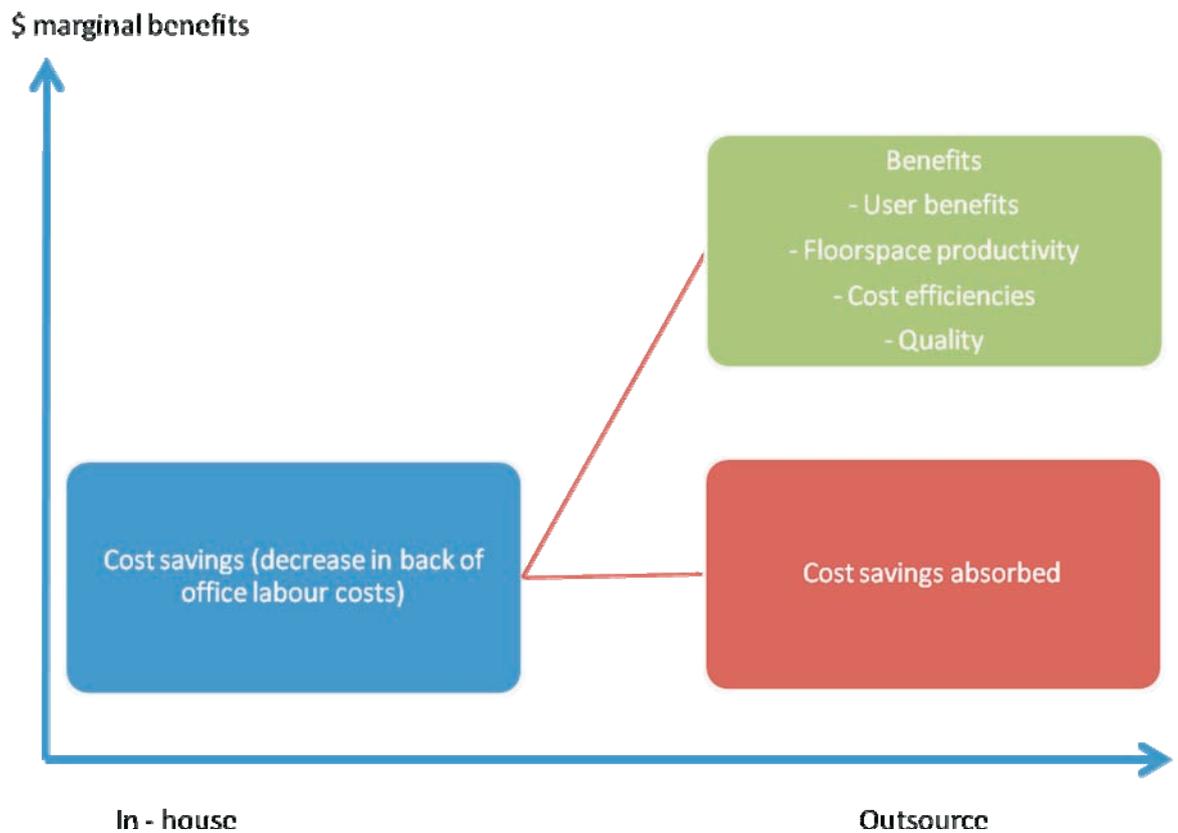
This relatively high back of office FTE requirement compared to the other case studies indicates that smaller libraries may not be able to achieve economies of scale for labour costs. Their relatively lower FTE's per population mean that they are likely to be spread across a range of tasks.

6.3 Conclusions

The key finding of the case study analysis was that outsourcing provides opportunities to re-distribute staff more efficiently across more value add / customer focused tasks as opposed to undertaking operations in house. In particular, libraries were able to redistribute cost savings from reducing in house tasks, to other functions such as creating and improving events and programs, reallocating library floor space, improving collection quality and increased customer focus. This is consistent with the benchmarking analysis undertaken in Section 5.

This means that the benefits of outsourcing are likely to be realised only if the cost savings achieved through reduced staff time on back of office tasks are re-distributed into value adding activities or processes. This also infers that the relative benefit achieved by an individual library will depend on how the cost savings are re-distributed. This conclusion is illustrated in the following figure.

Figure 11. Case Study Findings



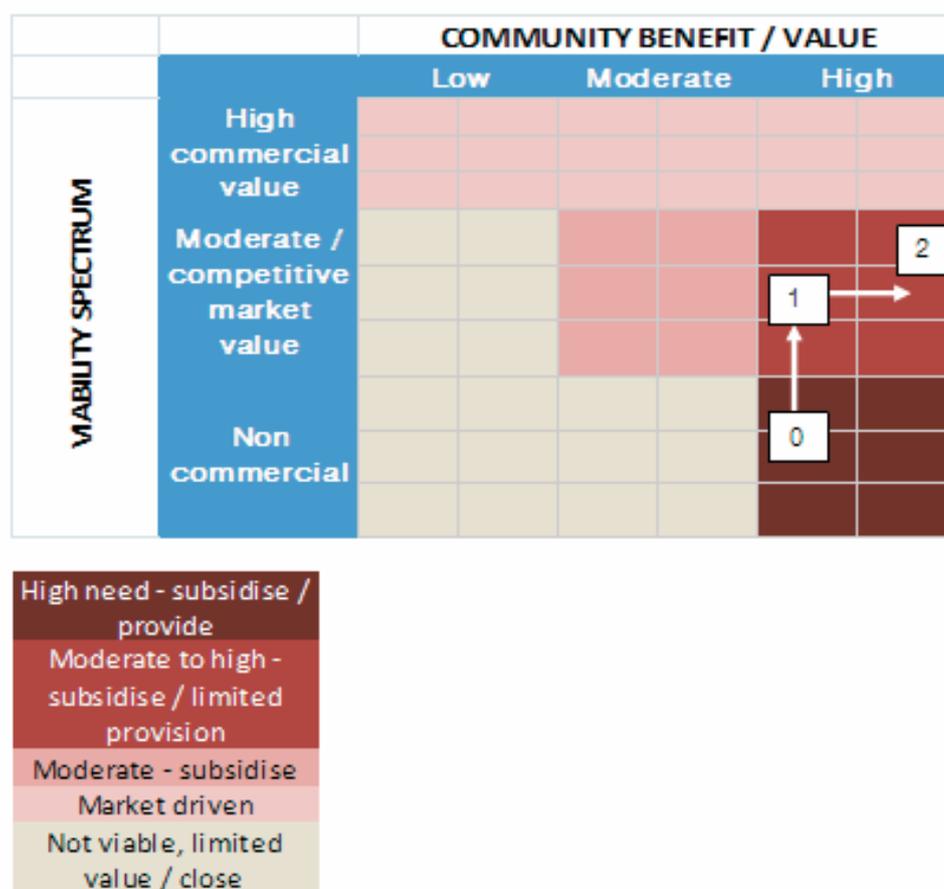
Source: MacroPlan Australia

The benefit cost analysis presented in the following section will therefore focus on how the cost savings are re-distributed and what this means in terms of optimal benefits.

7 Benefit cost analysis

It is recognised that contemporary government practice expects publicly funded bodies to demonstrate their value to the community. Typically public goods such as libraries do not generate commercial value but instead provide a vital service and benefit to the community. This is illustrated in the figure below.

Figure 12. **Community benefit matrix**



Source: MacroPlan Australia

This spectrum provides a framework to this benefit cost analysis and highlights that strategies that focus on moving the position of the public good towards the right and/or upwards should be encouraged. The Case Study analysis presented in this report provides evidence that the transition to outsourcing can move the library upwards (i.e. to box 1 - improved cost efficiency) and to the right through reallocation of resources (i.e. to box 2 - higher benefit).

The objective of this BCA is to quantify, where possible, the value of this shift.

7.1 Overview

The benefit cost analysis technique used for the quantitative assessment takes into consideration, in a world of inherently limited resources, what is gained in terms of the quantifiable net social, environmental and economic outcome of making a decision.

A benefit cost analysis involves inputs and outcomes of an alternative development option being reduced to a common unit of impact (namely dollars), which is then aggregated and compared. The key notion is that if people are willing to pay dollars to have something, presumably it is a benefit; if they would pay to avoid it, it is a cost.

The primary requirements of benefit cost analysis is identifying the stream of benefits and costs over a time period and discounting the values to current monetary terms (i.e. Net Present Value). This study has been based on:

- A 20 year assessment period due to the nature of the project. Note: this is relatively shorter than a conventional 50 year assessment period adopted for most large scale investment BCAs (e.g. rail).
- A discount rate of 7% is used to calculate the NPV¹³. Sensitivity testing was undertaken based on discount rates of 3% and 11%.

The benefit cost analysis establishes the two main outputs that evaluate economic performance. These are the net benefit (net return) and the benefit to cost ratio (return on investment).

- The net return equates to total benefits minus the total value of public costs. It is measured in terms of both direct and wider economic return. The calculation of the direct economic return includes the direct benefits and costs associated with a project, and wider economic return represents the Triple Bottom Line of the project which encompasses a total array of indirect benefits and costs including, where possible, social and environmental indicators.
- The benefit to cost ratio, is the total of benefits or outcomes divided by the total monetary public costs of obtaining them. A ratio greater than one indicates that the project is delivering a net benefit to society. The extent of this benefit is measured by its variance above the breakeven point of one.
- Generally, a project with a higher benefit-cost ratio would be preferred. However, the benefit-cost ratio tends to be biased towards projects with lower initial capital costs.

For the purpose of this project a BCR greater than 2.0 is considered significant.

BCR Decision matrix		
Benefits < 2.0 Low and insignificant	Benefits > 2.0 < 3.0 Moderate and significant	Benefits > 3.0 Large and significant

¹³ The project NPV reflects its added value or profitability, after adjusting for the timing of revenue and cost cash flows by the appropriate discount rate. The NPV method is appropriate for both financial and economic evaluations and, therefore, applicable to all projects with financial or social benefits.

For projects of a commercial nature, the NPV reflects financial viability, as the NPV rule for commercial decision-makers is to accept all proposals with an NPV greater than zero. For proposals delivering social benefits that are not easily quantified, the NPV provides a clear description of the cost of each project alternative.

This Benefit Cost Assessment of outsourcing back of office processes (i.e. cataloguing, processing and acquisitions) has endeavoured to provide for the full spectrum of outcomes to assess the achievement of:

- Quantitative outcomes (Section 7): incorporating Benefit Cost Analysis, taking into account direct economic and wider Triple Bottom Line cost and benefits items of outsourcing compared to undertaking these processes in house. Sensitivity tests addressing variable ranges have also been incorporated into the Benefit Cost analysis.
- Qualitative outcomes (Section 8): rated according to a range of sustainability based Key Performance Indicators (KPIs), including separate interpretive analyses of economic, social and operational considerations/ impacts, and drawing on information received through consultation and research. The outcome of this analysis takes the form of a chart illustrating the actual ratings of each indicator and a chart that compares the average of indicator ratings for each of the bottom lines - economic, social and environmental.

The aim is to encompass all outcomes by interconnecting the outputs from these complementary assessments.

7.2 The base case - pre outsourcing of cataloguing, processing and acquisitions

From a methodological perspective, the specification of the base case (i.e. in house) and alternative options (i.e. outsourcing) is important. This is because the analysis in this assessment is based on the net differences in indicators identified for the 'current' and 'alternative' options.

The base case used for this assessment is an 'in house' model.

A number of assumptions have been made regarding the base case. These assumptions have been based on findings from the case study analysis, library survey, and literature review.

The base case has been defined as:

- Size Typology: Medium (around 120,000 to 180,000 service population)
- Acquisitions: 20,000 – 35,000
- Staff: 40-50 FTEs
- Visitation: 600,000 to 1,000,000

7.3 Test case - post outsourcing

As part of the assessment of additional benefits that may accrue from outsourcing, MacroPlan has assessed how potential cost savings from outsourcing will potentially be re-distributed.

Assumptions have been made about how cost savings may be re-distributed to activities that create user benefits, productivity benefits, floorspace productivity or cost efficiencies.

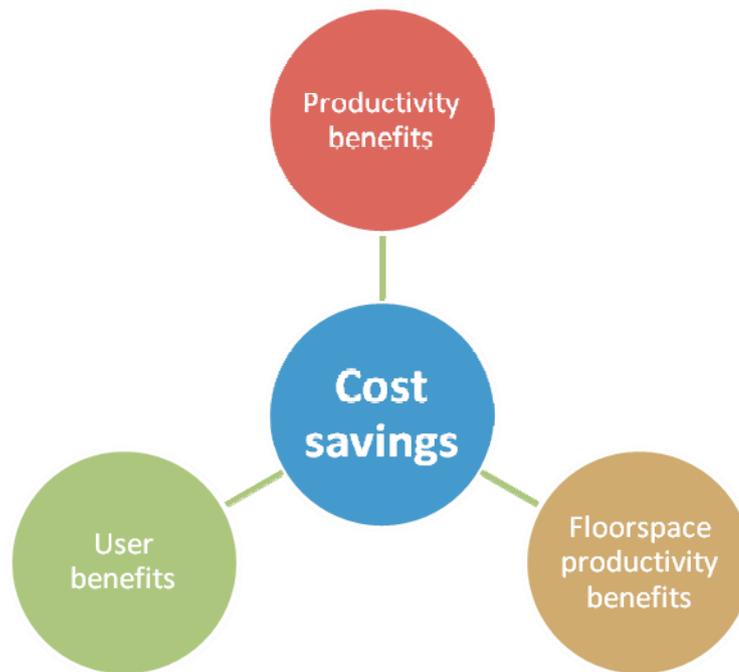
MacroPlan has also drawn from its Library experiences and case studies to determine the likely changes in cost savings and benefits.

To assess the net additional benefit potentially derived by outsourcing, MacroPlan has derived an estimation of the staff requirements per acquisition and how this may change through outsourcing. The following steps have been undertaken:

- Estimate the typical cost saving of the base case Library moving to an outsourced model. Cost savings have been based on the average cost saving per acquisition. The key variables for this calculation include number of acquisitions, staff (FTE), salaries including on costs, material costs, outsourcing cost per acquisition, supplier management costs.
- Estimate the user benefit of this cost saving, assuming that resources are redistributed from back of house to front of house / value add activities such as Programs and Events, Collection quality, increased customer satisfaction, etc. The proxy for user benefit has been defined as increases in attendance at events and programs. User benefit has been estimated at \$20 per visit. This estimate is based on the estimates used in "Enriching Communities: the value of Public Libraries in NSW", p28¹⁴ that estimates the value of attending an event in lieu of other recreation opportunities.
- Estimate productivity benefits: Productivity / cost effectiveness gains – increased output for the same or reduced inputs. Change in turnover was used as a proxy to estimate this benefit (i.e. increase book turnover for the same or reduced expenditure on resources).
- Estimate the floorspace productivity improvement from converting back of office space into more productive space. For the purpose of this assessment, it has been assumed that back of office floorspace is converted into new books which results in induced borrowings. Estimates of floorspace productivity improvements assume that around 150sq.m of floorspace can provide around 7,500 books. The value of a book has been estimated at \$25 per loan.

It is noted that all these benefits may not be generated on a library by library basis. The purpose of this assessment is to illustrate the type of benefits that could be achieved. It also provides a basis for Libraries to identify the potential benefits that they could achieve through redistributing cost savings.

¹⁴ Library Council of New South Wales, 2008. Enriching Communities: the value of public libraries in New South Wales



Based on the assumptions above, unit costs have been applied to the change in the pre-outsourcing cost structure to the post outsourcing cost structure. This allows a calculation of the economic and social benefits that may accrue from the cost savings.

A key consideration with achieving benefits is the redistribution of cost savings to value adding tasks or services. Larger benefits are likely to be generated by:

- Existing cost structure performance. Libraries that currently have inefficient processes or higher costs per acquisition are likely to experience larger benefits. According to the PLAIN Costing Project, there appears to be substantial economies for labour costs i.e. larger libraries may be able to undertake some functions [PLS services] in a cost effective manner while smaller libraries may not. This may mean that there will be relatively larger cost savings for smaller libraries as opposed to large libraries.
- Type of re-distribution: The type of activity / service provided as a result of the cost saving will also impact on the scale of the benefits generated. Essentially, the benefits refer to user benefits so it is critical that the re-distribution meets the needs of the communities in order to maximise this benefit.
- Centralised approach: The benefits considered in this BCA are based on a library by library basis. Larger benefits may accrue if considering the library in a centralised model where they can capture other economic benefits such as economies of scale and other cost efficiencies.

7.4 Benefit cost analysis

Through this study, data relating to both labour costs and material costs were estimated for in house activities relating to:

- Acquisitions

- Cataloguing
- Processing

This BCA modelling exercise focuses on cataloguing and processing as data relating to selection was limited and varied considerably. In the case study analysis, it appears that there were minimal changes in acquisitions with libraries still being involved in some component of this (e.g. profiling or selection).

It is important to note the limitations of these estimates given the complex nature of data collected in this study, such as issues associated with estimating staff time accurately, and the variations in organisational structures between services. The estimates used in this BCA are indicative only and are based on very small sample sizes and therefore may not reflect different library services. Instead, this BCA provides a hypothetical analysis of a library service. A wide range of factors could influence the actual or observed environment.

7.5 Costs

Labour costs – in house

Labour costs for Libraries who undertake cataloguing and processing were derived from data collected in the Case Studies. Annual labour costs have been calculated by applying the number acquisitions by the annual FTE salary (including on-costs) and the number of FTE's required for every 1,000 books acquired.

The FTE requirement per 1,000 acquisitions has been estimated at 0.15 (i.e. around 4.5 FTE's are required for 30,000 acquisitions). This benchmark is likely to vary from library to library and may depend on a range of factors including, but not limited to:

- If books are pre-processed prior to delivery;
- Type of books to be catalogued;
- Number of branches;
- Different processes, systems and procedures.

Sensitivity analyses (i.e. upper and lower estimates) have been used in an attempt to account for these factors.

The following table summarises the results based on the assumptions outlined above. Based on a total of 30,000 acquisitions, the estimated annual labour cost to undertake cataloguing and processing in house was estimated at around \$328,000 or around \$11.00 per book. Sensitivity testing suggests that this could range from \$7.30 to \$11.70 per book.

Figure 13. **Labour costs – ‘in-house’ – cataloguing and processing**

Direct costs	Estimates
Acquisitions	30,000
Salary (\$2008)	\$73,000
FTE requirement per 1,000 acquisitions	0.15
Annual labour cost	\$328,500

Source: MacroPlan Australia

Material costs – in house

The figure below summarises the annual material costs based on this example. In this case, material costs have been estimated at \$2.50 per item resulting in an annual material cost of \$75,000.

Figure 14. **Material costs**

Direct costs	Estimates
Acquisitions	30,000
Material cost per item (\$2008)	\$2.50
Annual material cost	\$75,000

Source: MacroPlan Australia

Total costs – in house

Based on the example outlined above, the total cost of undertaking cataloguing and processing in house has been estimated at \$403,500, or around \$13.45 per item. Based on the sensitivity analysis, this could range from \$9.80 to \$14.20 per item.

7.6 Cost savings

Labour costs –outsourcing model

It was found in the case study analysis that some time is still allocated to in house cataloguing and processing tasks. Staff time is also allocated to the managing, liaising, and coordination of suppliers. The case study analysis also showed that in some cases the immediate staff requirement was relatively higher as it is a new process. This short term impact has been accounted for in this modelling exercise.

The table below summarises the labour costs for this outsourcing example. Annual labour cost has been estimated at around \$58,000, or around \$2.00 per item.

Figure 15. **Labour costs – outsourcing – cataloguing and processing**

Direct costs	Annual estimates
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Acquisitions	30,000
Salary (\$2008)	\$73,000
FTE requirement per 1,000 acquisitions	0.02
Number of FTE's to manage suppliers	0.20
Annual labour cost	\$58,400

Source: MacroPlan Australia

Material costs – outsourcing

Under this example, no material costs have been estimated. This has been assumed to be absorbed in the cost of suppliers.

Supplier cost

Estimates of supplier costs have been derived from the case study analysis. Based on this analysis, the cost of suppliers has been estimated at \$7.50 per item. Obviously a range of factors will influence this variable and is likely to vary from Library to Library.

Based on this example, the supplier cost has been estimated at around \$225,000 for 30,000 items.

Total costs – outsourcing

Based on the example outlined above, the total cost of outsourcing cataloguing and processing has been estimated at \$283,400, or around \$9.45 per item. Based on the sensitivity analysis, this could range from \$8.50 to \$11.50 per item.

Cost savings

The following matrix illustrates the potential cost savings by applying the upper, middle and lower ranges of the cost estimates outlined above. Outsourcing results in a cost saving of 30% or \$4 per item under the middle value scenario. However, this could range from a cost saving of 40% (cost saving \$5.70 per item) to a cost increase of 17% (cost increase of \$1.70) depending on assumed values.

Taking the average values from the table below results in:

- Cost saving of 20%
- \$2.67 per item cheaper to outsource

Figure 16. Cost saving matrix

Cost per item	Outsourcing		
	\$8.50	\$9.45	\$11.50

In house	\$9.80	-13%	-4%	17%
	\$13.45	-37%	-30%	-14%
	\$14.20	-40%	-33%	-19%
Estimated cost saving		Outsourcing		
		\$8.50	\$9.45	\$11.50
In house	\$9.80	-\$1.30	-\$0.35	\$1.70
	\$13.45	-\$4.95	-\$4.00	-\$1.95
	\$14.20	-\$5.70	-\$4.75	-\$2.70

Source: MacroPlan Australia

The cost saving results outlined above are consistent with other research including the benefit cost study for Yarra Plenty (cost saving of around \$4 per item) and Brisbane City Council (cost saving of around \$3.8 per item).

7.7 Benefits

As demonstrated by the case study analysis, the major benefit of outsourcing appears to result from the re-allocation of cost savings, via reduced back of house tasks, to other functions such as events and programs, new space, collection quality and customer focus.

Based on the example above, the library has a choice of re-distributing the \$2.67 per item cost saving into other functions. If however, this cost saving is absorbed rather than re-distributed, then flow on impacts are likely to be limited and result in negligible economic benefits.

In undertaking this analysis, MacroPlan has relied on the existing work about the economic value of Libraries undertaken on behalf of NSW Public Library Network Research Committee. This report, *Enriching Communities*¹⁵, provides clear evidence of the contribution and value of NSW public libraries in terms of the Triple Bottom Line, or economic, environmental and social impact.

In particular, the report contains the following table which can be used to estimate economic benefit of different library transactions.

¹⁵ Library Council of New South Wales, 2008. *Enriching Communities: the value of public libraries in New South Wales*

Figure 17. Estimated economic benefit

Description	Transactions	Unit Cost	Benefit (\$mil.)
Books borrowed in lieu of purchase	28,030,037	\$25	\$ 700.8
Non-books borrowed:			
(a) in lieu of purchase	1,305,117	\$20	\$ 26.1
(b) in lieu of rental	5,220,470	\$4	\$ 20.9
Serials borrowed in lieu of purchase	2,261,654	\$4	\$ 9.0
Separate collections borrowed in lieu of purchase	7,799,737	\$25	\$ 195.0
Access materials in-house in lieu of purchase			\$ 199.9
Internet usage in lieu of Internet Cafes	1,997,533	\$3	\$ 6.0
Legal costs offset by LIAC enquiries	46,144	\$200	\$ 9.2
Information requests in lieu of purchase	3,495,787	\$10	\$ 35.0
Attend library programs in lieu of external programs	714,390	\$20	\$ 14.3
Total Economic Benefit			\$1,216.2

Source: Enriching communities: The value of public libraries in New South Wales, 2008

User benefit

In order to estimate the potential user benefit generated by the cost savings identified in section 7.6, the following steps have been undertaken:

- Estimate the number of FTE's re-allocated from operations to events and programs or other customer service roles. Based on the case study analysis, the amount of time spent on programs and events doubled after the library started outsourcing. This estimate can also be calculated by converting the cost saving into FTEs. For the purpose of this assessment, it has been assumed that the average number of FTEs on events and programs is 2 under the in house model and 4 (factor of 2 applied) under the outsource model.
- Estimate the number of new attendees to events and programs. According to one of the case studies, there was an increase of 2 FTEs on program and events after outsourcing started. Over a 7 year period, the number of new attendees increased by 13,100, or around 5,900 per additional FTE on program and events.
- Estimate the economic benefit of attending an event or program. This has been estimated at \$20 per visit based on the Enriching Communities report.
- Allow for increases in attendance under the in house model to take into account the general trend towards program and events. It is important to note that events and programs are likely to increase into the future irrespective of whether a Library outsources or not. The net increase in events, allowing for

some increase in attendance under the in house model has been estimated by discounting the user benefit by 20%

The figure below outlines the user benefits based on the assumptions above. Under this example, the net user benefit per year has been calculated at \$188,880 per year.

Figure 18. **User benefit estimates**

User Benefit	Estimate
Attendees per new FTE on events and programs	5,900
New FTE's on events and programs	2.0
New attendees	11,800
User benefit per event attended	\$20
Annual User benefit	\$236,000
Annual Net user benefit per year	\$188,800

Source: MacroPlan Australia

Productivity / cost effectiveness benefits

According to the Case Study Analysis and benchmarking analysis, outsourcing can free up time for staff to work on other value adding activities such as:

- Increased time on selection
- Increased time on discards
- Increased time on customer service

Together, these activities can result in productivity gains as a result in improved collection quality. In order to estimate productivity improvements, MacroPlan has used turnover as a proxy for this improvement. This assumes that outsourcing results in increase outputs, holding expenditure constant, and with holding other variables constant (i.e. Ceteris paribus). This infers that there is an increase in outputs for the same level of inputs.

This KPI can be reflected through increased turnover rates. Turnover rates refer to the number of loans divided by total stock and can reflect the quality of the collection.

The figure below outlines the productivity benefits based on the following assumptions:

- Total book stock is equal to 110,000
- Turnover rates increase by 0.1 points. This reflects a productivity improvement from time redistributed more efficiently. This estimate is considered conservative to eliminate double counting of benefits.
- The value of a new loan (book and non-book) has been estimated at \$20¹⁶ based on the Enriching Communities report.

¹⁶ Assumes 80% are book loans and 20% are non-book / serial loans

Figure 19. **Productivity benefit**

	Estimate
Book stock	110,000
Increase in turnover	0.1 pt
Increase in loans	11,000
User value	\$20
Productivity benefit per annum	\$330,000

Source: MacroPlan Australia

Floorspace productivity

According to the case study analysis, the shift of resources from back of office roles to event and programs or customer service roles can open up new floorspace for other activities.

In order to estimate the potential floorspace productivity increase generated by the cost savings identified in section 7.6, the following steps have been undertaken:

- Estimate the re-allocation of back of office jobs: Based on the analysis above, around 2.0 FTE's are re-allocated to non-back of office roles after outsourcing.
- Estimate the floorspace per employee: 50 sq.m. per FTE, based on industry benchmarks
- Estimate the space available: Based on the assumptions above, the library could re-configure around 140 sq.m. of floorspace.
- Estimate the value of the new public space: To estimate the value of the new public space, MacroPlan has estimated the potential number of new books this could generate. This has been calculated at 30 new books for every new sq.m of floorspace (assumes some space is used for the purposes). The value of a new book loan has been estimated at \$25 based on the Enriching Communities report¹⁷. An average turnover rate is also assumed.

The figure below outlines the floorspace productivity benefits based on the assumptions above. Under this example, the floorspace productivity benefit per year has been calculated at \$375,000 per year. It is also assumed that this new space may come at a cost in the form of a grant.

¹⁷ Library Council of New South Wales, 2008. Enriching Communities: the value of public libraries in New South Wales

Figure 20. **Floorspace productivity benefit**

	Estimate
Re-allocated FTE's	2.0
Space increase (sq.m)	100
New books per sq.m	30.0
New books	3,000
Turnover per book	3.0
New books borrowed	9,000
User value (in lieu of purchase)	\$25
Public space benefit per year	\$225,000

Source: MacroPlan Australia

It is important to note that floorspace will be more valid in some libraries than others. This should be taken into account when assessing individual library requirements.

7.8 Benefit cost findings

This section summarises the outcomes of the benefit cost analysis. Three scenarios have been developed to show the potential net returns and Benefit Cost Ratios (BCR) from outsourcing. The scenarios have been derived on the potential cost saving estimated in section 7.6:

- Scenario 1 – moderate cost saving: \$2.67 per item
- Scenario 2 – lower cost saving value: \$1.30 per item
- Scenario 3 – higher cost saving value: \$4.00 per item.

The figure below summarises the findings of this benefit cost assessment.

Figure 21. **Benefit cost assessment findings, NPV 7%**

	Scenario 1 (cost saving @ \$2.67 per item)	Scenario 2 (cost saving @ \$1.30 per item)	Scenario 3 (cost saving @ \$4.00 per item)
Benefits	\$6,846,783	\$6,411,369	\$7,269,484
Costs	\$3,159,582	\$3,159,582	\$3,159,582
Net return	\$3,687,201	\$3,251,787	\$4,109,902
Benefit cost ratio	\$2.2	\$2.0	\$2.3

Source: MacroPlan Australia

7.9 Conclusions

This section has provided a benefit cost framework to quantify the benefit and costs of outsourcing a library's processing and cataloguing functions. Benefits that were quantified include cost savings, user benefit and floorspace productivity improvements.

Based on this quantitative framework and the assumptions derived from the Case Studies, the BCR for a Library with 30,000 acquisitions appears to range between \$1:

\$2.0 and \$1: \$2.3. That is for every dollar allocated to outsourcing returns around \$2 to \$2.3 in benefits.

This can be interpreted as follows:

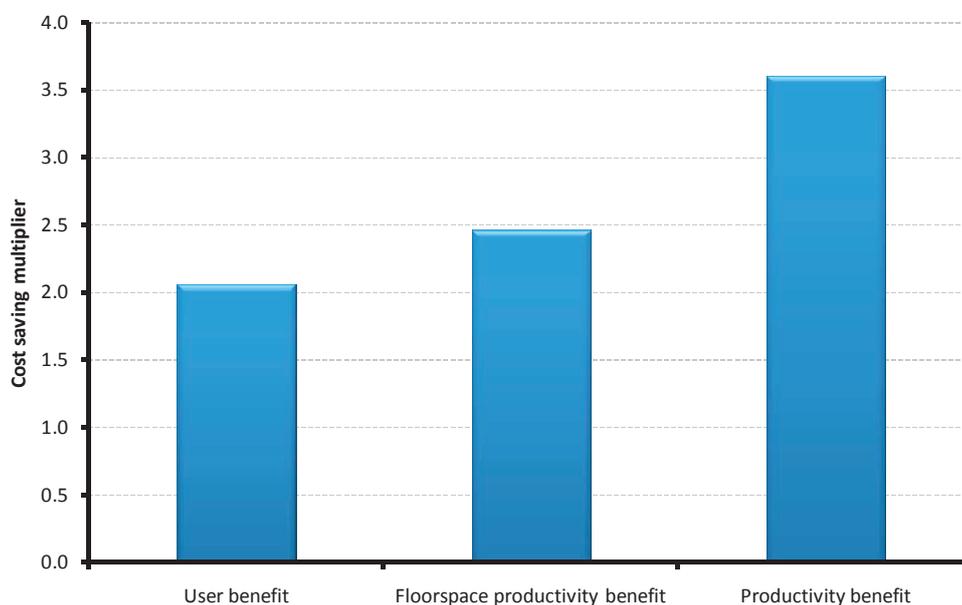
- Outsourcing on a library by library basis (as opposed to a centralised model) results in a reasonable BCRs. BCR's greater than \$2.0 are typically considered significant.
- BCR's are likely to be impacted by a range of factors such as the current cost efficiency of the library, capability to redistribute resources, the size of the library, and the position of the library in its transition to a future library.

The figure below illustrates the benefit multipliers achieved for each dollar in cost savings. This analysis is based on a cost saving of \$2.67 per item (scenario 1).

- User benefit: \$2.05 multiplier for every dollar in cost savings
- Floorspace productivity benefit: \$2.46 multiplier for every dollar in cost savings
- Productivity benefit: \$3.28 multiplier for every dollar in cost savings

An important outcome of this analysis was that the productivity benefit was seen to be the most significant outcome on a dollar cost saving basis.

Figure 22. **Cost saving multiplier**



Source: MacroPlan Australia

8 Triple Bottom Line assessment

The previous section outlined a benefit cost framework for an example library. This section builds on this analysis by applying a Triple Bottom Line assessment to understand how benefits and costs may change depending on a range of factors such as size and library model (i.e. Local / Regional / Collaborative).

8.1 Assessment options

This Triple Bottom Line assessment has been applied to two separate typologies:

- Size typology: Comparison of benefits and costs from moving to an outsourcing model for Small, Medium and Large libraries.
- Model type: Comparison of benefits and costs from moving to an outsourcing model for Local, Regional and Collaborative libraries.

8.2 Triple Bottom Line matrix

Based on the case study analysis, review of relevant literature, and the BCA in Section 7 a list of Key Performance Indicators have been selected to conduct this assessment. These indicators are described below and provide the basis for an assessment of the comparative performance. Each scenario is considered to have either direct or indirect impacts on the economy, the community and operational.

Collectively, the indicators chosen are considered to best describe the overall costs or benefits of outsourcing. These have been compiled to form a benefit summary, as the aim of the analysis is to identify the overall economic, social and operational impacts of outsourcing, drawing on information received through consultation and research; and provide a clear assessment of the sustainability outcomes resulting from each scenario. Each key performance indicator has an indicative calibration measure which clarifies differences between the scenarios.

Economic assessment

The economic indicators used in this evaluation are outlined below:

- Cost efficiencies and cost savings
- Economies of scale
- Purchasing power
- Floorspace productivity

Social assessment

The social indicators used in this evaluation are outlined below:

- Customer focus / customer satisfaction
- Visitation and attendance

- Loans
- Loss of staff
- Loss of collection diversity

Operational assessment

The operation indicators used in this evaluation are outlined below:

- Variety of roles and opportunities for staff
- Reduced backlogs
- Quality of collection
- Order to shelf times

8.3 Evaluation matrix

To analyse the range of the benefits and costs associated with the proposed development options that cannot be assigned a value, a comparative rating matrix was developed to provide a prognostic measure of changes in a number of indicators.

The comparative rating matrix measures the positive and negative effects of the options. The definitions of these rating levels are described in table 13 below. A positive effect is rated in three categories ranging from 'some' (being a small benefit) to 'moderate' to 'high' benefit based on a scale of 1 to 10 (with 1 representing relatively minor positive impact and 10 representing a major positive impact). The negative effects were rated as a corresponding cost that is 'some' (being a small cost) to 'moderate' to 'high' cost based on a scale of -1 to -10 (with -1 representing relatively minor negative impact and -10 representing a major negative impact). An equal weighting has been applied to all indicators in order to maintain a transparent assessment outcome.

This is illustrated in the following evaluation matrix.

Figure 23. **Evaluation matrix**

Rating Level	Description
-10	Major negative impacts with serious, long term effects leading to serious damage, degradation, deterioration of the physical, economic or social environment. Would require major commitment to strategies that mitigate the effect. Likely to impact a regional to city level.
-5	Moderate negative impact. Impacts may be short, medium, or long term and impacts. Mitigation actions are likely. Likely to impact a sub-regional to regional area.
-1	Minimal negative impact, probably short term. Able to be managed/mitigated and will not cause a substantial detrimental effects. Likely to be confined to a small area.
0	No discernible impact
+1	Minimal positive impact, possibly only lasting over the short term. Confined mainly to a limited area.
+5	Moderate positive impact, possibly of short/medium/long term duration. Positive outcome may be in terms of new opportunities or outcomes such as enhancement or improvement.
+10	Major positive impacts resulting in substantial and long term improvements/enhancement/opportunities of the existing environment.

Source: MacroPlan Australia

8.4 Findings by Size Typology

The size of the library is likely to impact on the relative level of benefits that can be generated from outsourcing a library's processing, cataloguing and acquisitions.

Due to the nature of this study, MacroPlan have used number of acquisitions as a proxy for library size. While this is different to the classification system used in the NSW Public Library Statistics, this classification used by MacroPlan is useful in understanding the relationship between acquisitions and outsourcing.

- Small: Acquisitions less than 12,000
 - Very small defined as less than 5,000
- Medium: Acquisitions between 10,000 and 25,000
- Large: Acquisitions greater than 25,000
 - Very large defined as 35,000+

This analysis is based on a library by library analysis and therefore does not consider the Library model (i.e. standalone, regional, cooperative).

Economic

Cost efficiencies: As noted earlier, libraries that currently have inefficient processes or higher costs per acquisition are likely to experience relatively larger benefits. According to the PLAIN Costing Project, there appears to be substantial economies for labour costs. This means that larger libraries may be able to undertake some functions [PLS services] in a cost effective manner while smaller libraries may not. This may mean that there will be relatively larger cost savings for smaller libraries as opposed to large libraries.

The PLAIN Costing Project found that to provide book purchasing services¹⁸ themselves, it would cost libraries the additional amount of:

- Metropolitan (24,921 purchases per year): \$16.15 per item
- Country (3,461 purchases per year): \$61.48 per item
- Joint use (995 purchases per year): 124.76 per item.

While the South Australian context is different, inferences can be made about the size of the library (in this case in terms of purchases) and the relative cost of undertaking Public Library Services tasks.

Applied to the NSW context, libraries of medium to large size may already be relatively cost effective in back of office tasks, while small sized libraries may achieve a relatively larger benefit through outsourcing their cataloguing, processing and acquisition. The Case Study analysis was consistent with the findings of the PLS Costing Project that found that medium and large libraries appear to undertake operations more cost effectively than smaller libraries.

Based on the Case Study Analysis, it was found that a large library (i.e. + 180,000 population) considered that their Library was currently performing effectively in terms of their back of office functions. According to their time estimates this library service had a relatively low ratio of cataloguing and processing FTEs per acquisition and as such would achieve relatively limited benefits in outsourcing their operations.

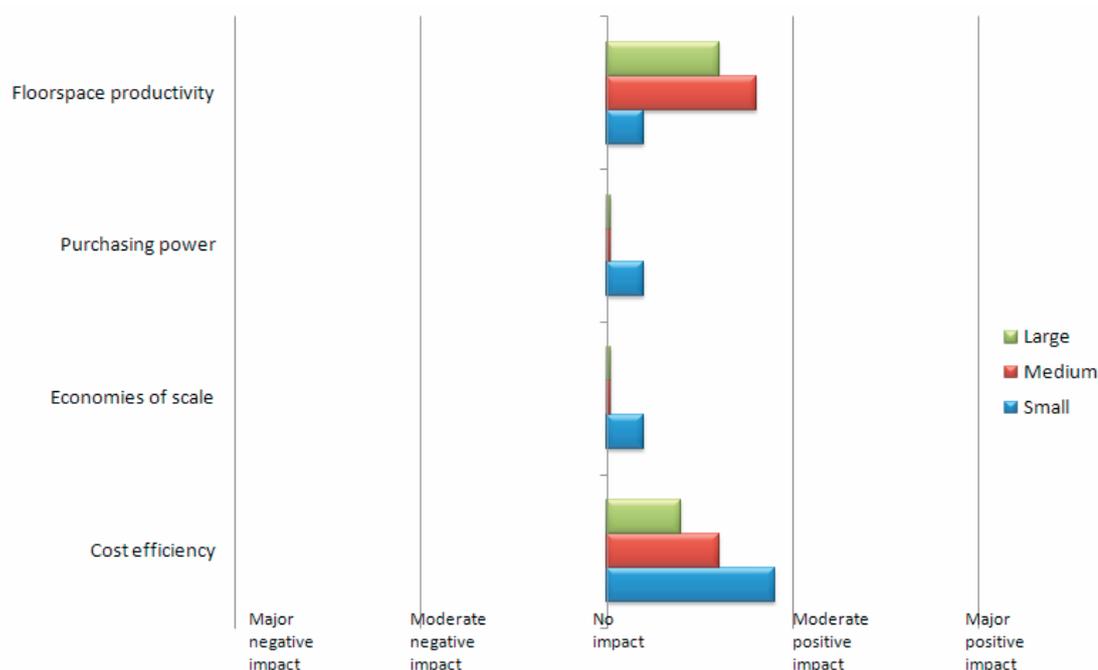
Purchasing power and economies of scale: Based on the Case Study Analysis, it was found that libraries who outsource have not experienced benefits from purchasing power or economies of scale. For this reason, all scenarios have received a low score on this indicator. This score is expected to be higher if libraries are outsourcing in a Collaborate environment.

Floorspace productivity: It was found through the case study work that outsourcing can result in a significant reduction in back room and storage space generally. In newer libraries this could result in lower building and maintenance costs. Alternatively significant benefits can be generated by re-configuring this space into collections / or event space. This benefit is expected to be larger in medium and large libraries compared to small libraries due to the greater potential for staff reallocation.

¹⁸ These services include activities such as selection, acquisition, and cataloguing, but also include other activities not analysed in this study such as delivery, research and development; etc.

The figures below present the Economic findings for each of the size typologies.

Figure 24. **Economic Bottom Line**



Source: MacroPlan Australia

Social

Loss of staff: While there may be some benefits related to cost efficiencies for small libraries, there is the potential for social costs in terms of job losses. This is of particular concern in communities where the Library is a relatively large employer and any impact on employment may have negative impacts on the community. This negative impact could be even larger for very small libraries (i.e. with acquisitions less than 5,000).

This issue could be even more pronounced in communities who are already facing difficulties such as loss of population and economic activity as a result of the forces of globalisation and of competition from larger centres and the city, or difficulties related to ageing and service provision. Any impact on employment is likely to have severe consequences to a community's standard of living. Therefore, any decision to outsource operations in a small / rural library setting should pay special attention to this potential job loss.

With regards to Medium and Large libraries, it was found that job losses were less of a concern and in most cases staff were reallocated into other roles. There was little evidence to suggest that staff losses would occur. There appeared to be some issues relating to **staff morale** initially, but with careful communication this can be mitigated.

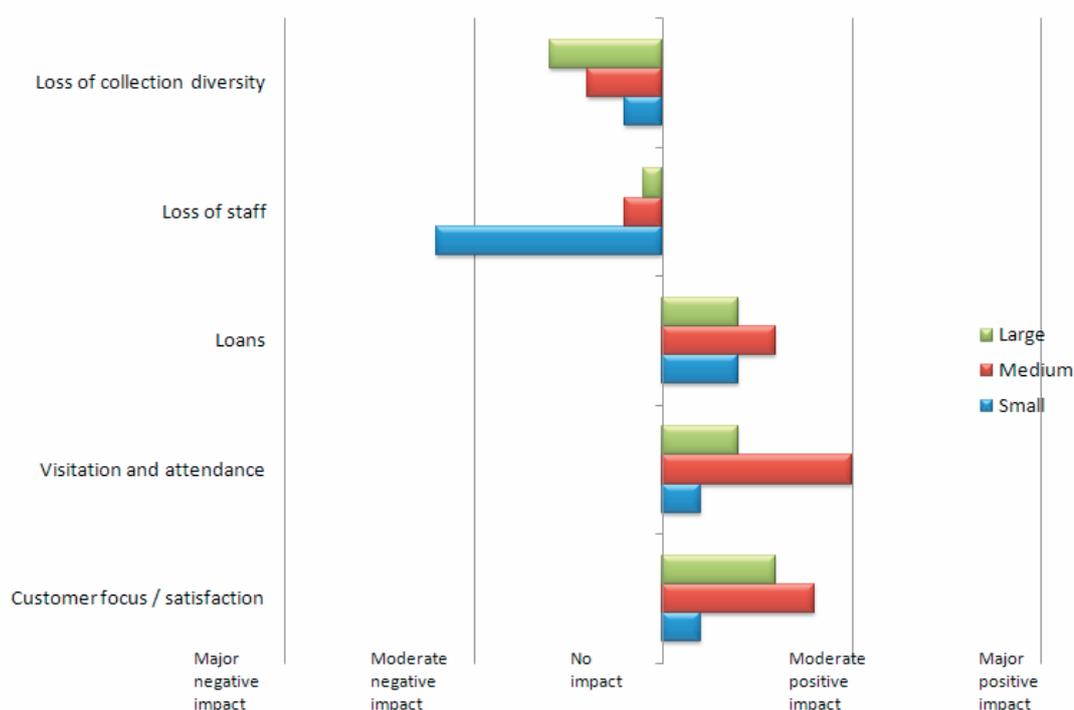
With regards to **loans and visitation**, it is expected that small libraries will be less able to reallocate staff easily to other roles as they typically have lower levels of FTEs per population and therefore are likely to have reduced opportunities to redeploy resources. As illustrated in the BCA, Medium sized libraries are likely to be able to shift resources into front of office / events and program roles and thereby generating benefit

multipliers through increased visitation, and improved turnover rates. It is expected that Large Libraries will also generate these benefit multiples albeit to a lesser extent.

While not evident in the Case Study work, the literature suggests that there may be some concerns with the **diversity of the collection** under an outsourcing model. There appears to be a potential for some negative social impacts with loss in diversity or loss in local content. Evidence from the PLAIN system suggests that larger libraries have experienced this issue. In the NSW context this could be mitigated through libraries purchasing a share of local content relevant to their population.

The figures below present the Social findings for each of the size typologies.

Figure 25. **Social Bottom Line**



Source: MacroPlan Australia

Operational

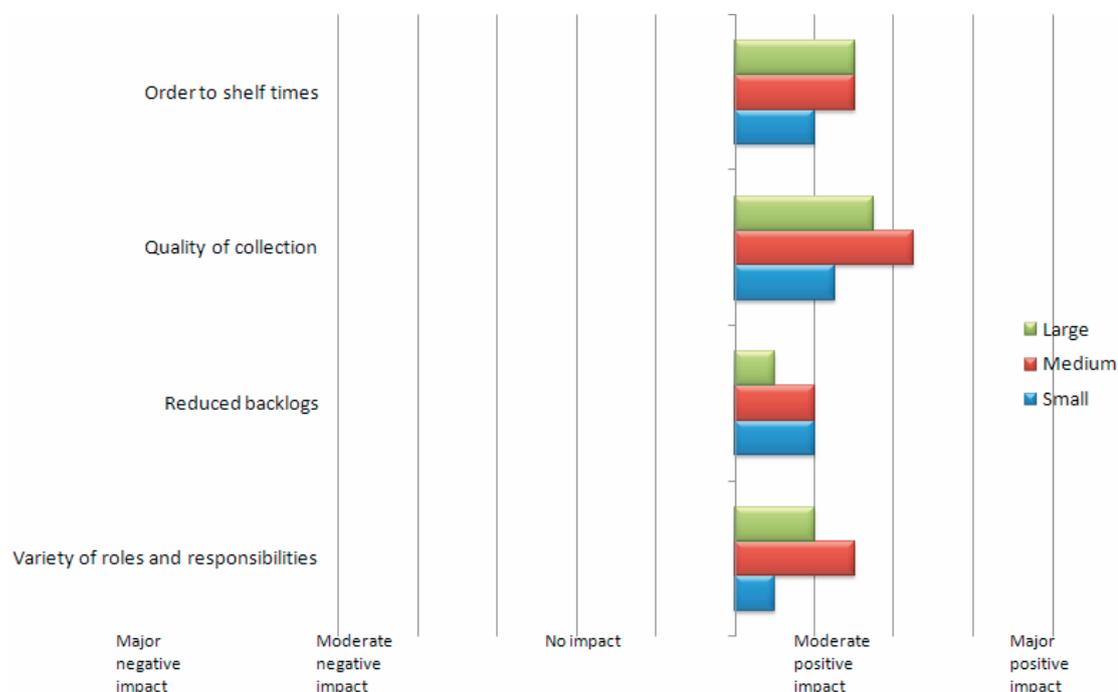
As highlighted in the Case Studies, in addition to reallocating resources to customer focused areas, outsourcing was considered to potentially reshape traditional cataloguing culture by introducing flexibility and therefore better meet customer needs. Improvements in **collection quality** as a result of outsourcing were cited as a key benefit by a number of libraries. This opinion is consistent with the benchmarking study which found that outsourced libraries performed relatively well on turnover rates (an indicator of quality) compared to the peer group.

Reduction in **backlogging** was also cited as a benefit from outsourcing. In most cases, it appears that libraries who outsource are less impacted by external issues such as staff leave (i.e. sick leave, annual leave, etc) and thereby provide a more consistent service.

Improvements in order to shelf times were also noted as a benefit by libraries. This benefit again appears to be generated through improved consistency.

The figures below present the Operational findings for each of the size typologies.

Figure 26. **Operational Bottom Line**



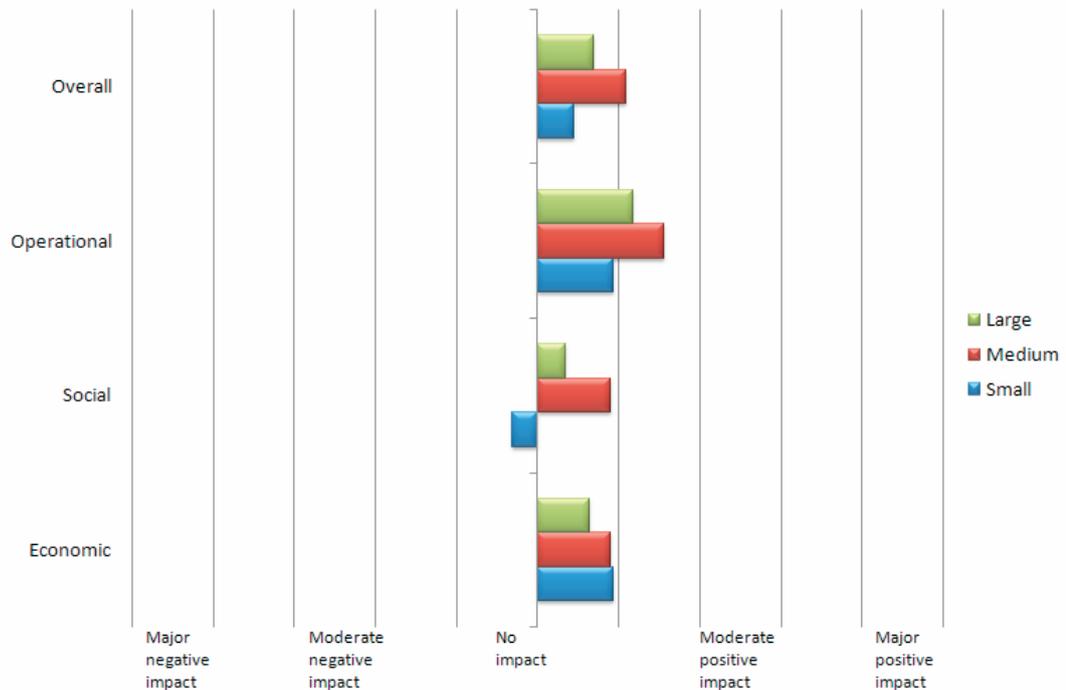
Source: MacroPlan Australia

Triple Bottom Line Summary

The figure below presents the findings from this TBL analysis by size typology.

- Small: Rank 3rd (Average score: 0.9): This typology was ranked last in terms of the social bottom line, but first for the economic bottom line. Potential staff losses were the key reason for this typology performed least well of the typologies.
- Medium: Rank 1st (Average score: 2.2): Performed well against all bottom lines, particularly for social and operational. Ability to shift resources into more value-add roles was the key reason for this typology out performing Large and Small libraries.
- Large: Rank 2nd (Average score: 1.4): Performed well against all bottom lines, but did not achieve the benefits of medium sized libraries. The key reason for this is that it appears the larger libraries are already achieving economic efficiencies in labour. That is larger libraries may be able to undertake processing and cataloguing in a relatively more cost effective manner, and therefore not achieve the same benefit multipliers as medium size libraries.

Figure 27. **TBL Summary**



Source: MacroPlan Australia

8.5 Findings by Library Model

Library types have been based on the report *Library Models in New South Wales*¹⁹ report dated March 2007. The three main models identified were:

- **Standalone libraries:** LGAs operating under the standalone model has accepted the responsibility to independently provide library service to their community.
- **Regional libraries:** Where two or more LGAs collaborate to deliver library services, the model is generally classified as regional.
- **Cooperatives:** Where two or more library services formalise an arrangement to jointly undertake agreed components of library service provision, they are deemed to be operating under the cooperative model, as enabled by Section 12 (2) of the Library Act.

While there are perceived benefits and costs associated with each, it can be concluded that regional and cooperative libraries are more likely to obtain greater benefits through outsourcing, due to ability to achieve economies of scale through sharing services such as standardised cataloguing and library management systems, as well as increased purchasing power through a collective approach.

This means that cooperatives are likely to achieve the greater spectrum of benefits such as cost saving multipliers and increases in economies of scale and purchasing power.

¹⁹ Public Libraries New South Wales-Country, 2007. *Library Models in New South Wales at a glance*

The Case Study Analysis is consistent with this conclusion. In particular, expected benefits from the SSROC collaborative are expected to be large, particularly in terms of economies of scale and purchasing power. The ability to streamline processes through standardisation within a network is expected to generate significant cost savings. As illustrated in the BCA, if these cost savings are redistributed into value added activities (e.g. new space, new events and programs) then the benefit multipliers are likely to be significant.

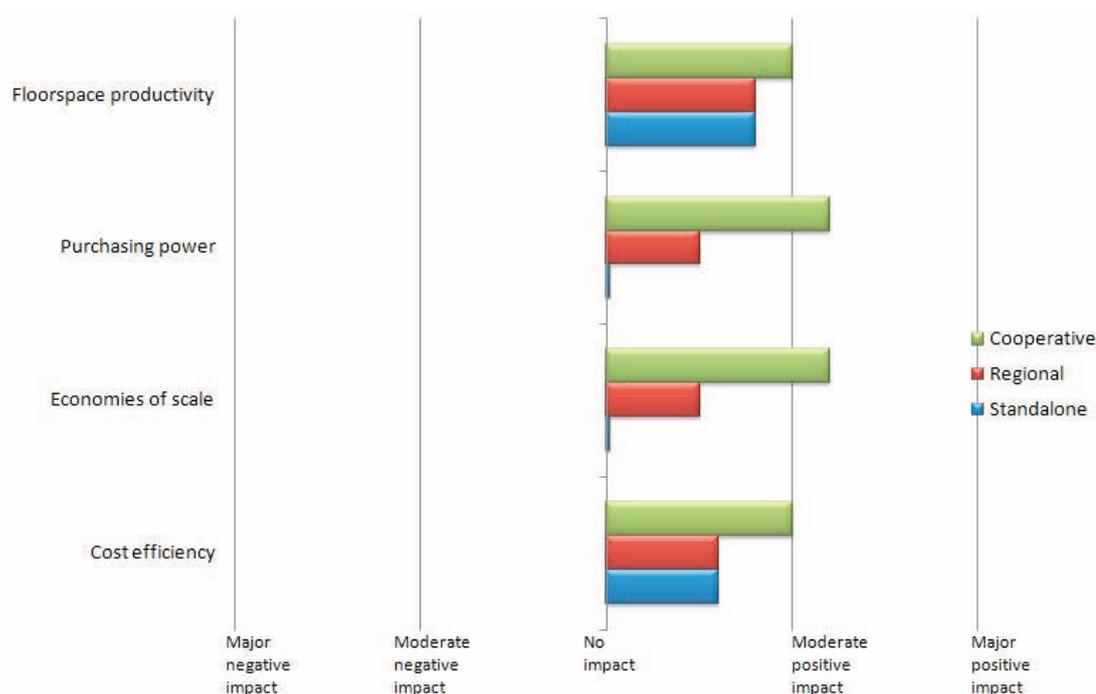
For these reasons the Cooperative model is expected to perform highly on the economic bottom line which can result in significant benefit multipliers (e.g. user benefits, productivity benefits and floorspace productivity) as illustrated in the social and operational bottom lines.

The TBL results for the standalone model reflect the findings from the Medium size library typology. Their results have been assumed to be similar.

With regards to the Regional model, the TBL findings have been derived mainly from the Regional Case Study analysis. The main benefits of outsourcing highlighted by the Regional model included: cost savings and efficiencies; collection quality; redistribution of cost savings; and increases in events and programs.

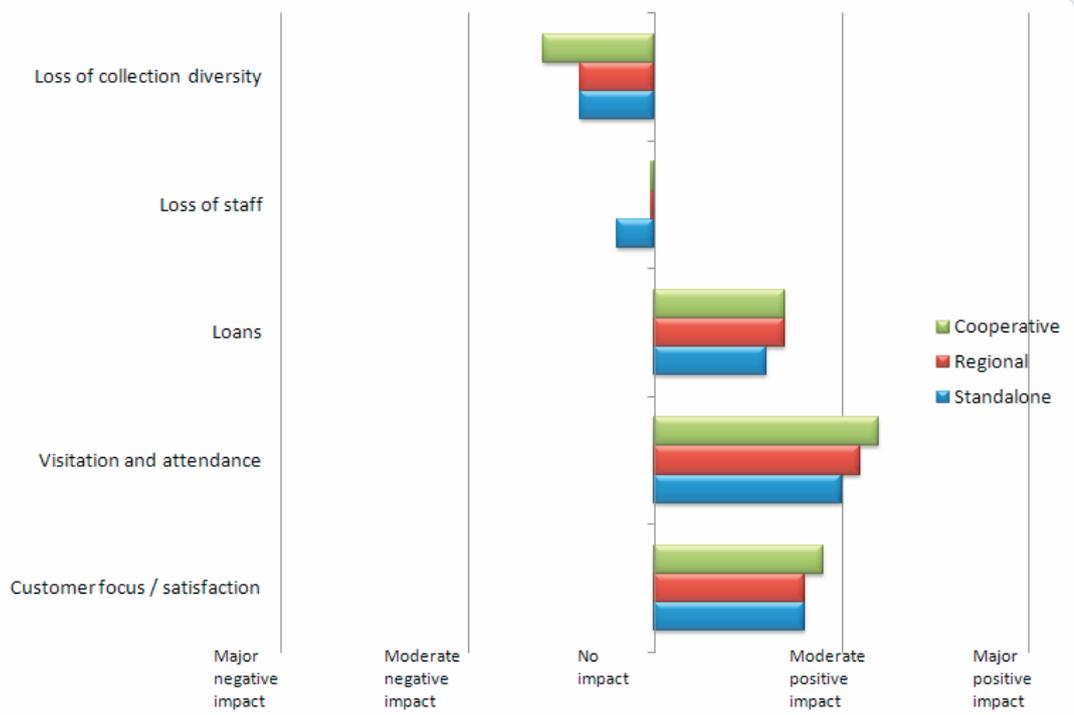
The outcome of this analysis is illustrated in the following figures.

Figure 28. **Economic Bottom Line**



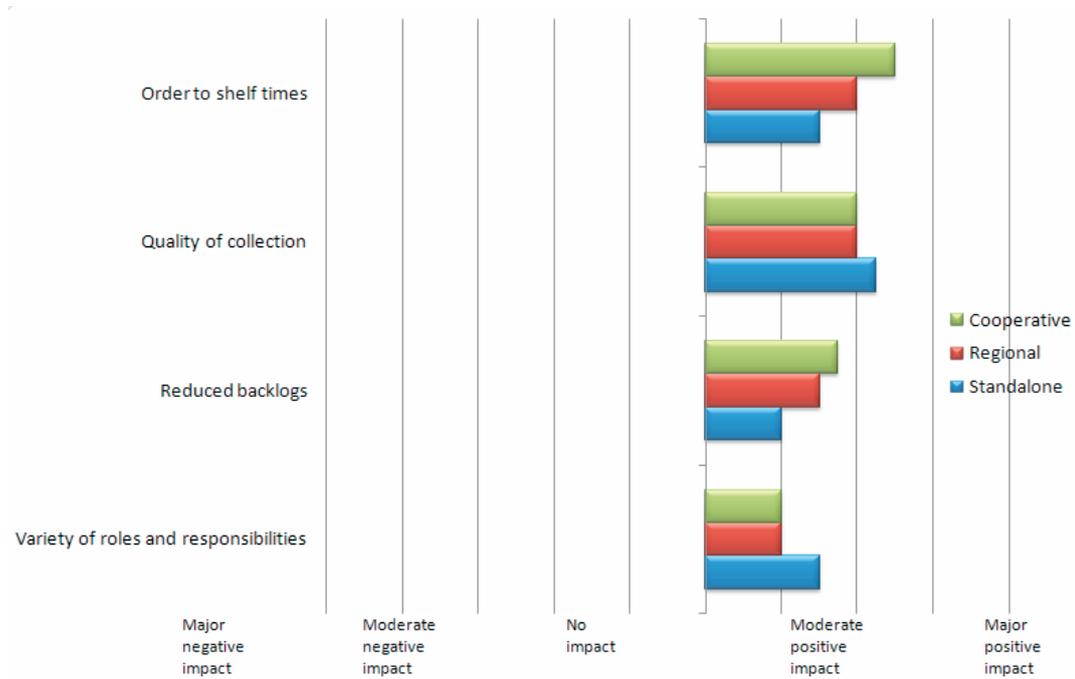
Source: MacroPlan Australia

Figure 29. **Social Bottom Line**



Source: MacroPlan Australia

Figure 30. **Operational Bottom Line**

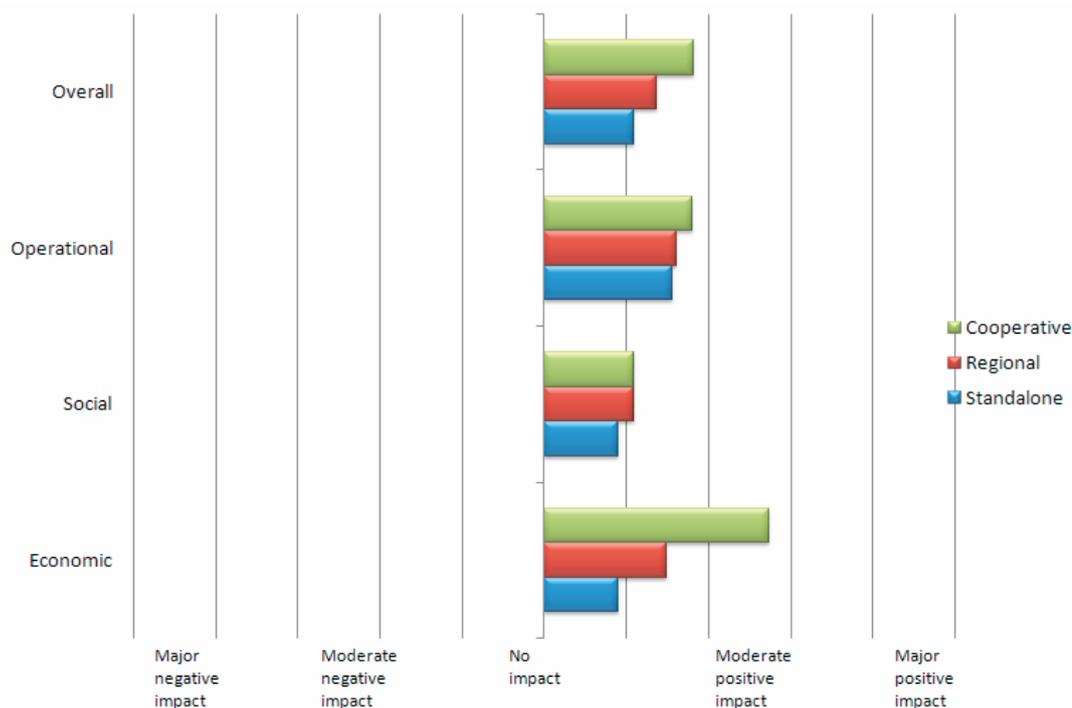


Source: MacroPlan Australia

Triple Bottom Line Summary

Based on this TBL analysis, the Cooperative model achieved the highest ranking. An important outcome of this Triple Bottom Line assessment was that based on the qualitative assessment, the 'economic' bottom line was seen to be the most significant outcome of the Cooperative model. This demonstrates the large economic returns expected through a cooperative approach, particularly in terms of improved purchasing power and economies of scale. If these cost savings are redistributed into value add activities, then benefit multipliers are likely to be significant as illustrated by the social and operational bottom lines.

Figure 31. TBL Summary



Source: MacroPlan Australia

It appears that a cooperative or centralised model (e.g. PLAIN; SSROC; etc) could achieve larger cost savings and more significant benefits through economies of scale and purchasing power. Based on the library by library BCR of 2.0-2.3, it is expected that a BCR of 2.5 - 3.5 for a cooperative or centralised model.

9 Conclusions

Overall, this study suggests that outsourcing on a library by library basis could achieve a BCR of around 2.0 to 2.3. This range of benefit is considered significant compared to other potential projects.

This study has found that outsourcing provides opportunities to re-distribute staff more efficiently across more value add / customer focused tasks as opposed to back of office processes. That is, the major benefit of outsourcing appears to result from the re-allocation of cost savings, via reduced back of house tasks, to other functions such as events and programs, new space, collection quality and customer focus. This redistribution of resources results in a range of benefit multipliers including:

- Productivity / cost effectiveness gains – increased turnover and loans for the same or reduced input. The study found that there was a \$3.28 productivity multiplier for every dollar in cost savings.
- Social / user benefits – increased user benefits through attendance at events, new loans and collection quality. The study found that there was a \$2.05 user benefit multiplier for every dollar in cost savings.
- Floorspace productivity benefits - release space that can be used to house events, new books or non-book stock, as less space is required on site to provide for cataloguing and back of house resources. The study found that there was a \$2.46 floorspace productivity multiplier for every dollar in cost savings.

The benefits of outsourcing will only be realised if cost savings are redistributed as the cost saving alone is unlikely to be sufficient in establishing a business case to outsource. This means that the relative benefit achieved will vary from library to library and depend on a wide range of variables including:

- Type of re-distribution: The type of activity / service provided as a result of the cost saving will also impact on the scale of the benefits generated. Essentially, the benefits refer to user benefits so it is critical that the re-distribution meets the needs of the communities in order to maximise this benefit.
- Existing cost efficiencies: If a library is already undertaking functions in a cost effective manner, then the cost saving, (and therefore benefit multipliers to social benefits) are likely to be minimal. The size typology TBL analysis demonstrated that smaller to medium size libraries are likely to achieve larger cost savings as they may yet to be achieving substantial economies of scale for labour costs.
- Model type: The TBL analysis demonstrated that outsourcing in a cooperative model could have more significant benefits and more cost savings including economies of scale and purchasing power.
- Other factors such as technology improvements, more shelf ready services, and other measures are also likely to impact on the marginal benefits from outsourcing.

It appears that a cooperative or centralised model (e.g. PLAIN; SSROC; etc) could achieve larger cost savings and more significant benefits through economies of scale and purchasing power. Based on the library by library BCR of 2.0-2.3, we would expect that a BCR of 2.5 - 3.5 for a cooperative or centralised model.

However, there are a number of factors which must be considered before determining if outsourcing is the most effective and cost efficient model for acquisitions, cataloguing and processing of collections for a particular library context. These include:

- **Future library model:** It is expected that new approaches to collection development management, including selection, cataloguing and processing will evolve as part of the broader transition to the future library model. This transition is likely to have a systemic impact on the way libraries operate and position themselves in the community. For this reason, the precautionary principle may be useful in any decision to outsource a library's selection, cataloguing and processing at this stage. It may be more cost effective in the long run for a library to define their future library model before any decision is made about their outsourcing of selections, cataloguing and processing.
- **Capability** to redistribute resources to value added activities: This capability will be critical in determining whether to outsource acquisitions, cataloguing and processing. A business case describing how resources will be redistributed should be encouraged when any plan to outsourcing is made.
- **Small community impact:** Where libraries are a key employer in a community, special consideration and weighting should be applied to potential losses in jobs. This issue could be even more pronounced in communities who are already facing difficulties such as loss of population and economic activity as a result of the forces of globalisation and of competition from larger centres and the city, or difficulties related to ageing and service provision. Any impact on employment is likely to have severe consequences to a community's standard of living. Therefore, any decision to outsource operations in a Small / rural library setting should pay special attention to this potential job loss.
- Existing position in the **value chain / transition:** Some libraries may already be undertaking some back of office functions in a cost effective manner. The marginal benefit of outsourcing for these libraries may not be the most effective and cost efficient model. See Appendix E for graphical representations of value chain efficiencies.

9.1 Evaluation Tool

Practical assessment tool

This study included the development of an assessment tool that draws upon the findings of the study to help Library managers evaluate their services and to provide strategic directions regarding outsourcing. An evaluation tool for outsourcing of acquisitions, cataloguing and processing has been developed in Excel. It contains the following stages:

- Step by step guide that guides the user through the process.
- Performance and score assessment of Library services

- Assessment matrix that identifies the outsourcing profile of the Library
- Recommended actions based on the assessment matrix

A hard copy version of the assessment tool is provided at Appendix F.

10 Glossary and Abbreviations

10.1 Glossary

Acquisitions: includes selection of new books, ordering (i.e. choosing a supplier, raising an order, querying orders, cancelling orders)

Books borrowed: total number of book items borrowed

Cataloguing: creating catalogue records, amending catalogue records, Does not include conversion of systems (i.e. from manual system to computer based system).

Collaborative arrangements: can be informal or formal agreements to standardise one or more elements of the library process (e.g. book orders, cataloguing, library management system).

Customer service related tasks: registering borrowers, shelving, loans, interlending, answering questions, front desk work. Includes developing and managing library programs and events

Discards: removing items from the collection - altering records and databases, removal from storage, etc.

Internet usage: total hours of internet use

Library Facilities: includes facilities for patron usage, such as photocopiers, computers, etc

Non-books borrowed: total number of non-book items borrowed

Overall Service Delivery: the library's overall operations are resulting in the provision of a better quality service for patrons.

Processing: work involved in making the item shelf ready including loan stationary, security devices, ownership labels, special covering, shelving ready for use. Includes journals

Selection: the work involved in choosing items to add to the collection.

Stock circulation: refers to the total number of loans

Staff effectiveness: The ability for staff to utilise their time most effectively to contribute to service delivery.

Staff morale: feeling of security, loyalty and motivation towards the library.

Total library staff (FTE): the total number of full time equivalent (FTE) staff where a part time worker (20 hours per week) would equate to an FTE of 0.5

Turnover of stock: refers to the total number of loans divided by the total number of items

10.2 Abbreviations

ACT	Australian Capital Territory
BCA	Benefit Cost Assessment
TBL	Triple Bottom Line
ICT	Information and Communications Technology
LGA	Local Government Area
LMS	Library Management System
LGP	Local Government Procurement
NLA	National Library of Australia
NSW	New South Wales
QLD	Queensland
RFID	Radio Frequency Identification
SA	South Australia
SSROC	South Sydney Regional Organisation of Councils
VIC	Victoria

11 Benefit calculations

Labour costs – in house

$$\text{In house labour costs} = \frac{\text{Acquisitions}}{1000} \times A \times \text{Annual salary}$$

Where A= FTE's per 1,000 acquisitions. The Benefit cost analysis was based on 0.15 FTE's per 1,000 acquisitions. This estimate will vary from Library to Library.

Labour costs for Libraries who undertake cataloguing and processing were derived from data collected in the Case Studies. Annual labour costs have been calculated by applying the number acquisitions by the annual FTE salary (including on-costs) and the number of FTE's required for every 1,000 books acquired.

Material costs – in house

$$\text{In house material costs} = \text{Acquisitions} \times M$$

Where M = material cost per acquisition. The Benefit cost assessment was based on \$2.50 per item. This estimate will vary from Library to Library.

Labour costs –outsourcing model

$$\text{Outsourcing: labour costs} = \left(\frac{\text{Acquisitions}}{1000} \times A \times \text{Annual salary} \right) + MC \times \text{Annual salary}$$

Where A= FTE's per 1,000 acquisitions. The Benefit cost analysis was based on 0.02 FTE's per 1,000 acquisitions; and MC = FTE Staff required to manage outsourcing. The benefit cost analysis was based on 0.2 FTE's. These estimates will vary from Library to Library.

Supplier cost

$$\text{Supplier cost} = C \times \text{Acquisitions}$$

Where C = cost of suppliers. Cost of suppliers has been estimated at \$7.50 per item

User benefit

$$\text{User benefit} = \text{Attendees per now FTE} \times \text{Now Staff on Events} \times UB \times D$$

Where UB equals user benefit (based on Enriching Communities report) and D equals a discount factor to account for general trends in increased events at Libraries.

Productivity / cost effectiveness benefits

$$\text{Productivity benefits} = ((\text{Book stock} \times (1+PB)) - \text{Book stock}) \times UB$$

Where PB equals the estimated increase in turnover rates, and UB equals the user benefit derived.

Floorspace productivity

Floorspace benefit = Space x Books per sq.m x turnover x UB

Where Space is derived by the new space available from reallocation of labour, and UB refers to the user benefit derived.

12 Appendix A – Literature Review

The purpose of the literature review has been to determine the issues associated with outsourcing procurement, based on national and international research and analysis. The information sources ranged from:

- Historical information in respect to services, existing performance standards, service opportunities and constraints and any regional cooperation initiatives or constraints
- An overview of the legal context and responsibilities of Councils under the Local Government Act and relevant Library Legislation
- Relevant policy information
- Any other reports, data or information agreed between the Project Manager and the Consultant.

The following documents were reviewed as part of this task:

- Appleby, Barbara, 2000. 'Public Libraries: Outsourcing Technical Services,' <http://www.unt.edu/slis/students/projects/5320/appleby.htm>.
- Ball, David, 2003. 'A Weighted Decision Matrix for Outsourcing Library Services.' *The Bottom Line: Managing Library Finances*, Volume 16, Number 1, pp25-30.
- Ball, David & Earl, Carlton, 2002. 'Outsourcing and Externalisation: Current Practice in UK Libraries, Museums and Archives.' *Journal of Librarianship and Information Science*, Volume 34, Number 4, pp197-206.
- Haratsis, Brian, 1995. 'Justifying the Economic Value of Public Libraries in a Turbulent Local Government Environment,' Urban Spatial and Economic Consultants Pty Ltd, Melbourne.
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- J.L Management Services Pty Ltd, 2008. 'Enriching Communities: The value of public libraries in NSW,' Library Council of New South Wales, Sydney.
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- Robertson, Sharon (Brisbane City Council) and Catoggio, Anita, (Yarra Plenty Regional Library), 2008. 'Strategic Procurement of Library Collections.'
- Robertson, Sharon, 2008. 'Outsourcing of Selection and Self Ready Services,' Brisbane.
- AEC Group for Brisbane City Council, 2008, 'To Outsource or not to Outsource, That is the Question,' Brisbane.
- Whitehouse Strategic Group, Ltd., September 2007. 'Procurement Models for Victorian Public Libraries: An independent report for the Library Board of Victoria and Victorian Public Library Network,' Melbourne.

The relevant issues arising from the above literature are highlighted as follows:

Appleby, Barbara, 2000. 'Public Libraries: Outsourcing Technical Services,'

Appleby reviewed the advantages and disadvantages of outsourcing, and also reviewed a number of international examples of outsourcing, with both good and bad outcomes. These included examples from New Mexico and Hawaii:

New Mexico

New Mexico is located in the south western region of the United States of America; its capital city is Santa Fe, and largest city is Albuquerque. The Albuquerque/Bernalillo County public Library system has been outsourcing a variety of technical operations since 1992. The outsourcing contract took more than a year to prepare and detailed the process for shelf-ready, opening day collections for three new branch libraries in the region.

Since the library began outsourcing, services have expanded to include current acquisitions, cataloguing and physical processing for all the libraries. Due to the specificity of the contract, librarians and other trained staff have found the quality of outsourced materials and records to be high, with minimal errors.

Hawaii

The Hawaii State Public Library System agreed to a hastily written contract with a procurement provider in 1996. The Hawaii State Library System agreed to pay a set amount per item for the selection, cataloguing, processing and distribution of materials to all of the state's public libraries. There were several issues with the contract which did not define the following:

- Quality of workmanship
- Acceptable and unacceptable book selection
- Service requirements

This resulted in unneeded duplicate copies of books, undesirable titles (e.g. few bestsellers, low circulation of selected titles), insufficient reference resources, and inadequate cataloguing and poor quality processing. Further to this, as the books were provided completely processed they were not returnable.

The librarians were unhappy with losing control of the selection of books, and library staff were unhappy with the redeployment and allocation of tasks to what they considered to be lesser duties. Other impacts of the outsourcing experience was the the weakened book collection and poor quality record keeping which resulted in loss of trust in the communities and within the organisation.

David Ball: ‘A Weighted Decision Matrix for Outsourcing Library Services’ (2003)

Ball developed a weighted decision matrix for libraries to assess whether they should outsource their library operations. The matrix was based on nine cultural, economic and functional factors that merit consideration when assessing the suitability for outsourcing. These factors were as follows:

Outsourcing decision matrix: Assessment Factors	
Cultural	Peripheral to service identity Complies with corporate strategy Corporate policy
Economic	High Revenue Cost High Capital Cost Market/suppliers exist
Functional	Difficult to deliver service Poor or declining performance Easy to specify
Cultural	Peripheral to service identity Complies with corporate strategy Corporate policy
Economic	High Revenue Cost High Capital Cost Market/suppliers exist
Functional	Difficult to deliver service Poor or declining performance Easy to specify

Source: David Ball ‘A Weighted Decision Matrix for Outsourcing Library Services’ (2003)

Brian Haratsis: ‘Justifying the Economic Value of Public Libraries in a Turbulent Local Government Environment’ (1995)

Haratsis’ study outlined that users and non-users of public libraries and the local government sector have underestimated the future value of public libraries. This is argued to be largely affected by a change in the nature of public library service provision, resulting from advances in the technological and communications sectors over recent years.

Haratsis also argues that efficiency gains through reduced costs and improved service delivery (e.g. through outsourcing) will also result in an improvement in the overall economic value of libraries.

Library Models in New South Wales: At a Glance, 2007

This paper investigates the different library typologies in New South Wales. The research documented involved extensive consultation with library managers and key stakeholders throughout the 99 library services in New South Wales throughout 2005-2006. The document defined three key library models throughout New South Wales, including the population serviced and comparative performance. The three library models are as follows:

- **Standalone Model:** Independent provision of library services to communities. Library service is integrated with council operations, typically as a department within the community services group, however this can vary.
- **Regional Model:** Two or more LGA's collaborate to deliver library services and agree to a partnering arrangement as per Section 12 (1) of the Library Services Act 1939. Characterised by central administration, technical services, adoption of common Library Management System, collections and membership cards, and the ability for members to borrow and return to any branch within the region. A Regional model includes all branches of libraries in the participating LGA's with centralised head quarters from which library service provision is based.
- **Co-operative Model:** Two or more library services formalise an agreement to jointly undertake agreed components of Library Service Provision as per Section 12 (2) of the Library Services Act 1939. The Co-operative model includes any libraries (branches) wishing to join together under a cooperative agreement to share the library service provision

Comparative Performance

Each of the three key models were compared on ten key measures addressing aspects of supply, demand, and operational effectiveness. Key findings are:

- The co-operative model consistently outperformed the other models
- The standalone model performed evenly. Further analysis found this model to be most effective in servicing populations of 30,000-120,000.
- The regional model returned the lowest performance profile which would seem to reflect its popularity among small LGA's (populations of less than 10,000) however equivalent sized LGA's operating the standalone model performed similarly.

Key Findings

Library Models in New South Wales at a Glance defines key library models/typologies. As a result of this investigation the statistics indicate that different models suit different geographical locations (e.g.: metropolitan, rural) and different population sizes (e.g.: standalone services performed best within populations of 30,000-120,000).

Enriching communities: The value of public libraries in New South Wales

This report investigates ways in which New South Wales public libraries sustain the community in social, cultural and environmental terms. The study also found that public libraries contribute positively in terms of economic value, benefit and activity.

Further to this, the report also included extensive demographic data and analysis, and provided a profile of NSW public library users. This analysis highlighted the importance of public libraries to communities given that high proportions of public library users are either young or old, earn below the average income, speak languages other than English, and participate in some form of education. The report found that this provided clear evidence of the role of public libraries in promoting equity in our society.

The key findings from the study are summarised as follows:

- The top five outcomes from public library use are enhanced quality of life, enhanced enjoyment from hobbies, ability to obtain information not available elsewhere, facilitation of lifelong learning and support for children's education
- The top five contributions to the community were seen as being a safe and pleasant place to visit, supporting educational facilities, facilitating lifelong learning, encouraging responsible social behaviour, and ensuring access to the internet for all.
- Public libraries principal contribution to community culture is through their lending, reference and local history collections. There is also an appreciative audience for cultural activities such as local art displays and talks by visiting authors.

The study also assessed a range of economic factors, with the following key findings:

- Economic value- assessed by asking users how much they would be willing to pay per annum to fund the library if government funding was not provided- respondents nominated they would be willing to pay \$58.20 per annum, which is a 36.2% increase on current government funding per capita of \$42.73 per annum, highlighting the economic value of libraries to the community
- Economic benefit- the financial amount saved by accessing services at a library rather than the equivalent commercially available service- was found to be \$325 per annum among library users. Thus for every \$1 spent on public libraries, it saves the average library user \$4.24 per annum.
- Economic activity- the contribution of public libraries to the economy in real terms was estimated at for every \$1 spent on public libraries, it generated \$2.82 of real economic activity.

Contribution to the Community

Community consultation involved survey participants to rate key statements on a Likert scale ranging from strongly agree to strongly disagree. Results were ranked by percentage ratings for agree and strongly agree. First tier was ranked as 80%+, second tier 60%-80%. The key findings are detailed below:

top three first tier

- Being a safe and pleasant place to visit (98.3%)
- Supporting educational facilities (95.3%)
- Facilitating lifelong learning (93.4%)

top three second tier

- Supporting local culture (78.0%)
- Providing access to State-wide legal and health information programs (75.9%)
- Providing important infrastructure to develop Australia as a knowledge economy (74%)

Triple Bottom Line Contributions

The report assessed how libraries contribute to the community on a financial, social, cultural and environmental level. Key findings are detailed below:

Contribution to social Wellbeing

- The library's value as a place that is safe, harmonious, welcoming and inclusive environment was the most often quoted contribution. Libraries promote acceptance and understanding of others by acting as neutral meeting places accessible to the whole community
- The availability of public library collections was seen to address disadvantage by ensuring free and equitable access to collections for all community members; address the needs of specific target groups; contribute to developing, maintaining and improving literacy levels; and preserve the past through extensive local and family history collections.

Contribution to cultural wellbeing

- Library staff playing an active role in local cultural coordinating committees
- Celebrating cultural diversity through events and festivals held at significant times and involving performances by musicians, dancers, poets and actors
- Utilising library space to exhibit work by local artists and travelling exhibitions
- Public libraries also play an active role in keeping alive the names and work of significant Australians.

Contribution to economic wellbeing

- Enables users to avoid or reduce expenditure on services.
- Enables job-seekers to research the employment market, develop resumes, lodge online applications and communicate via email with prospective employers

- Assists small to medium enterprises (SME's) to maintain high professional standards and compete with larger organisations.
- Contribution to tourism through events such as Grenfell Library's hosting of the annual Henry Lawson Art Exhibition- a major income generator for the town.

Contribution to environmental wellbeing

- The practice of borrowing was seen as less demanding on scarce physical resources than if individuals purchased their own copies
- Raising awareness of the environment and promoting environmentally friendly practices through displays, exhibitions, information sessions and promotional literature.
- Being seen to visibly practice recycling within the library by, for example, recycling paper and other items; 'no plastic bags' policies, and by promoting re-usable library bags.
- Promoting recycling during children's activities to build awareness and develop good habits and practices in their formative years.

The report concludes that libraries have a different meaning to each individual, however a key finding is the flexibility of libraries in their capacity to cater to a wide range of community and individual needs.

Living Learning Libraries: Standards and Guidelines for NSW public libraries

Living Learning Libraries is an evidence based guide to the development of library services in New South Wales. The report contains performance measures that can be used to facilitate comparison among library services, and targets to assist in the development of library services, which are presented as Standards and Guidelines.

The report also contains strategies from library practitioners for tailoring services to the needs of local communities based on such factors as age, disability, socio-economic status, cultural diversity and affordability. The standards and guidelines are not uniform across all libraries and their application will be dependent on a variety of locational factors and conditions specific to each library.

Collection Standards

The aim of standards and guidelines for library collections is to ensure that the community has access to appropriate library materials in a variety of formats including print and electronic, including ensuring library materials are available to the community as soon as possible.

There are several criteria set out to determine the strategies and methods in which collections are acquired. These strategies are:

- Selection
- Requests for consideration of materials

- Collection specialities and purchase priorities
- Evaluation guidelines in deselecting the collection

There are also a series of key performance indicators such as:

- Customer satisfaction with library collection
- Acquisitions rate for core library materials per capita
- Percentage of total expenditure on library materials
- Time taken from order to shelf ready and available to library customers
- Review of collection development policy at least every 2-4 years
- Percentage of library material expenditure on digital material
- Percentage of library material expenditure on print material

Cataloguing

The aim of standards and guidelines for library cataloguing processes is to provide a framework for bibliographic control of library materials and the exchange of bibliographic data. This is to maintain rigorous control to ensure consistency and uniformity which facilitates use by those unfamiliar with the rules.

Public libraries catalogue data should conform to international standards for descriptive and subject cataloguing.

Key performance indicators are:

- Catalogued materials (including outsourced materials) conform to the recommended standards
- Minimal backlog/size of backlog
- Throughput rate for cataloguing including outsourced library materials
- Turnaround time for both in-house processed and outsourced items meets acceptable targets
- Proportion of collection added to Libraries Australia Database
- Number of items contributed to and withdrawn from Libraries Australia

Local Government Act 1995- Section 55: What are the requirements for Tendering?

This document outlines the conditions under which council must invite tenders before entering into a contract. These requirements will have an impact on the outsourcing of library services that requires the contract carry out work, perform a service, provide goods or material to council by or under any act. With specific reference to the procurement of library services, the following key points are relevant:

- duration of contract implications e.g.: payment of instalments for any period of over two years
- requirement for public notice in accordance with the Act (cost implications)

There are certain exemptions to the act. Any contract under the value of \$150,000 (as outlined in Regulation 163- below) is not required to invite tenders.

- Contract for the purchase of goods, materials and services, specified by State Contracts Control Board or the Department of Administrative Services of the Commonwealth.
- A contract where extenuating circumstances, (e.g.: remoteness of locality) that a satisfactory result will not be achieved by inviting tenders.

Local Government (General) Regulation 2005- Regulation 163: Application of Part

This document reviews the Local Government Act 1995- Section 55, with respect to the final bullet point of Section 55 (3) that;

“... Section 55 does not apply to a contract involving an estimated expenditure of receipt of an amount of less than \$150,000.”

In the context of the New South Wales Library study, this means that if libraries are to procure services, council are not required to invite tenders before entering a contract for expenditure of less than \$150,000. This differs to the Local Government Act 1995- Section 55, which states:

“This section does not apply to the following contracts :..... A contract involving an estimated expenditure or receipt of an amount of less than \$100,000 or such other amount as may be prescribed by the regulations.”

Local Government (General) Regulation 2005- Regulation 166: Council to decide whether tenders are to be by open tendering or selective tendering

This document outlines the tendering methods council can use if council is required to invite tenders before entering into a contract. The tendering methods are as follows:

- The open tendering method by which tenders for the proposed contract are invited by public advertisement
- The selective tendering method by which invitations to tender for a particular proposed contract are made following a public advertisement asking for expressions of interest

- The selective tendering method by which recognised contractors selected from a list prepared or adopted by the council are invited to tender for proposed contracts of a particular kind.

People Places: a guide for public library buildings in New South Wales (2005)

People Places discusses the issues that are involved in the design of a library as well as the process required to achieve a successful library development project. It outlines future trends that may impact on the design of libraries and the nature of service provision as well as issues to consider in the planning of libraries, including community need.

Procurement Models for Victorian Public Libraries, Whitehorse Strategic Group Ltd (2007)

This paper outlined the advantages and disadvantages of the main library procurement models that libraries currently operate in, both Australia and overseas. While the detail of their operations varies, they can each be considered to fall into one of three categories based on the degree of collaboration involved and the extent to which procurement functions are handled by individual library services or an agent acting on their behalf. These models are: Independent, Collaborative and Centralised.

Independent model

The independent model is one where each library service purchases directly from a number of chosen suppliers. All of the elements of the transaction are conducted between the library service and the supplier.

Collaborative Model

Under a collaborative model, an agent acting on behalf of the library services would conduct a competitive process in the supplier market with the aim of developing a preferred supplier list. Individual library services would then purchase directly from suppliers on the preferred list, undertaking the normal exchange process with these suppliers.

Centralised Model

The agent undertakes exchange activity on behalf of the library services under this model, in addition to performing a competitive process with respect to the supplier market. Library services would input their requirements to the agent but would not undertake direct exchange activity with suppliers.

	Advantages	Disadvantages
Independent	<ul style="list-style-type: none"> High flexibility in sourcing materials Caters for local supply options Allows contracting out 	<ul style="list-style-type: none"> High local procurement costs overheads Variable purchasing efficiency across the sector Inefficient for suppliers Little incentive to standardise
Collaborative	<ul style="list-style-type: none"> Reduces local procurement costs Reduces administrative overheads Increased bargaining power (service and price) Reduces selling costs for preferred suppliers Encourages standardisation Can still contract out 	<ul style="list-style-type: none"> Reduces flexibility Reduces local supply options Some central administration required
Centralised	<ul style="list-style-type: none"> Reduces local procurement costs Reduces administrative overheads Increased bargaining power (service and price) Reduces selling costs for preferred suppliers Encourages standardisation Caters for central funding model 	<ul style="list-style-type: none"> Least flexible Reduces local supply options Significant central administration required

Library Procurement Models: Key Advantages and Disadvantages

Source: Whitehorse Strategic Group Ltd (2007)

Brisbane City Council

Brisbane City Council (BCC) has 32 branches and 1 mobile library, servicing a population of 1 million people, with 450,000 members. The library has a total collection size of 1.34 million items, has approximately 6.1 million library visits per annum, resulting in 10 million loans and 890,000 holds.

BCC has been outsourcing selection of books since 1999. This has had a number of significant impacts on the library services for Council.

Through outsourcing, BCC has reduced its staffing from 15 Full Time Equivalent (FTE) staff to 1.5 FTE. Contracted suppliers now provide profile selection, catalogue, cover and deliver direct to libraries shelf ready, as well as online ordering of customer selections.

This has resulted in a reduction of space requirements, and an increase in the number of items added to the collection each year, from approximately 120,000 to 150,000-250,000 items per annum, increasing the book budget from \$3.2 million per annum to \$4.25-\$6.4M per annum.

Outsourcing has increased quality and savings; on average \$464,000 per annum in the ten years since 1999. BCC have noted that the key factors for success are as follows:

- Communication as a partnership
- Focus on customer needs
- Detailed Tender & Contract Specifications
- Detailed Selection Specifications & Standing Orders

Managing Contracts and Budgets as a Partnership with Suppliers

13 Appendix B - Consultation

The purpose of the consultation was to evaluate current procurement, cataloguing and processing methods adopted by libraries, identify effective and cost efficient library service models, future planning issues and implementation strategies.

INTERVIEWS WITH NSW LIBRARIES

- Ashfield (Frances Riva)
- Marrickville (Dallas Curry)
- The Hills (Lynn Regan)
- Canterbury (Michelle Mashman)
- Riverina (Robert Knight)
- Sydney City (David Sharman)
- Stanton (Helen Sutherland)
- Fairfield (Anne Hall)

INTERVIEWS WITH STATE LIBRARIES

- South Australia (Geoff Stremple)
- Australian Capital Territory (Vanessa Little)

INTERVIEWS WITH INTERSTATE LIBRARIES

- Brisbane City (Jane Alexander)

The following organisations were consulted as part of this process:

Based on initial stakeholder consultation, MacroPlan identified the most important considerations in the outsourcing of library services in New South Wales:

- Communication – is crucial to the outsourcing process, particularly between management and in house staff to ensure that employees understand their changing roles, and the objectives of outsourcing.
- It is also important to maintain close communication between in house staff and out of house vendors and suppliers. This ensures that in house staff are able to maintain some control over the process, and that the library can meet its delivery objectives.
- Flexibility – One of the biggest issues with outsourcing is the loss of in house control due to outsourcing. To retain local knowledge and expertise, it is possible to outsource some (e.g. 80%) of services and retain 20% of services in-house. Not all acquisitions, cataloguing and processing services need to be outsourced. Flexible outsourcing arrangements, including the formation of selection profiles by library staff, can also potentially improve communication between library staff and contractors/vendors.
- Knowledge – It is important to understand existing processes and regularly monitor progress so that any gaps in service provision can be communicated effectively to vendors and contractors (e.g. provide detailed profiling of borrowers to contractors, understand the strengths and weaknesses of your library, the library's goals, the main reasons for outsourcing etc).
- Partnerships – Collaborative arrangements are necessary to optimise efficiencies. Examples include SSROC, who are currently in the process of

creating a more streamlined process through a collaborative Library Management System (LMS) and Radio-Frequency Identification (RFID).

- Standardisation – A standard Library Management System can potentially improve provision of services. Currently regions have their own LMS that they have developed loyalty for, therefore it could be difficult to implement across the whole State at this stage. However, sub-regions are able to form partnerships (such as SSROC).

14 Appendix C – Case Study Analysis

Section 6 of the Study presented the summary of findings from the Case study analyses which complements and extends the findings as well as add strengths to what is already known through previous research. This case study analysis also informs the assumptions and estimates used in the benefit cost assessment (Section 7) and the triple bottom line analysis (Section 8).

This appendix includes the following:

- Consultation script
- Case Study Findings

14.1 Consultation script - Outsourcing libraries

Library service: Background and context

1. Do you currently fully outsource all of your library operations, i.e. your acquisition, cataloguing and processing tasks?
2. Could you please describe the process/steps in your transition to a fully outsourced model? i.e.
 - When did you decide to start outsourcing your operations?
 - Once you made the decision to fully outsource, how long did the transition take?
 - What month/year did full outsourcing occur?
 - What were the main reasons your library decided to fully outsource? (e.g. *library backlogs, review of processes, study was conducted, library size, collaborative, staffing/resourcing issues, standardising etc*) *If study conducted – request a copy.*
 - What would you say are the main benefits of shifting to a fully outsourced model?
 - At what stage in the outsourcing transition process did you start to observe improvements in your library's operations? (e.g. *at 50% outsourced, at 75% outsourced, at 100% outsourced, 1 year after being 100% outsourced etc*)
 - How long did it take to observe these improvements (e.g. *immediately, 6 months later, a year later etc*)
 - Did you experience any major hurdles in the process? What were they? (e.g. *issues with staff, issues relieving staff, issues with suppliers etc*)

Operational Inputs and Outputs

3. Have you estimated the change in costs (per item) from your previous (in house) model to your current (outsourced) model?
 - i. If yes, can you please explain how you estimated these costs (i.e. *do they include staff time?*) *Could you please send these through?*

- ii. If no, do you think the average cost (per item) has increased/decreased since you were became a fully outsourced library? *To what extent can these improvements be directly attributed to outsourcing (Rank 1-5)?*
4. Could you please estimate the proportion of your total expenditure that you attribute to outsourcing? *(in dollar or percentage terms)*

Process and Functional

5. Could you please estimate the change in **total library staff (FTE)** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
6. Could you please estimate the change in number of hours (per week) your employees spend on **customer service related tasks (not including programs and events)**? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
7. Could you please estimate the change in number of hours (per week) your employees spend on **programs and events**? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
8. Could you please estimate the change in number of hours (per week) your employees spend on **managing suppliers and contracts** for outsourcing? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
9. Could you please estimate (if any) the total number of hours spent on acquisitions, processing or cataloguing tasks by in-house staff?
To what extent is the library involved in the acquisitions, processing or cataloguing process?
10. Could you please talk through the process/steps of getting an item from selection to shelf ready? *(including timing of each process)*
11. How many suppliers do you have?
12. Could you please estimate the change in amount of time (days) it takes for an item to run through the entire process, i.e. from selection to shelf ready? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
13. Do you receive any purchase discounts from outsourcing? Why/why not?
14. Could you please estimate the change in **facilities (e.g. photocopiers, computers)** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
15. Could you please estimate the change in **floorspace** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5) If yes, was additional floor space used effectively, left unused or passed back onto the tenant?*

Outcomes

16. Could you please estimate the change in **stock circulation** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
17. Could you please estimate any changes in **acquisitions** (new collections) since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*

18. Could you please estimate any changes in **discards** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
19. Could you please estimate the change in **books borrowed** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
20. Could you please estimate the change in **non-books borrowed** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
21. Could you please estimate the change in **internet usage** (*in terms of total hours of usage*) since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
22. Could you please estimate the change in **attendance at programs and events** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
23. Could you please estimate the change in **overall service delivery** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
24. Could you please estimate any changes in **staff morale** since you began fully outsourcing your operations? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*

Other information

25. Are you part of any collaborative arrangements (informal or formal)?
 - If yes, when did this occur? To what extent has your transition to outsourcing been assisted by this arrangement? *(rank on scale of 1-5) Why/why not?*
 - If no, to what extent do you think your transition to outsourcing could have been assisted by this arrangement? *(rank on scale of 1-5) Why/why not?*
26. Can you please describe your current acquisition process? (i.e. selection via profiling or standing order, is it standardised?)
 - If standardised, when did this occur? to what extent has your transition to outsourcing been assisted by this process? *(rank on scale of 1-5) Why/why not?*
 - If not standardised, to what extent do you think your transition to outsourcing could have been assisted by this process? *(rank on scale of 1-5) Why/why not?*
27. Can you please describe your current cataloguing process? (i.e. is it standardised?)
 - If standardised, when did this occur? to what extent has your transition to outsourcing been assisted by this process? *(rank on scale of 1-5) Why/why not?*
 - If not standardised, to what extent do you think your transition to outsourcing could have been assisted by this process? *(rank on scale of 1-5) Why/why not?*
28. Can you please describe your current library management system (i.e. is it standardised?)

- If standardised, when did this occur? To what extent has your transition to outsourcing been assisted by this process? *(rank on scale of 1-5) Why/why not?*
 - If not standardised, to what extent do you think your transition to outsourcing could have been assisted by this process? *(rank on scale of 1-5) Why/why not?*
29. What would you say are the main disadvantages (if any) that have resulted from fully outsourcing?

14.2 Consultation scrips – In house Libraries

Library service: Background and context

1. Do you currently outsource any of your library operations, i.e. your acquisition, cataloguing and processing tasks? *If yes, what is outsourced? Ask for a percentage estimate of total operations.*
2. Have you considered fully outsourcing your operations?
 - What were the main reasons your library decided to/not to fully outsource? (e.g. library backlogs, review of processes, study was conducted, library size, collaborative, staffing/resourcing issues, standardising etc) If study conducted – request a copy.
 - *(If currently in transition)* Can you estimate where you currently are in the transition process? Have you started to observe any benefits?
3. Have you conducted any studies on outsourcing? If so what was the outcome?

Operational Inputs and Outputs

4. Have you estimated average costs (per item)?
 - If yes, can you please explain how you estimated these costs *(i.e. do they include staff time?) Could you please send these through?*
5. Could you please estimate the proportion of your total expenditure that you attribute to outsourcing? *(in dollar or percentage terms)*

Process and Functional

6. Could you please talk through the process/steps of getting an item from selection to shelf ready? *(including timing of each process)*
7. Could you please estimate the total number of hours spent on acquisitions by in-house staff (per week)?
8. Could you please estimate the total number of hours spent on processing tasks by in-house staff (per week)?
9. Could you please estimate the total number of hours spent on cataloguing tasks by in-house staff (per week)?
10. Could you please estimate the change in amount of time (days) it takes for an item to run through the entire process, i.e. from selection to shelf ready? *To what extent can this increase/decrease be directly attributed to outsourcing? (rank on scale of 1-5)*
11. Could you please estimate the total number of hours spent on customer service related tasks including programs and events (per week)?

12. Could you please estimate the total number of hours spent on managing suppliers and contracts for outsourcing (per week)?

Other information

13. Are you part of any collaborative arrangements (informal or formal)?
 - If yes, when did this occur?
14. Can you please describe your current acquisition process? (i.e. selection via profiling or standing order, is it standardised?)
 - If yes, when did this occur?
15. Can you please describe your current cataloguing process? (i.e. is it standardised?)
 - If yes, when did this occur?
16. Can you please describe your current library management system (i.e. is it standardised?)
 - If yes, when did this occur?

14.3 Case Study 1 – Canterbury

In 2001, Canterbury Library conducted a service review with an independent consultant that recommended the library fully outsource their operations. The study highlighted that there would be a decrease of up to 4 Full Time Equivalent (FTE) staff, namely in cataloguing and processing staff, equating to around \$200,000-\$250,000 of salary expenditure per annum.

Canterbury began outsourcing all of their acquisition, cataloguing and processing tasks in 2002. The process to a fully outsourced operations model took around 12 months, and involved providing suppliers with selection, cataloguing and processing specifications as well as communicating changes in organisational structure and processes with library staff.

Benefits were evident immediately and staff responded positively to the change, despite an increased workload 3 months after full outsourcing commenced to provide specifications to suppliers and ensure requirements were met.

The main benefits of outsourcing highlighted by Canterbury included:

- Ability to spend money more effectively, resulting in improved quality collection. While the number of items added to the collection has not changed significantly (average of 18-20,000 items per annum), the quality of collection acquired has improved.
- Improved service delivery – This is mainly due to an increase in programs and events as well as greater turnover of stock.
- Turnover improved as a result of increased efficiency that then resulted in improved quality (i.e. new and more current stock).
- The number of programs and events delivered by the library increased as a direct result of outsourcing and has had a large impact on the overall quality of

service provided. FTE on programs and events increased from 1.86 in 2001 (4%) to 4.11 in 2009 (10%). In 2001 there were around 9,900 attendees to programs and events at the library. This increased to 23,000 attendees by 2009.

- Cost - it was estimated to be 36% more expensive to stay in house. Before Canterbury was fully outsourced, the average cost was around \$13 per item. This has since decreased to around \$9 per item since full outsourcing (of this, around \$7.90 was outsourced, \$1.10 were in-house resources).
- Space savings – the library reconfigured around 160m² of existing back of house space for multicultural collections (grant of \$140,000 was received to improve the multicultural collection)
- Total time for an item to arrive on the shelf: 6 weeks (from time of order). Previous to this there was less consistency – it could take up to 6 months for an item to arrive once ordered.

Other benefits realised by Canterbury include:

- Canterbury are part of the SSROC collaborative. SSROC are currently in the process of standardising their cataloguing. This enables suppliers to streamline their processes and pass on more reasonable rates. Canterbury are expecting a 50% cost saving on cataloguing once this begins.

14.4 Case Study 2: Riverina Regional Library

Riverina Library is the biggest regional library in New South Wales, providing services for 9 councils for a total population of 107,000 people. The library began outsourcing all of their acquisition, cataloguing and processing tasks in July 2008, based on the outcomes of a service review with an independent consultant that recommended the library fully outsource their operations.

Growth and change in the region had resulted in significant changes in library management and resource allocation. As a result, processes had become quite fragmented across the branch libraries and a refined solution was needed that was more centralised, relieving the workloads at branch libraries. Riverina also acknowledged the need to consider a 'modern' library model.

Efficiencies in operations were evident immediately, with cost savings realised after the end of the first financial year. It was also noted that time spent liaising with suppliers increased in the first 12 months in order to ensure specifications were met. Riverina did however lose some staff that couldn't cope with the change.

The main benefits of outsourcing highlighted by Riverina included:

- Significant cost savings that transferred directly to money spent on better collections, programs and events
- While there has been a small overall increase in circulation, the main benefit is in overall quality of collection and alignment to borrower requirements.
- The processes at Riverina library became more centralised and refined

- Professional staff built up other areas of expertise – redeployed more than 2.5 FTE to customer service roles.
- Programs and events doubled, increasing by 2 FTE staff. Currently, around 20% of total staff are allocated to Programs and Events.
- Total time for an item to arrive on the shelf: 7 days from the time an item arrives at supplier warehouse. Items are often pre-ordered, up to 3 months in advance of release. Previous to this there was less consistency – it could take up to 6 months for an item to arrive once ordered.

Other benefits realised by Riverina include:

- The library understands the importance of the cultural shift in staff and public perception of what it means to deliver a ‘modern day’ public library service. They have developed a new set of key performance indicators in their Integrated Planning Strategy that account for more service focused KPI, such as ‘community wide learning’, ‘connected communities’ and ‘sustainable organisation’ rather than operations focused KI such as ‘circulation’, ‘turnover’ and ‘memberships’.

14.5 Case Study 3: City of Sydney Library

City of Sydney Library has been outsourcing most of their library operations for the past 5 years, including all of their cataloguing and processing tasks. The decision to outsource mainly came from budget restrictions that resulted in the need to evaluate cost efficiencies. The transition took around 12 months, with the new operations model commencing in 2005.

Benefits from this model were realised within the first year, mainly in staffing costs. While FTE has remained the same, staff morale and skills also decreased initially as a result of this change. However, this was also due to organisational restructure and has increased again since.

Initially, there was additional time spent managing contracts and suppliers. The library spent around 6 months negotiating to get the right specifications.

The biggest change realised was in staff time spent on customer service. Around half of total staff time is currently spent on customer service tasks, compared to 10-20% previously. This can be mostly attributed to outsourcing.

Sydney still select their own items, but is currently in the process of shifting to a fully outsourced model where selection will be conducted by suppliers via profiling. As a result, it is difficult to measure the quality and time spent on this task, as it is distributed across a number of staff members and their level of commitment to this task can vary. Timing efficiencies are also an issue, with books arriving between days and months of order depending on whether the right item was ordered.

Sydney Library are also looking to collaborate with State government (on local collections), as well as neighbouring libraries (on customer service outputs such as programs) in the future. Sydney expects that joining a collaborative network will improve the quality of outputs, particularly through collaboration of staff skills that were lost during the outsourcing process.

14.6 Case Study 4: Richmond-Tweed Regional Library

Richmond Tweed Library conducts most of their library operations in-house, with some of their selection and processing operations (around 5% of total items) outsourced. They have not yet considered fully outsourcing their operations, but have considered outsourcing all processing operations. Their main concern was that this would result in loss of staff or an increase in overall operational costs.

It takes from 1 week up to one month for a book to arrive on the shelf from selection.

14.7 Case study 5: Newcastle Regional Library

Newcastle Regional Library conducts most of their library operations in-house, with some of their selection and processing operations outsourced. They have not yet considered fully outsourcing their operations, as they consider the library to run effectively, and would like to retain control over the selection process.

Newcastle assist surrounding smaller libraries with purchasing and cataloguing e.g. Dungog, Gloucester, Port Stephens that have very small libraries with only 1 staff member devoted to desk or customer service work. Newcastle also provide technical support, IT expertise and run the library management system for these smaller rural libraries.

It takes from 1 week up to one month for a book to arrive on the shelf from selection.

14.8 Case study 6: Parkes Shire Library

Parkes Shire Library conducts most of their library operations in-house, with some of their selection and processing operations outsourced. They have not yet considered fully outsourcing their operations, as they consider the library to run effectively, and do not consider cost savings to be significant.

It takes from 1 week up to one month for a book to arrive on the shelf from selection.

14.9 Case study 7: Bland Shire Library

Bland Shire Library conducts most of their library operations in-house, with some of their processing operations outsourced (around 30% of their operations). They have considered expanding their outsourcing to cataloguing and end processing, but given the library is small, staff would like to maintain control over their selections.

It takes from 1 week up to one month for a book to arrive on the shelf from selection.

15 Appendix D – Benchmarking Analysis

Section 5 of the Study presented quantitative time series analysis of NSW Library statistical information.

The purpose of this benchmarking analysis is to make comparisons between Libraries that outsource their operations (i.e. cataloguing, processing and acquisition) with those who perform these operations in-house. In this assessment, statistical data is analysed to understand if outsourcing has led to changes on Libraries key performance indicators (KPIs).

Benchmarking compares business processes and performance metrics, and in this case Library KPIs. Essentially, benchmarking establishes a snapshot of the performance of a subject group to help understand how it is performing in relation to the peer group.

In this case the “subject group” refers to Libraries who outsource most or all of their operations, while the “peer group” has been defined as Libraries who undertake most of these operations in-house.

Benchmark groups have been defined based on the findings of the Library Survey conducted in May, 2009 and through subsequent consultation. Based on this, it was possible to define the 'Operations Typology' of a library. Operations Typology refers to the Library's collection management model.

It is noted that not all Libraries are included in this analysis. Information about a Library Services Operations Typology was not available for some libraries. These libraries have therefore been excluded from the Benchmarking Analysis. The sample size used however is considered representative of NSW Libraries.

The sample used in this benchmarking analysis is outlined below.

Subject group ²⁰
Canterbury
Holroyd
Hornsby
Kogarah
Marrickville
Parramatta
Riverina
Sutherland
Upper Murray

²⁰ With regards to the subject group, the Sydney Library service has been removed from this analysis. This is because that the Sydney Library service performs a different role and function compared to the subject group and will therefore distort the benchmark analysis.

Peer group	
Armidale Dumaresq	Leichhardt
Ashfield	Macquarie
Auburn	Maitland
Bankstown	Manly
Bathurst	Mid Western
Bega Valley	Monaro
Blacktown	Mosman
Bland	Newcastle
Blue Mountains	North Sydney
Campbelltown	Parkes
Canada Bay	Pittwater
Central West	Randwick
Gosford	Richmond-Tweed
Great Lakes	Richmond-Upper Clarence
Greater Taree	Shoalhaven
Grenfell	South West
Inverell	Tenterfield
Ku-ring-gai	Warringah
Lachlan	Waverley
Lake Macquarie	Willoughby
Lane Cove	Woollahra
Leeton	Wyong

16 Appendix E – Value Chain

Figure 1a

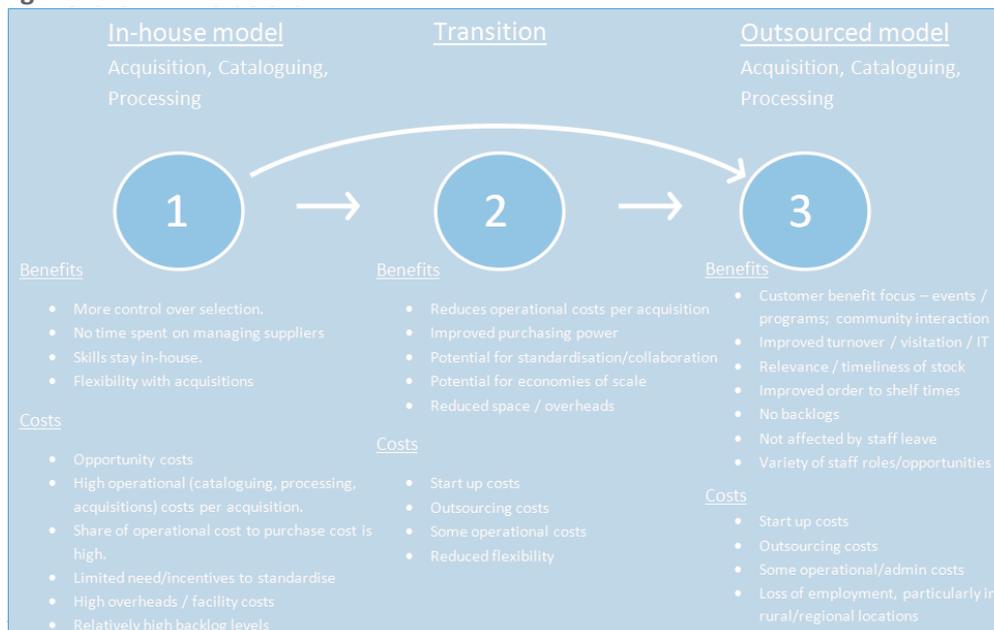


Figure 1b

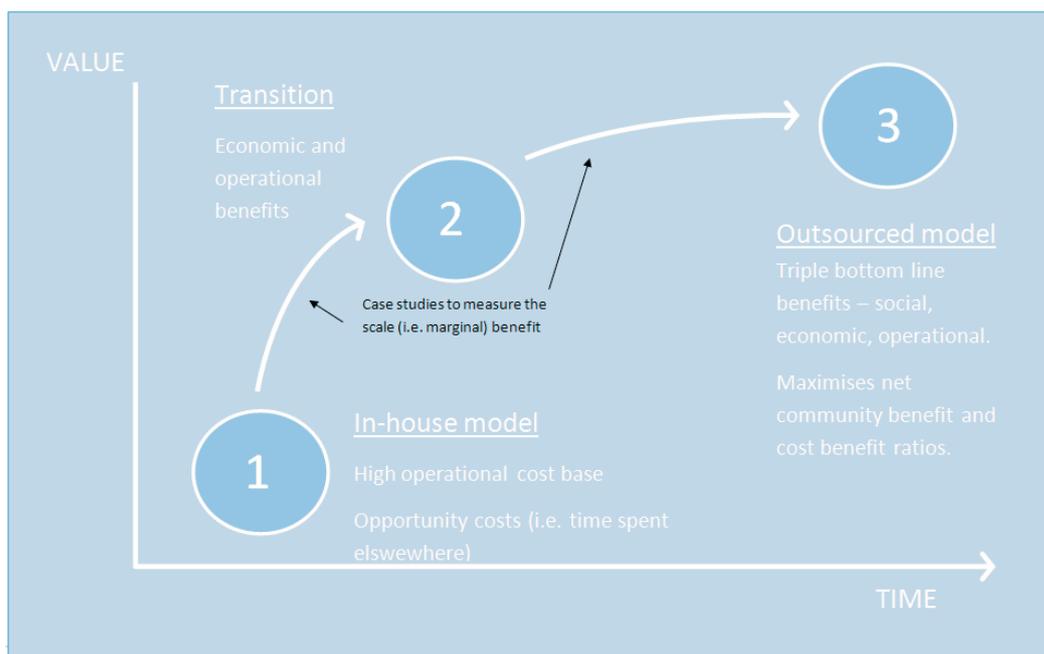


Figure 1c Value Chain (Size, Type, Operational Model)

Value Curve by Typology and Size – Complex Dynamics

	Stand alone		Collaborative	
	In house	Outsource	In house	Outsource
Small library	May not achieve critical mass required to deliver substantial financial benefits. Operational costs likely to be moderate.	Financial benefits may be limited from a move to outsourcing as scale is limited.	May not achieve critical mass required to deliver substantial financial benefits. Collaborative / admin costs may be high.	Some financial benefits may be achieved under this typology.
Medium library	May not achieve critical mass required to deliver substantial financial benefits. Operational costs likely to be high.	Potential to capture significant financial, economic and social benefits from a move to outsourcing.	May achieve financial benefits through collaborative critical mass / purchase power. Some social and economic benefit could be achieved	May elevate financial benefit from a move to outsourcing.
Large library	May achieve financial benefits through critical mass / purchase power. Economic and social benefits are likely to be constrained by 'back of house' activities.	May elevate financial benefit from a move to outsourcing. Economic and Social benefits can be achieved.	Economies of scale likely to be achieved and result in financial, social and economic benefits	May elevate financial benefit from a move to outsourcing. Economic and Social benefits can be achieved.

Figure 1d

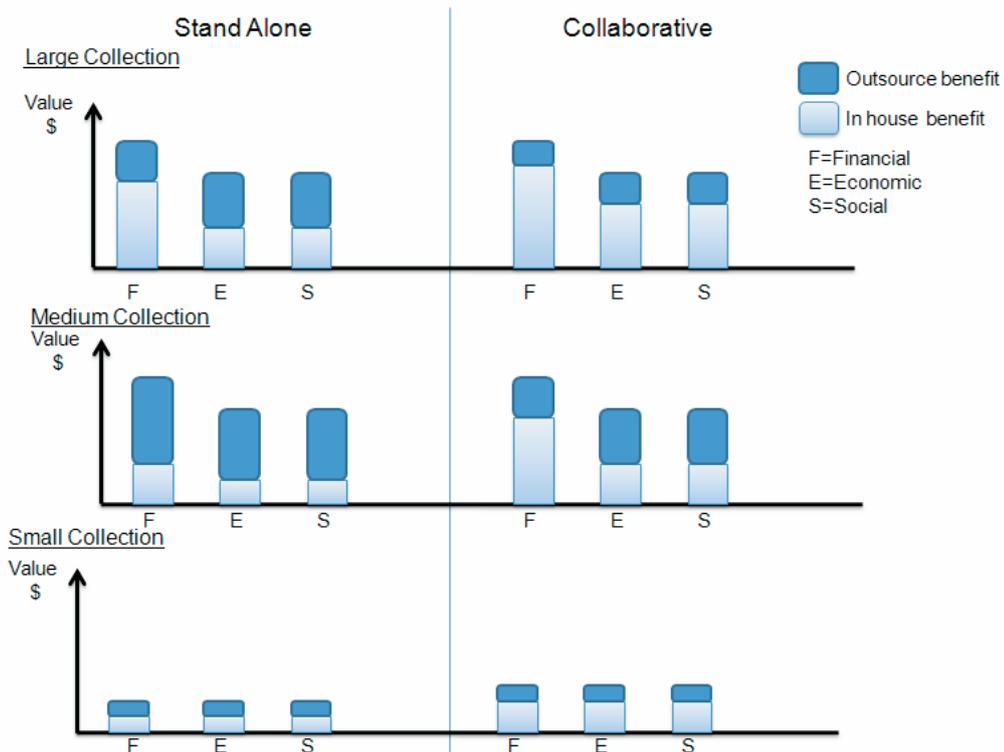
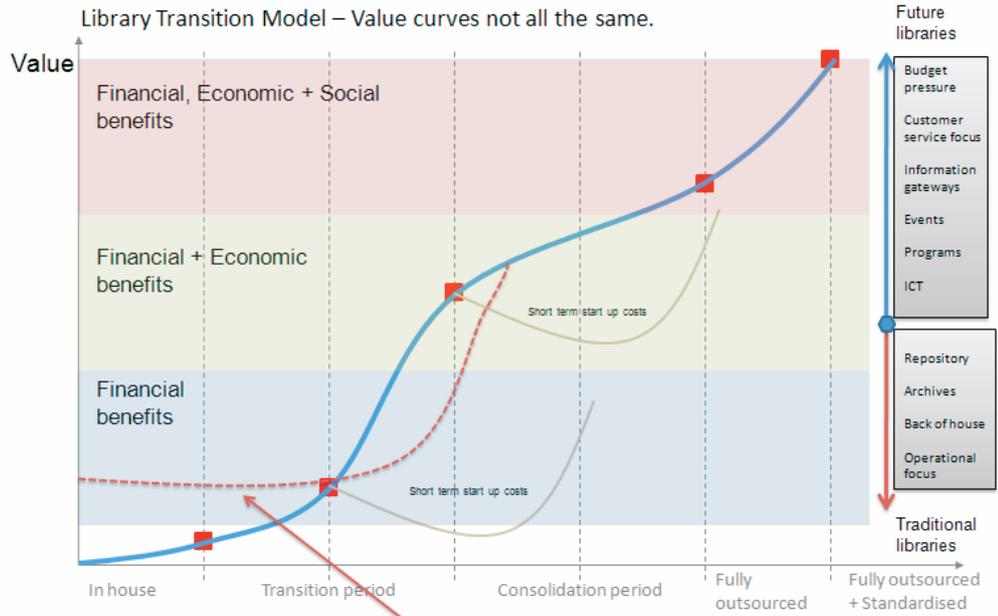


Figure 1e



Large or Collaborative library may start on a different value curve.
 In this case marginal benefit from in house to transition is small-moderate only.

17 Appendix F – Practical Assessment Tool

Introduction

MacroPlan Australia was engaged by the State Library of New South Wales to analyse the costs and benefits of outsourcing public library services, (namely acquisitions, cataloguing and processing) in a variety of contexts relevant to the New South Wales (NSW) public library network.

The project included the development of an assessment tool that draws upon the findings of the study to help Library managers evaluate their services and to provide strategic directions regarding outsourcing.

This file presents the Evaluation Tool for outsourcing of acquisitions, cataloguing and processing. It contains the following stages:

- Step by step guide that guides the user through the process.
- Performance and score assessment of Library services
- Assessment matrix that identifies the outsourcing profile of the Library
- Recommended actions based on the assessment matrix
- Glossary

This is an assessment tool which identifies where individual libraries sit in the evaluation framework and how outsourcing may help in achieving benefits based on the data and assessment of your library you provide. This spreadsheet is available on the State Library website at www.sl.nsw.gov.au.

Step by Step Guide



Self assessment form

LIBRARY SIZE

Please complete the following:

Population catchment:	<input type="text"/>
Acquisitions per year:	<input type="text"/>
Number of staff:	<input type="text"/>
Outcome	<input type="text"/>

LIBRARY MODEL

Which of the following activities do you currently outsource?

Cataloguing:	<input type="text" value="Select"/>
Processing:	<input type="text" value="Select"/>
Acquisitions:	<input type="text" value="Select"/>

Which model do you operate under?

Select model	<input type="text" value="Select"/>
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OPERATIONS AND SERVICE EVALUATION

Please rate the efficiency of your library's operation on a scale of 1-5:

- 1: Poor
- 2: Could improve
- 3: Average
- 4: Efficient
- 5: Very efficient

Time spent on operations:	<input type="text"/>
Acquisition per staff FTE:	<input type="text"/>
Overall operation costs:	<input type="text"/>
Order to shelf times:	<input type="text"/>
Ability to respond to staff leave:	<input type="text"/>
	<input type="text" value="0"/>

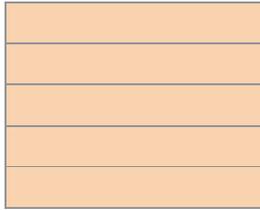
SERVICE RATING

Please rate the current level of service on a scale of 1-5:

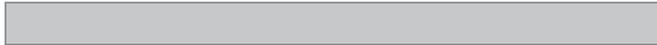
- 1: Poor
- 2: Could improve
- 3: Average
- 4: Efficient
- 5: Very efficient

Self Assessment Form continued

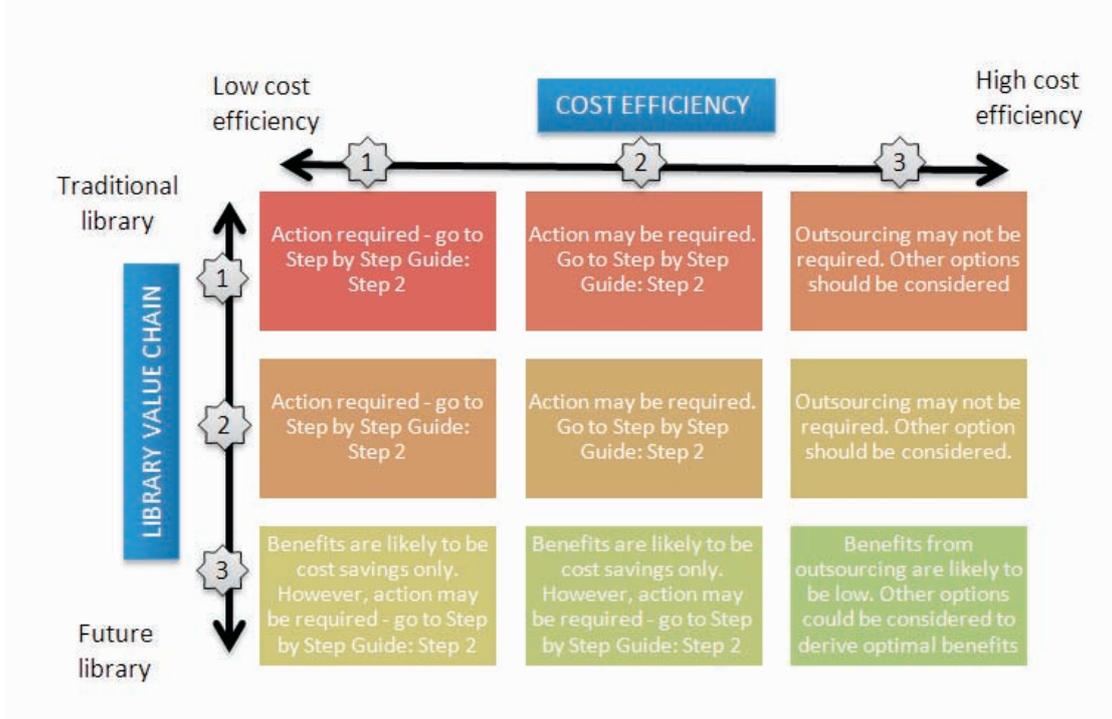
Visitation:
Turnover:
Events:
Customer service staff:
Community satisfaction:



SERVICE RATING



OPERATIONS AND SERVICE EVALUATION MATRIX



Glossary

Acquisitions: includes selection of new books, ordering (i.e. choosing a supplier, raising an order, querying orders, cancelling orders)

Books borrowed : total number of book items borrowed

Cataloguing: Creating catalogue records, amending catalogue records, Does not include conversion of systems (i.e. from manual system to computer based system).

Collaborative arrangements: can be informal or formal agreements to standardise one or more elements of the library process (e.g. book orders, cataloguing, library management system).

Customer service related tasks: Registering borrowers, shelving, loans, interlending, answering questions, front desk work. Includes developing and managing library programs and events

Discards: Removing items from the collection - altering records and databases, removal from storage, etc.

Internet usage: Total hours of internet use

Library facilities: includes facilities for patron usage, such as photocopiers, computers, etc

Non-books borrowed: total number of non-book items borrowed

Overall Service Delivery: The library's overall operations are resulting in the provision of a better quality service for patrons.

Processing: Work involved in making the item shelf ready including loan stationary, security devices, ownership labels, special covering, shelving ready for us. Includes journals

Selection: the work involved in choosing items to add to the collection.

Stock circulation: refers to the total number of loans

Staff effectiveness: The ability for staff to utilise their time most effectively to contribute to service delivery.

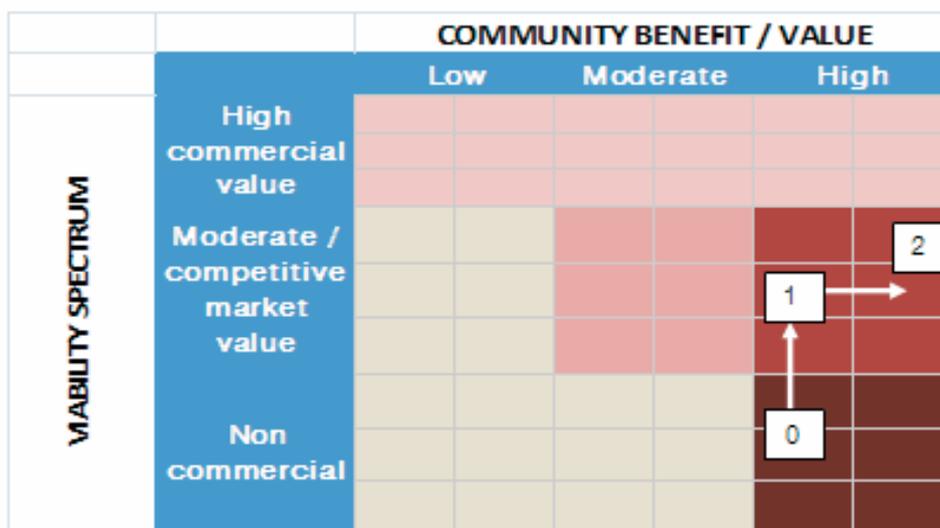
Staff morale: Feeling of security, loyalty and motivation towards the library.

Total library staff (FTE): The total number of full time equivalent (FTE) staff where a part time worker (20 hours per week) would equate to an FTE of 0.5

Turnover of stock: refers to the total number of loans divided by the total number of items

Evaluation Tool Framework

It is recognised that contemporary government practice expects publicly funded bodies to demonstrate their value to the community. Typically public goods such as libraries do not generate commercial value but instead provide a vital service and benefit to the community. This is illustrated in the figure below.



High need - subsidise / provide
Moderate to high - subsidise / limited provision
Moderate - subsidise
Market driven
Not viable, limited value / close

This spectrum provides a framework to this benefit cost analysis and highlights that strategies that focus on moving the position of the public good towards the right and/or upwards should be encouraged. The case study analysis presented in this report provide evidence that the transition to outsourcing can move the Library upwards (i.e. to box 1 - improved cost efficiency) and to the right through reallocation of resources (i.e. to box 2 - higher benefit).

This evaluation tool has been designed to identify where individual libraries sit in this framework, and how outsourcing may help in achieving benefits.

