Government and Public Sector

Museums, Libraries and Archives Council
Better stock, better libraries: transforming library stock procurement

Phase 2 Final Report

August 2006

PricewaterhouseCoopers LLP

Table of Contents

Museums, Libraries and Archives Council
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Executive summary

Executive summary

The proposals set out in this report represent a major opportunity for the library service:

- **to innovate** and to transform their approach to buying and managing stock through improvements to procurement, processes, and use of information technology;
- **to invest** the savings generated through these changes, in better stock and better services to the public; and ultimately
- **to improve** their services to users and to their local community as a whole.

The report sets out proposals and an outline business case for a new approach to stock procurement for public libraries. The report has being produced by PricewaterhouseCoopers LLP ('PwC') on behalf of the Museums, Libraries and Archives Council ('MLA'). This executive summary covers a number of key questions:

- What is the scope of this project?
- What are the key issues in improving stock procurement?
- What are our proposals for change?
- What is the business case and what are the risks?
- What have stakeholders told us?
- What will happen next?

Context

Public libraries are undergoing a period of challenge and change. Local government is facing the opportunities and challenges of the Efficiency Review[1] and the Transforming Government[2] agendas, and also awaiting the Local Government White Paper,[3] the Comprehensive Spending Review 2007,[4] and the report of the Lyons Inquiry.[5] This project is part of the MLA's Framework for the Future[6] action plan to ensure that public libraries in the 21st Century can continue to deliver a service of high value to local communities.

It is critical that both the libraries community and local government seize opportunities to set the agenda and take a lead in transforming services to operate as efficiently and effectively as possible. We believe that these proposals represent such an opportunity. Just as important, we believe that our proposals are sufficiently flexible to respond to changing demands on the service, for example the increasing trend towards procuring on-line material.[7]

This is a report of Phase 2 of a project being undertaken by PricewaterhouseCoopers LLP ('PwC') on behalf of the Museums, Libraries and Archives Council ('MLA'), to support the development of a new model for stock procurement for the public library service.

Our work has been undertaken in accordance with the terms and conditions agreed between ourselves and the MLA on 30th November 2005. We do not accept any duty of care or responsibility to any party other than the MLA.

Any oral comments made in discussions as concerns our reports and letters are not intended to have any greater significance than explanations of matters contained in the final written reports or letters. We shall not be held responsible for oral advice unless we confirm such advice formally in writing.

What is the scope of this project?

The goal of this project is to achieve better library services through better stock procurement, including:

- **better availability and more efficient management of stock**, with flexibility to meet local needs;
- **freeing up library staff time and resources** from 'back-room' work, to provide additional services to customers; and
- creating the opportunity for **reinvesting the savings made by efficiency improvements**, so that libraries can provide the best possible service to their communities

Part of the business case for this proposal is about cost reduction and savings potential, but an equally important element is about modernising the commissioning of book stock to improve customer service, in line with parallel changes elsewhere in local government. The library service has an opportunity to be a leader in this area, if reforms to the current system are implemented. Although the scope of our work has focused on the procurement of book stock, we believe that in principle, the proposals set out in this report can be developed to encompass the procurement of other materials, including on-line material, audio-visual, and other new products and services.

What are the key issues in improving stock procurement?

149 library authorities are the accountable bodies responsible for expenditure of approximately £85m per year[8] on purchasing book stock from a number of library suppliers. Some authorities do this jointly through consortia, and others do it independently. Procurement practice varies widely across the library sector. Good practice exists, and has been adopted by some library authorities, but not all.

The key issues include:

- low take-up of simple and standardised processing requirements for book stock; such 'minimum standards' exist, but only around 25% of authorities have adopted these in practice;[9]
- relatively high expenditure on staff and other procurement costs of at least £35m per year, or around 40% of stock spend;[10]
- significant variations in the proportion of procurement costs between authorities, for example variations in staff costs alone of between 6% and 31%;[11]
- stock selection not always linked to local need and user preferences, evidenced by stock quality health check findings;[12]
- an increasingly fragile supply market, in which four suppliers have over 50% of market share and which has seen a number of suppliers 'go under' in recent years;[13]
- significant variations in the discount levels library authorities are able to extract from suppliers, ranging from around 20% to 40%, [14] and typically lower than that offered to retailers of between 44% and 55%.[15]

Our analysis suggests that these problems lie not only with library authorities and the need to adopt more efficient and effective procurement processes, but all the way along the supply chain, in the structure of the current library stock supply market.

Modernisation of existing procurement practice is clearly required. But to maximise the benefits of this change, parallel changes to stock processing, ICT and automation are also needed. This can be summarised in the phrase “to change what you get, you need to change what you ask for”.

Transformational change on this scale will therefore require sustained national leadership within the sector and within the local government and supplier communities, if the full benefits are to be realised from such transformation.

What are the key issues in improving stock procurement?

Design principles

Our analysis of the most effective way to carry out each element of the stock procurement process has led to the development of the following principles:

1. Assessment of demand – should be locally driven, since local services are best placed to understand the needs of their communities, and set the policy goals for their service;
2. Selection of stock – should be done using the expertise of suppliers or other third parties to ensure that industry knowledge and specialisation is harnessed effectively to identify the best new and ‘refresh’ stock to meet local needs;
3. Procurement – should be aggregated through an ‘eMarketplace’, via framework suppliers, to ensure the widest possible competition and lowest prices while minimising the burden of entering into supply contracts;
4. Processing & servicing – should be based upon standardised and shared services, since this is a physical activity requiring transactional expertise that can yield scale economies through joint delivery and automation;
5. Cataloguing – ideally there should be a single national catalogue to reduce duplication and complexity of ordering, cataloguing, and stock management and analysis; and
6. Delivery/receipting – delivery should be through regional ‘hubs’ with the receipting and financial processes automated to the maximum degree, to reduce processing costs still further.

Components

The proposed model consists of four components, driven by the local library service at the centre, as the accountable body for the delivery of the library service, with control over quality and working towards policy outcomes:

1. An eMarketplace which allows automatic selection of whichever supplier provides best value (a function of best price, quality and delivery time), and includes real-time visibility of stock and status and automated ordering and financial workflow, triggering delivery of stock to regional processing centres, receipting and payment;

2. A small, national, strategic commissioning function, running the eMarketplace and assisting with quality management across suppliers, contracts, and selection;
3. 'Clusters' of library authorities, interchangeably referred to in this report as regions, working to secure back office efficiencies, and providing bibliographic services including processing and the majority of stock selection services; and
4. Individual library authorities responsible for meeting local demand.

The aim is that 'the whole should be greater than the sum of the parts', working as one system to support local authorities to improve stock procurement and contribute to better library services.

Outline processes

These components will be linked together by a series of processes as set out in Section 5 of the report. In essence, the process involves:

- Local identification of requirements and policy outcomes. This drives the entire process by using local knowledge to set targets. The local library service will remain in control of the whole process, measuring success primarily by the contribution of stock to meeting their policy targets;
- A regional/national 'hub-and-spoke' selection team to select books to meet the policy requirements of library authorities, and procurement through an eMarketplace to ensure best value purchasing; and

3. Books delivered to regional centres, processed and sent to libraries as quickly as possible, scanned and put straight onto the shelf.

This will be supported by analysis tools that allow the quality of purchase decisions to be analysed, not just by breadth and depth of stock and applicability to local needs, but also by stock use.[16] The system will also provide local authorities with real-time visibility of the whole supply chain for assurance, as well as the ability to order requests and other specialist items through the selection teams. Locally-published specialist stock (a very small proportion of total stock; we suggest around 5%) will continue to be procured locally.

What is the business case and what are the risks?

The outline business case set out in Section 6 identifies the following potential savings and required investments to establish the new model. This is based upon a number of assumptions (set out in Annex C) and all figures are indicative at this stage. The headlines include:

1. Gross savings per annum from £22million, made up of:
   - the potential for additional discounts of up to 7.5% on current average levels, realising almost £10m in savings on current spend; and
   - reduction on the gross overall cost of stock procurement of at least 35%, or £13m; and

2. Between £4.5m and £7m investment up-front to implement the changes, principally in new ICT infrastructure and related costs.

These estimates are based upon conservative assumptions; the actual savings available may be significantly greater than this, and further assessment of the investment costs is also required as part of developing the business case for change. Further work on the costs and savings achievable will be undertaken in Phase 3 of this project.

We have also undertaken a risk analysis of our proposals. These are set out in detail in Section 6. The key risks include:

- maintaining clear accountability for performance within the new arrangements, and the need for clear performance management to mitigate this risk;
- implementing the ICT requirements of the new arrangements, which will require early and close engagement with ICT suppliers and other specialists to pilot new ways of working, and to build upon existing platforms where possible;
- the need for robust process automation to ensure that the benefits of shared bibliographic and other servicing are delivered in practice;
- establishing the regional servicing and distribution arrangements, upon which the new arrangements will depend for their success;
- managing the change associated with the transition to the new arrangements, in particular the implications for staff, given that much of savings potential will be reliant on either redeployment of staff from back to front office functions, or net headcount reductions in back office staff across the library service as a whole; and
- encouraging market entry by new suppliers, which forms a key element of these proposals, and which will require sustained and ongoing engagement with existing and potential suppliers in the next phase of the project.

We will be undertaking further work with MLA on how best to manage these risks during the next phase of the project, alongside additional work on the business case for change.

What are stakeholders saying?

Stakeholder engagement has been a major priority during this project, and has been wide and varied including:

- Chief Librarians and library staff through SCL and MLA;
- The Local Government Association and the Chief Leisure Officers Association;
- current library stock suppliers;
- LMS suppliers;
- publishers and their representative organisations; and
- other interested parties including BDS, Book Industry Communications, Nielsen, Amazon UK, and others.

In summary, there is support for the principles we have set out, but also some key concerns that will need to be addressed. Significant issues being raised by stakeholders include:

- the risks associated with any reduction of competition in the market for library or LMS supply;
- the critical importance of maintaining speed and quality of supply;
- the investment costs required for the proposed model; and
- governance arrangements and the difficulty of agreeing common standards across the library service.

Further detail on stakeholder concerns is set out in Section 7.

The wider involvement of procurement and finance leaders and Chief Executives in local government will be critical going forward, as will continued engagement with the library and supply communities in planning and implementing the changes.

What happens next?

The focus of our work to date has been on analysing the current situation, reviewing the available evidence and discussing the options for change with a range of stakeholders. We have set out in this report a synopsis of our work, as well as what we believe is the right approach to transforming stock procurement.

Given the far-reaching and radical nature of these proposals, it is important that the timescale for implementation is considered in detail, and that 'proof of concept' and piloting activities are undertaken at an early stage.

It is also important that library services and existing consortia and suppliers continue to develop best practice and streamline processes and requirements in order to both improve current arrangements, and facilitate a shift towards the new arrangements.

Going forward, the emphasis of this project will shift to a focus on the practical issues associated with implementing the changes. The key areas of focus will be:

- making recommendations on the governance arrangements for testing and implementation of the proposed changes;
- developing an implementation plan that sets out what needs to happen and by when, and who is responsible for delivery;
- considering in further detail some of the key concerns raised by stakeholders about these proposals; and
- continuing to engage constructively and widely with stakeholders, and broadening the focus of this activity to embrace the wider local government community.

We look forward to continuing to work with all stakeholders to develop these proposals further and to piloting and implementation of these proposals.

Museums, Libraries and Archives Council

Better stock, better libraries: transforming library stock procurement

1 The scope of our work

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Introduction

This is a report of Phase 2 of a project being undertaken by PricewaterhouseCoopers LLP (‘PwC’) on behalf of the Museums, Libraries and Archives Council (‘MLA’), to support the development of a new model for stock procurement for the public library service.

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Phase 2 of this project builds upon a scoping exercise undertaken between November 2005 and January 2006. The aim of Phase 2 has been to identify a preferred model for stock procurement, as well as a business case setting out the potential benefits, costs, and risks of such a model, for consideration and decision-making by the project Steering Group, and wider consultation.

The primary focus of this work has been on the stock procurement process for books, which represent the bulk of stock expenditure by the library service. However, our proposals should also to be able to accommodate the procurement of other materials such as on-line reference material, as well as the potential engagement of HE/FE library stock procurement, schools library procurement and other areas in the future.

The key considerations in developing these proposals have included an assessment of:

- the strengths and weaknesses of national, regional, and ‘hub and spoke’ approaches to stock procurement;
- the changes in procurement, process, and ICT that will be required to support a new model for stock procurement, including current best practice in stock procurement that will need to be adopted more widely to support a new approach;
- implications of the model for the current supply market and for supply chain management;
- the costs, potential savings, benefits, and risks associated with a new model of stock procurement; and also
- stakeholder views on these proposals as they have been developed in recent months.

Structure of this report

This draft report sets out a summary of our findings in these areas, and our proposals for a new model for stock procurement.

Section 2 provides a synopsis of the work we have undertaken during this Phase;

Section 3 sets out a summary of the current challenges in relation to stock procurement on the demand side and supply sides;

Section 4 provides a summary analysis of the potential of national, regional, and ‘hub and spoke’ approaches to stock procurement based on UK and international practice examples;

Sections 5 and 6 set out our proposed stock procurement model and an outline business case;

Section 7 sets out the issues for further development and proposed next steps.

Museums, Libraries and Archives Council

Better stock, better libraries: transforming library stock procurement

2 Our approach to Phase 2

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Key elements of our work

We have undertaken a number of key activities as part of our work in Phase 2. These activities have included:

- a survey of stock procurement practice and staff costs sent to all libraries in England, for which we received a 33% response rate from a representative sample of authorities;
- a more detailed analysis of stock procurement costs, including staff and non-staff costs, undertaken in one of the English regions;
- interviews and workshop discussions with a broad range of library authorities across the English regions;
- comparative analysis of contemporary UK public sector procurement practice, and overseas library procurement practice in Holland, New Zealand, and South Australia;
- interviews with a representative sample of current library stock suppliers, and with Library Management System ('LMS') suppliers;
- analysis of recognised good practice in private sector supply chain management; and
- discussions with a wide range of other stakeholders including publishers, independent commentators, and consultants to the library sector.

The analysis set out in this report is based upon evidence gathered during these activities.

A full list of those organisations whom we have consulted during this Phase is set out in Annex A.

Museums, Libraries and Archives Council
Better stock, better libraries: transforming library stock procurement

3 Challenges and opportunities in improving stock procurement

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This section of the report sets out our analysis of the current position in relation to stock procurement, including a summary of:

- the overall context for stock procurement;
- challenges and opportunities for improvement on the demand side;
- challenges and opportunities for improvement on the supply side;
- stakeholder perspectives on these issues; and
- key implications in developing a new model for stock procurement.

Overall context

Stock procurement is a significant area of expenditure within the libraries service, both in terms of the commodity spend on books and other materials, as well as levels of staff input into the procurement process.

CIPFA data[17] suggests that total libraries expenditure across the UK in 2004-5 is estimated to be around £990m, the lion's share of which is spent by the 149 library authorities in the England.

Within this total UK expenditure, around 12% or £136m, is spent on books and materials. Books are by far the largest element of stock expenditure, representing around £102m in 2004-5 across the UK, or around £85m in England.

Staff costs and other inputs into the process are harder to quantify; this issue is discussed in more detail later in this report. However, indicative staffing data collected by PwC as part of this project[18] suggests that stock procurement activities absorb more than £35m per year in full time equivalent (FTE) staff costs (England only).

Demand side characteristics

149 library authorities are the accountable bodies for the provision of an 'efficient and comprehensive library service' for England.[19] As such, individual authorities are ultimately accountable for their procurement budgets and the majority of authorities contract directly with a single supplier for the provision of the bulk of their stock (adult fiction, adult non-fiction and children's' books), elements of servicing, delivery and, sometimes, other services such as stock selection. Specialist material such as reference books are sourced through niche suppliers.

There are also an increasing number of examples of libraries managing elements of their procurement activity jointly, in consortia arrangements. These arrangements provide opportunities from which elements of a new approach to stock procurement might be developed. The characteristics, strengths and weaknesses of consortia arrangements are discussed in more detail in Section 4.

Supply side characteristics

Most libraries currently procure the bulk of their stock – adult fiction and non-fiction, and children's books – from a small number of library suppliers. Previous work in this area[20] has identified that the top four library suppliers have approximately 50% of market share, and interviewees believe this may now be significantly higher. In turn, these library suppliers are serviced by a small number of wholesalers. The market is subject to limited competition. Merger & acquisition activity, in particular the recent purchase by a large wholesaler of one of the key library suppliers and the withdrawal of other suppliers, has contributed to a reduced number of suppliers active in the market in recent years.

Library suppliers offer a range of services to their customers as described above. Usually these services are offered as part of an overall costed 'package' for which individual libraries or consortia members contract.

Challenges and opportunities for improvement on the demand side

There are a number of features of stock procurement arrangements that are valuable and will need to be preserved and built upon in any new arrangements. These include:

- the clear accountability that library authorities hold for the delivery of a 'comprehensive and efficient' library service;
- the understanding that local libraries and library authorities have of the needs of their local communities, for example through the application of community profiling and related techniques; and
- the overall volume of demand for stock, and the certainty associated with that demand, which although a small proportion of total spend within the UK book market (some estimates suggest around 3%), is significant enough to offer the potential for scale economies in procurement as well as interest from potential market entrants.

Nonetheless, there are a number of features of the way that libraries procure and process book stock that could be made both more efficient and effective.

1. Simplified and shared servicing standards for stock are yet to be universally adopted

Previous work in this area[21] has identified that shared and simple servicing standards can make a key contribution to increased efficiency in stock procurement, in both time and costs. This is also a prerequisite to deriving the full benefits from extending joint working by the libraries service.

Although some progress has been made in this area, data collected during this project[22] suggests that only 20% of local authorities comply with 'minimum NAG standards or better', which suggests that 80% do not do so at present.

2. Variation in the efficiency of procurement processes, with good practice not adopted 'across the piece'

The number of staff required to support stock procurement varies very widely from library authority to library authority. Data collected during this project[23] suggests that the estimated median number of FTEs involved in the stock procurement process is just over 7 per library authority. However, this varies widely, with authorities reporting[24] as few as 2 and as many as 30 FTEs required.

These data are estimates, and some of these variations can be explained by size and stock throughput. Nonetheless, the lack of standardisation in resource across a function that has many common characteristics between organisations regardless of scale, suggests that some authorities are operating more efficiently than others

3. Fragmentation in demand for common stock, with opportunities for scale purchasing underdeveloped

Consortia arrangements are an increasing practice across library authorities. Around 75% of the 50 authorities that responded to PwC's survey reported membership of a consortium.[25] However, the role of these bodies and their contribution to procurement varies widely. Whilst 40% of authorities report adopting common processing requirements, only 14% report use of joint LMS, and just 5% of authorities report delegation of stock selection to consortia.

More significantly, aggregation of book purchasing as a means to realise scale economies in procurement is significantly underdeveloped. This impacts both on procurement price and the quality of stock selection. Stock quality data analysis of fiction titles, the Stock Quality Health Check, suggests that there is no significant correlation between the community profile of authorities and the type of stock selected, suggesting that local purchasing is not responding to specific community needs. Opening The Book believe that it is easier for larger budget holders to take risks and buy across the whole range, meeting community requirements more effectively. The evidence collected in the Stock Quality Health Check consistently shows that the quality of stock selected is dependent on the skill and expertise of the individual selectors, which varies widely.

4. Underdeveloped use of opportunities such as EDI and RFID, and a lack of shared technology platforms and standards

Better use of technology to support efficiency and effectiveness has been previously identified as a key driver of potential efficiency. Whilst progress has been made in this area, there is some way to go. For example, just over 10% of authorities employ RFID technology,[26] whilst 35% of authorities use EDI for receipting, although more than 70% report using EDI for ordering from suppliers.[27]

A lack of agreed minimum or core standards for Library Management Systems ('LMS'), and application of interoperability standards including the interface between these systems and local authority corporate financial management systems is also problematic. Receipting, for example, frequently needs to be done more than once across both LMS and corporate systems. Suppliers also report that this adds complexity for them in dealing with multiple systems across different library authorities.

More fundamentally, the lack of shared standards for LMS systems makes data-sharing between libraries challenging, and is a significant barrier to improving management information flows between library services and enabling joint working. Note that in many cases, standards do exist but are not implemented or implemented in such a way that the benefits are not achieved.

5. Insufficient procurement expertise across the library service as a whole

One of the challenges most commonly reported to us during interviews with library authorities was the lack of procurement capacity within the sector, which can make it harder to drive through improvements to procurement practice and supply chain management.

This is not only a problem facing the libraries sector, but is also symptomatic of a wider capacity problem across local government as a whole, reflected in recent procurement capacity analyses and workforce capacity analyses.

Challenges and opportunities for improvement on the supply side

Turning to the supply side, there are also strengths that any new system should seek to build upon. These include:

- the expertise and understanding that suppliers have of both the book market and the particular requirements of the library service; and
- significant interest in the library market from potential new entrants, in particular publishers and wholesalers.

Nonetheless, there are a number of features of the way that the current supply market is structured, and the way it operates, which we believe are obstacles to increased efficiency and effectiveness in the procurement process as a whole.

6. Limited effective competition across the libraries supply market

As noted above, libraries typically contract with a single supplier for the bulk of their stock, and a significant element of servicing, as well as other services such as (in a minority of cases) stock selection. As also noted previously, the supply market for the library service is becoming more concentrated, with around five or six suppliers dominant in the current market.

Qualitative data collected during this project suggests that library authorities find it increasing difficult to differentiate between what is offered by the various suppliers, and that discount levels have slowed down and are now ‘bottoming out’. On the supply side, existing suppliers argue that as margins have tightened, it is increasingly difficult for them to compete in this market.

This raises significant questions about the sustainability of this supply market in the medium and longer term, and the potential value of increasing competition in this market in the future.

7. Significant entry and exit barriers to the existing market, linked in part to the complexity of requirements placed on suppliers by the library service

This is also a market characterised by high entry and exit barriers. Library authorities and suppliers have argued that ‘bundling up’ book purchasing, servicing, delivery and other services has been a cost effective route to the procurement of ‘shelf ready’ stock. However, the downside of this approach to bundling is the creation of entry/ exit barriers to potential new suppliers, for example the costs associated with setting up a servicing operation to complement the provision of stock. The lack of simplification and standardisation of servicing requirements has exacerbated this problem, and contributed to the lack of competitiveness within the current supply market.

8. Discount levels and lack of price transparency

Definitive data on the discount levels for stock received by library authorities, in comparison for example with the discount levels offered to retailers, is hard to source. Nonetheless, library authorities surveyed as part of this study reported securing discount levels of between 20% and 35% from library suppliers.[28] Other industry sources have reported discount levels offered by publishers to library customers of between 37% and 47%.[29]

These estimated ranges are low in comparison to reported discount levels offered by publishers to retailers, of between 44% and 55%.[30]

9. Costs on both supply and demand of the contract procurement process

The ‘bundling up’ of services from a single supplier which creates lack of price transparency also contributes to an additional notable entry barrier, and significant supply and demand costs, through the need for full OJEU procurement specifying a significant range and complexity of requirements. The lack of any ‘standard’ or ‘pro forma’ contractual model means that, although requirements are very similar, each authority is creating its own contract, and each bidder has to respond separately on each occasion.[31]

Stakeholder perspectives on these issues

As set out in Section 2, we have engaged with a very broad constituency of stakeholders during the project, including:

- library authorities
- current library stock suppliers;
- LMS suppliers;
- local government leisure and finance officers;
- publishers and their representative organisations; and
- other stakeholders from the public and private sectors.

Library authorities were asked to identify what they feel are the most important priorities for a new stock procurement system. The priorities that emerged,[32] and the relative 'weight' attached to them include:

- improved library services (19%);
- feasibility of implementing of new arrangements(12%);
- flexible enough to account for local demands (11%);
- generation of savings for reinvestment in library services(10%);
- embracing technological developments such as e-procurement (10%);
- fits with wider modernisation agenda (9%); and
- competition/ diversity of supply maintained/ increased (8%).

In addition, a number of qualitative themes have emerged from these discussions. The key areas include:

- broad, although not universal, consensus that efficiency and effectiveness can be secured by libraries working together, including purchasing common stock, developing shared servicing standards, and common platforms for EDI and LMS;
- the importance of simplification and standardisation across the sector, of servicing and processing requirements in particular, as a driver of increased efficiency;
- the opportunities offered by a more competitive market, for increased discounts in particular, and the importance of new procurement arrangements in stimulating this; and
- concerns about the need to ensure that local accountability for the service as a whole is maintained, and that individual library authorities are able to retain influence over the stock that they can offer their users.

Other issues that have emerged in discussions with stakeholders[33] have included:

- that changing the procurement architecture will not, in itself, be enough to deliver lasting benefits;
- that the development of shared ICT standards and common platforms will also be key;
- that as well as benefits of opening up the stock supply market, there are clearly risks, in particular the capacity of new players to service the market and the need to ensure sustainability of supply, particularly during the transition to any new arrangements; and
- that the transformational change that is required will require strong, focused and sustained leadership and capacity development, both from within the libraries profession itself, and from increased use of expertise in procurement, ICT, supply chain and change management.

Stakeholder issues are addressed further in Section 7 – Next steps.

Key considerations in developing a new model for stock procurement

Based upon our work to date, and our extensive stakeholder engagement work, we believe that the following considerations are key in developing new stock procurement arrangements:

- the challenges we have identified on the demand and supply sides are closely connected, for example complex and differing standards and servicing requirements on the demand side, have contributed to entry barriers for new suppliers and limited competition in the stock supply market;
- changes to the existing procurement architecture, on their own, will be insufficient to deliver the changes that are required if benefits are to be fully realised; parallel changes to process architecture and ICT architecture across the library service are also required;
- just as some aggregation of demand may be helpful in enabling scale economies in procurement, disaggregating supply side activities, such as separating book supply from servicing, could also contribute to lower entry barriers for new suppliers and increased price transparency; and
- that transformational change on this scale will require sustained leadership if it is to be put into practice.

The next section of this report summarises the available comparative evidence in relation to potential new models of stock procurement, including consideration of national, cluster, and 'hub and spoke' arrangements.

Museums, Libraries and Archives Council

Better stock, better libraries: transforming library stock procurement

4 National and regional approaches to stock procurement

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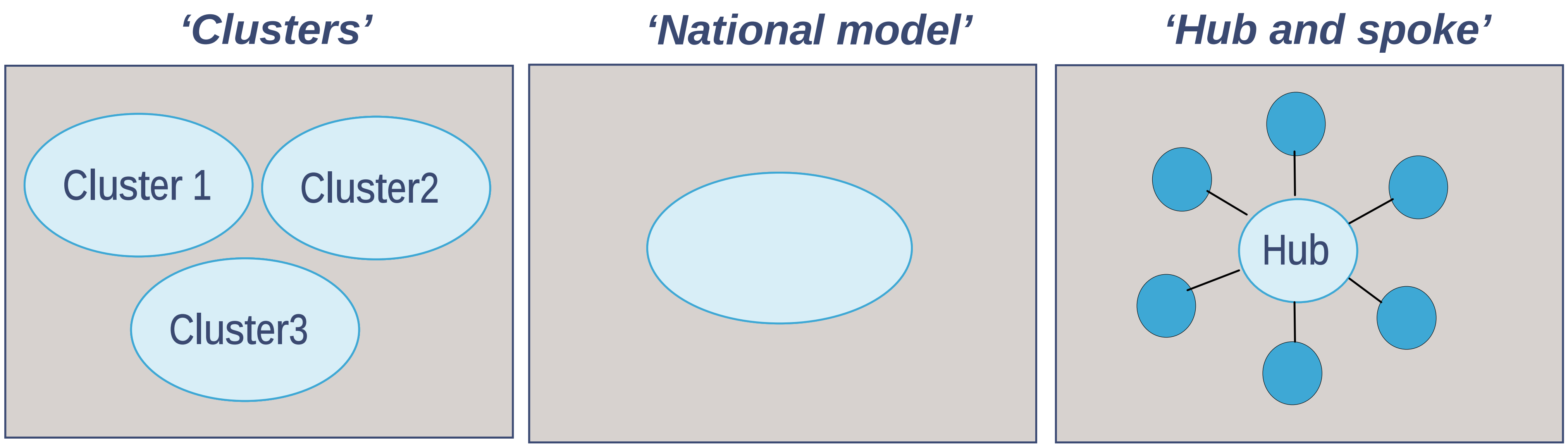
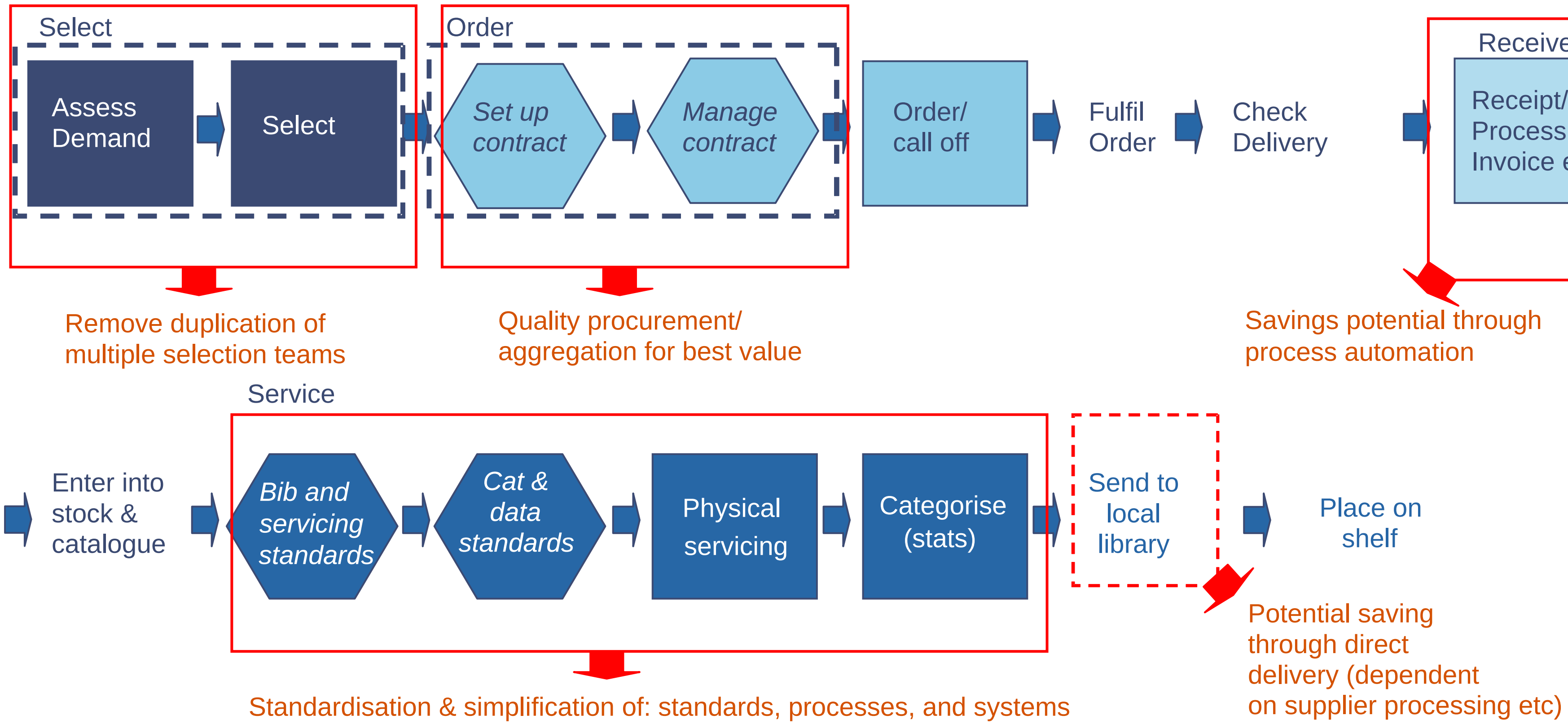
Following the steering group meeting that concluded Phase 1 of our work, we were asked to review the available evidence in relation to new approaches to stock procurement, with a focus on three broad configurations, which are set out schematically in the diagram below:

- national arrangements;
- regional or 'cluster' arrangements; and
- 'hub and spoke' arrangements combining elements of both of these.



We also considered the potential benefits and risks of these models in relation to how they can support improvements right across the stock procurement process, from stock selection through to distribution. The schematic below sets out the areas where our Phase 1 analysis suggested that improvements can be made to the stock procurement process. Note that this diagram shows physical servicing placed after receipt, as the actual servicing involved depends on an individual service's servicing standards. In reality, most physical book servicing is conducted by suppliers.



This section summarises our key findings from this element of our work, including:

- national arrangements – international library service comparators;
- national arrangements – UK public sector procurement models;
- regional arrangements – lessons from existing library consortia; and
- an evaluation of national and regional approaches and their application to libraries stock procurement.

More details of the national and regional comparators we reviewed are set out in Annex B.

National arrangements – international library service comparators

The initial challenge was in identifying comparable approaches; the best known comparator is the model in operation in the Netherlands, through Biblion NV. However, we also identified relevant practice in the New Zealand public library service, and the State of South Australia.[34] Details of each of these are set out in Annex B. A summary of the key lessons from this work is set out below.

Key lessons from international approaches:

The review of international approaches to library stock procurement suggested a number of key lessons to apply in the development of a new stock procurement model for the English library service:

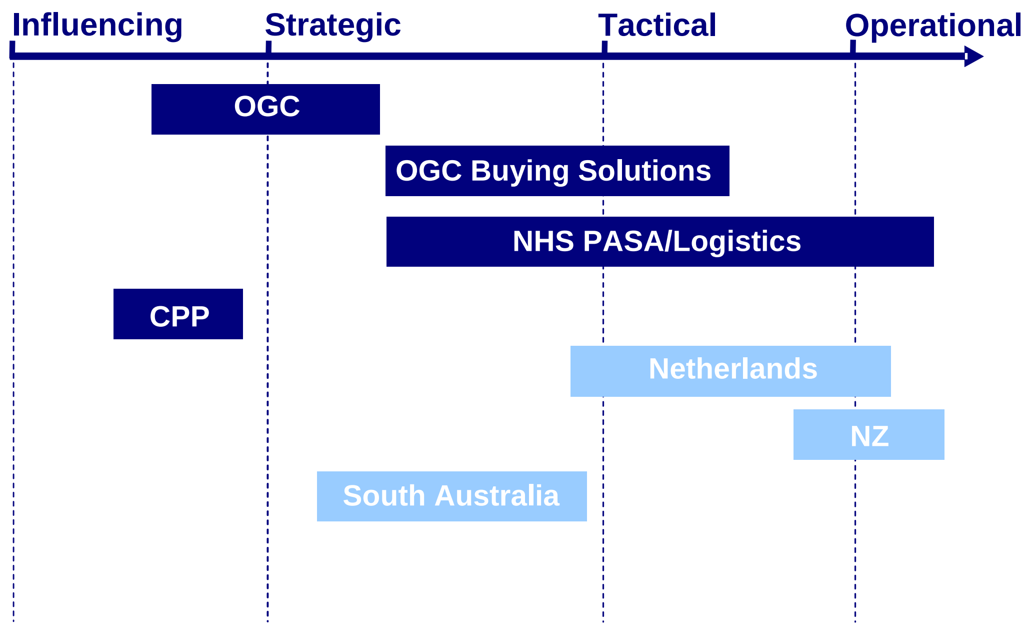
- standardisation and simplification of servicing and cataloguing requirements are a pre-requisite of a move to aggregated procurement and a driver of reduced costs;
- the implementation of EDI/ RFID technology is more cost-effective to manage at a national level;
- the development of national/state-wide approaches to procurement has supported additional services including reader promotion and marketing materials;
- effective distribution and logistics networks are a key enabler of cost reduction in aggregated procurement and represent a priority in design and implementation of new arrangements;
- the development of an integrated customer-accessible catalogue, together with online procurement, has improved access to state-wide stock in South Australia; and
- procurement aggregation is a necessary but insufficient condition for increased supplier discounts; for example standard discount levels in Netherlands – linked to the Dutch equivalent of the 'net book agreement' – are not significantly greater than those achieved currently in UK, although aggregation in the Netherlands creates the additional benefit of RFID tags are inserted at source.

National arrangements - UK public sector procurement models

Alongside consideration of the international comparators, we also reviewed of a number of UK public sector bodies that were operating at a national level in either procuring or facilitating better procurement for public bodies.[35] The organisations we considered included:

- Office of Government Commerce;
- OGC Buying Solutions;
- NHS PASA & Logistics; and
- DfES Centre for Procurement Performance (CPP)

Each of these bodies fulfils different roles. UK National procurement bodies fulfil a number of different roles and responsibilities ranging from influencing local procurement practice, through to operational procurement. These roles are described overleaf. The diagram below demonstrates where each of these UK bodies, and the international comparators described previously, sit on a spectrum:



The four types of body have been defined as either; influencing, strategic, tactical and/ or operational, as described below:

'Influencing' Typically comprise very small numbers of staff working with their sector to encourage joint working and adoption of shared best practice – limited resources and no scope to mandate change.	**'Strategic'** Typically focus on issues such as capacity-building in procurement across their sector. Key role in managing the supply market. Focus on achievement of improvements through strategic intervention and growing sector capacity.
'Tactical' Focus on the set up and management of framework contracts for supply of commodities, goods and services, across sectors and sub-sectors.	**'Operational'** Require substantial staffing to manage and deliver end to end procurement activities, including set up and management of contracts, logistics and delivery of goods and services.

The characteristics of the UK comparators indicate that a national body for libraries stock procurement can imply a number of different roles, from operational procurement and associated tasks such as servicing and distribution at one of the 'spectrum' set out on the previous slide, to an influencing and procurement capacity development role at the other. A description of the key findings from our review in this area is set out in Annex B. The key messages are set out below.

Key lessons from UK public sector comparators:

The review of UK national procurement bodies has enabled us to identify a number of key lessons to apply in the development of a solution for stock procurement to the library service.

- Focus is on development of framework arrangements and capacity support in order to reduce procurement process costs;
- This enables coordinated supplier management and wider commissioning and market management; and
- Allows sharing and development of best practice across local agencies/authorities; whilst achieving economies of scale in integrating expert procurement capacity;
- Typically, the approach of the organisations we studied is influencing and framework-setting, rather than mandating behaviour;
- operational procurement is managed locally and or regionally;
- cost reduction has been achieved through standardisation in pricing, coupled with driving out efficiencies from the supply chain;
- funded to a large extent by supplier levies;
- provides a focal point for both supply and customer;
- varying level of buy-in to use of frameworks – but buy-in encouraged by respective sectors and increasing; and
- provides ability to take a cross sector view of supply markets and customer requirements.

Regional arrangements – lessons from existing library consortia

There are approximately 13 formalised partnerships or consortia arrangement in England (specifically related to library book purchasing). Of these we selected four sites to use which reflected varying sizes, governance arrangements, process and geographical locations. These were:

- Foursite (now Libraries West);
- Yorkshire Book Consortium;
- Wellstoc (West London); and
- CBC (Central Buying Consortium).

The discussions with these bodies were valuable in identifying the current breadth of views around what constitutes an effective consortium in terms of size, prices and governance in particular. The relevant approaches and roles of each of these consortia are summarised in Annex B of this report. Key messages from this element of our review are set out below:

Lessons learnt from regional arrangements

The value of the review and consideration of the case study sites has been twofold. Firstly, it has provided evidence of what is happening currently and where best practice lies. Secondly, it has provided an opportunity to collect views from existing consortia on where the challenge lies in terms of considering what, if any, the role should be for clusters in a regional or hub and spoke model. From this we have been able to identify a number of key lessons to consider in developing our solution:

- it is clear from the CBC model that a regional cluster is not necessary to secure procurement discounts;
- there is additional value from working as a local cluster where authorities wish to drive improvements and share functions, where demand profiles may be similar, or where delivery or supply is geographically sensitive. These benefits mainly derive from the need for ownership and governance at an operational level;
- some of the value derived from working locally would also be achievable by working in other configurations which share similarities such as demand profile and logistical and shared service requirements;
- with the exception of Foursite all of the other consortia we spoke to have a clear focus on establishment of better contract terms rather than shared services or standardisation; and
- within the newer consortia contracts a greater effort has been made in terms of agreeing standard servicing requirements and factoring in supplier selection, EDI etc, however all contracts allow for additional servicing requirements to be purchased.
- Some of the key benefits of working in consortia identified included:
  - ability to share good practice;
  - better discounts up to 15% improvements in some cases on first contract let;
  - potential to move towards greater standardisation;
  - spread workload and reduce costs of tender process;
  - ability to use consortia to facilitate change in individual authorities; and
  - better management information;
- governance is typically informal with one or a small group of members taking a lead role;
- consortia typically do not have dedicated resources;
- LMS interoperability is key to secure greater efficiencies through shared catalogues or bibliographic data, and joint ordering;
- single delivery point and standard service has a positive impact on supplier pricing; and
- consortia represent in excess of 50% of total UK library book spend, therefore the buy-in of consortia members to new stock procurement arrangements will be key to the viability of those arrangements.

Evaluating national and regional approaches and their application to libraries stock procurement

During Phase 1 of our work we identified and agreed with the steering group some key considerations in evaluating the suitability of national arrangements, regional arrangements, or some combination of these two broad approaches to a new model for stock procurement. These key considerations include:

- the financial impact of these arrangements;
- the service impact of these new arrangements;
- the market impact of these new arrangements; and
- the governance implications of these new arrangements.

The following pages provide a summary of the potential benefits and risks of national and regional approaches to stock procurement, in relation to each of these considerations, based on the comparative evidence we reviewed during Phase 2.

Financial impact

National Approach	Regional Approach
Any change is going to generate costs and challenges around change management. The national approach would have perhaps a greater upfront cost yet is likely to deliver more back-end efficiencies over at local as well as national levels the longer term. The national model would present the greatest level of implementation challenge due to the significant shift required, and necessity of ceasing, or changing significantly, existing regional consortia arrangement. It is however believed that aggregation of stock purchases would increase the potential discounts available to the library service and would close the gap between the best and worst discount structures currently applied across the sector.	The key financial benefit of a regional approach is that there are a number of regional consortia already in existence who are familiar with working together and have reporting and other mechanisms established. However this assumes that there will be no change to the existing relationships. Typically, governance arrangements are minimal and any plan to develop a regional approach would require greater definition of these governance arrangements which in turn could result in additional costs. The regional consortia in the UK that have been involved in our review all believe that aggregation of their book funds have delivered improved discounts and these contracts have been set up to ensure service quality is maintained. In the majority of cases the establishment of these consortia has been relatively straightforward primarily as a result of not establishing a separate legal entity rather one lead authority is the contracting body or the individual member authorities enter a direct contract on the terms and condition agreed as part of the procurement process.
Summary There is a clear need to address the balance between cost, ease of implementation and benefits that will accrue in the short, medium and long term. There has been investment in consortia arrangements in some areas of the country and we have acknowledged elsewhere in this report that consortia spend accounts for in excess of 50% of current book fund spend. There is as a result a great deal of logic in considering how current regional consortia can be used to add further value by delivering some of the functions that are duplicated at local levels to deliver local efficiency savings.	

Service impact

National Approach	Regional Approach
The key deliverable from the preferred model is one which retains local accountability yet achieves the greatest level of efficiency. The first challenge with any national model is in maintaining that local accountability. This needs to be achieved through agreed levels of accountability and contractual arrangements in relation to all aspects of delivery of stock procurement. By leaving selection at a local level it is unlikely that the required level of efficiencies would be achieved. Yet it could be argued that a completely national approach which removes both identification of needs and selection from the local service would have an impact on service level due to a regional or national body not understanding local community needs. A national procurement body would clearly be at the most distance from local requirements yet have the ability to aggregate to the greatest possible level. The trade-off is that greater aggregation would allow more books to be brought for the same cost, while removing stock selection from local library services. Our research did not provide conclusive evidence that a totally national approach such as the Dutch model would deliver an improvement to service delivery.	The same challenge remains to a slightly lesser extent with a regional model, although it could be argued that through careful consideration of regional boundaries, some local requirement can be better reflected through a wholly regional approach to stock procurement. The evidence from Foursite consortium demonstrates the success of commonality across LMS and the delivery of shared bibliographical services. The small number of authorities involved in this consortium may be a contributor to the success of this standardisation which has resulted in improvements through reduced back office activity as well as greater discounts achieved through a single delivery point and standardised servicing requirements. At the same time, aggregation through other consortia where the focus in on better discounts has delivered discounts which mean libraries benefit from more book items from the same budget.

Summary

To ensure a consistent or an improved service level, consideration of the role of local library staff is key. By freeing up staff from back office functions, this staff resource can be re-directed to do many things including gaining an improved awareness and knowledge of library stock, community engagement, redevelopment, customer service etc. Furthermore, taking a commissioning rather than a procurement approach to selecting stock, with local setting of priorities and desired outcomes, would allow selection (whether regional, national or supplier) to be assessed against the quality of outcomes for library customers, as well as the traditional requirements of speed and quality of supply.

To achieve this ‘freeing up’ of staff the role of stock selection needs to be removed from local staff and aggregated to regional processing centres and the aggregation and automation of bibliographical services will also be required. This takes some aspects of the international models studied and replicates them at regional level. The need to standardise processes to achieve this may be more manageable at least in the shorter term through a regional approach. Despite this the issue remains that a large amount of stock purchased across the library service is common and inevitable benefits will accrue through the highest level aggregation of this demand, ideally at a national level.

Market impact

National Approach	Regional Approach
A national model for stock procurement would on first glance have a detrimental impact on the existing library supply market. The only truly national model in the Netherlands carries out supply and servicing for all libraries in the country. If this model were adopted in the UK, one supplier would ultimately have a monopoly on the library market. However, it is possible for a national model to be delivered and continue to source products from a number of suppliers. In this way, a national body would establish contracts with a number of suppliers and order stock on behalf of library authorities. The challenge with this approach is that there is greater potential for one supplier to carry out an aggressive pricing strategy due to ultimately working with one customer. The consequence of such a strategy is that other players could be priced out of the market whereas a spread of customers puts more decision-makers in the buying process. This national approach would support standardisation of requirements, which in turn would potentially generate more interest in the market, diluting what is currently a relatively stagnant market with new entrants.	Whereas the national approach would reduce the number of customers to one body, a regional approach would overcome this risk by establishing a number perhaps 10-15 regional customers. A key driver in our work is to lower the entry barriers to the market to increase the number of suppliers. Our discussions with stakeholders have identified the barriers are currently the complex and varied servicing requirements for library books, the challenges surrounding EU procurement rules and the number of individual accounts purchasing relatively small quantities of books. Overcoming these barriers points to a solution that balances aggregation to a level where new entrants are encouraged into the market yet at the same time does not result in monopoly supply. The regional approach is a potential way to achieve this balance through the use of framework contracts resulting in suppliers being pre-qualified to supply a number of libraries or regions.

Summary

The current market consists of four key players in the library book supply market. These suppliers are operating in a diminishing market that has seen significant contraction in the number of suppliers over recent years. The current barriers to entry means the market is relatively stagnant in terms of growth and differentiation in service offering.

There is a need to disaggregate the current service offering by separating out the functions of book selection, book sales and book servicing. Not only will this produce price transparency, it will result in the lowering of the major entry barriers to publishers, wholesalers and online suppliers and potentially large retailers.

Governance implications

National Approach	Regional Approach
Governance is clearly key to the success of a model that is not mandated and requires collaboration at different levels. Our research into UK national bodies operating in the procurement arena showed that all were established under the control of a home department (HM Treasury, Dept of Health and DfES). In each case a chief executive or executive director was ultimately accountable and interestingly in each case the bodies were not delivering a mandated service. In reality though each of these bodies falls within 'central government' where a different political structure exists. The governance challenge facing the library service is that the accountable bodies are local government authorities with local political structures making governance arrangements slightly more complex.	Typically the consortia we reviewed as part of our work had informal governance arrangements and contracting was undertaken by the individual member authorities or the contract was set up and managed by a lead authority. In the case of Foursite which was the only consortium studied to go beyond contracting, governance was seen as a key element to success in that all members were clear that one authority was the lead and there was a total commitment to make the arrangements work.

Summary

The key challenge in developing a solution is in ensuring that governance arrangements are clear and that those who opt in are inspired a bring genuine commitment to make the solution a success. It is clear that one defined approach to governance may not work in a regional solution in that the arrangements need to be agreed upon by all those involved, having said this clear governance arrangements are critical to long term success.

The governance arrangement set out should also address issues of accountability in the model. The current approach to library book stock procurement means that authorities typically have a direct line of accountability from (typically) a single supplier.

Key conclusions

The comparative evidence collected during Phase 2 of this review suggests that there are a number of potential benefits, but also risks, associated with the development of either a national or regional model of libraries stock procurement:

- standardisation and simplification of servicing requirements and ICT are key drivers of efficiency and realising the benefits of aggregated procurement activities;
- aggregating and streamlining back office activities such as processing and cataloguing activities, through either regionalisation or national action has delivered real cost savings in the UK and elsewhere in recent years;
- reducing the number of central delivery points, through creation of regional or national hubs, is another driver of cost reduction;
- back office efficiency can also be increased through automating workflow in relation to finance, bibliographic records, and other aspects of processing, and such changes might be managed most cost effectively at either a regional or national level;
- evidence collected suggested that library services that are part of a consortium were achieving discounts of 30% or greater, whilst some of those who purchased individually where achieving discounts as low as 20%. This suggests that aggregated procurement can extract higher discounts from suppliers, the tightening of the existing supply market suggests that this potential will narrow in the medium term; and
- the development of eProcurement and related activities provides opportunities to aggregate demand in more sophisticated ways than simply aggregating contract spend, and may be more effective in developing and sustaining competitive pressure in stock supply.

There are also a number of risks to be considered:

- local library authorities remain the accountable body for the delivery of the local service, and as such, robust accountability arrangements will be required if elements of the procurement function are to be aggregated at either a national or regional level.
- the benefits of aggregation in reduced supplier costs are likely to be sustainable in competitive market environments – the current library stock supply market will need to be opened up if these benefits are to be realised over the medium and longer term; and
- simply aggregating contract spend to a ‘super-regional’ or even national level might generate savings in the short term but is likely to further erode competition within the market.

Key conclusions (continued)

The next section of the report sets out a proposed way forward, which we believe effectively respond to the need for:

- standardisation and simplification on the demand side;
- the delivery of increased back office efficiency through aggregating transactional activities associated with procurement and servicing activities;
- standardisation of ICT platforms including bibliographic data and LMS; and
- exploiting the potential of eProcurement to open up the stock supply market to new competition and sustainable discount levels for stock supply.

Museums, Libraries and Archives Council
Better stock, better libraries: transforming library stock procurement

5 Proposed approach

Overview

Summary of the proposed solution – ten key points

At the heart of our proposals are a number of core propositions. We set these out here in overview, before setting out the details of the model below, in diagrammatic form and in text.

1. The local library authority remains the accountable body for the delivery of a ‘comprehensive and efficient’ library service;
2. The role of the local library authority should be to specify requirements and outcomes – a commissioning function – rather than selecting and sourcing stock – a procurement function;
3. Stock selection can be most efficiently managed and delivered regionally, with selection of niche specialisms such as ethnic minority language materials done nationally. We have assumed ten regions serving an average of 15 library authorities for the purposes of outline business case development (see Section 6). This assumption is based on discussions with existing consortia about optimum sizes for operating effective consortia arrangements, but this is one area where further work is required to identify the right size, particularly given the different needs, and uneven geographical distribution, of different types and sizes of local authorities;
4. The purchase of a very large proportion of all stock should be through a national eMarketplace, on the basis of best value supplier offers; a function of cost, delivery speed, and accuracy of fulfilment; and
5. Servicing and processing will be undertaken within regional hubs and delivered direct to local libraries, where items can be scanned and placed on the shelf. This is another radical change from current arrangements. It would be critical in order to achieve buy-in, that servicing requirements were met in at least as timely a fashion as they are at present. The success of this depends upon agreed servicing standards and ICT interoperability required to achieve automated ordering, billing, and receipting.

Another important driver of increased efficiency within the proposals we have set out is the development of ICT interoperability and process automation. This represents a key implementation challenge. The key points are:

6. An increase in the use of stock analysis tools to inform commissioning at local authority level;
7. An eMarketplace that includes real time information on price, availability and delivery times provided by suppliers, and is accessible in real time to libraries – but used primarily by specialist third-party selectors;
8. A single national bibliographic database with agreed management categories, to feed into the eMarketplace and maintain centrally the bibliographic records that are linked or uploaded to local LMS systems and the Union Catalogue. The BIC scheme, already employed by the book trade and the public lending rights office, is a useful benchmark for shared management categories;

Overview (continued)

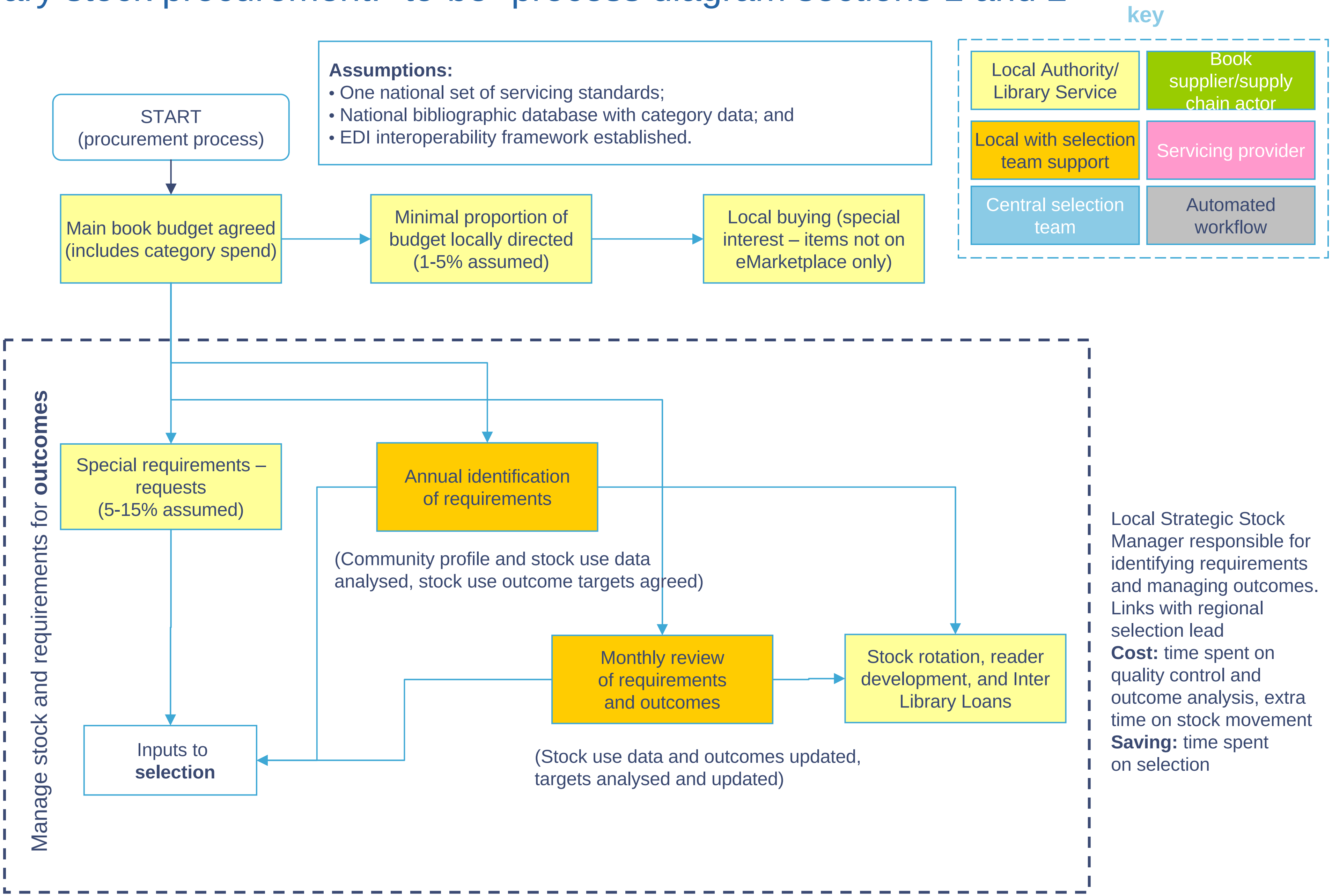
9. Automation of financial workflow to encompass invoicing, payment and receipting; and
10. Shared LMS interoperability standards to enable integration of local, regional and national activities.

The remainder of this section sets out our proposals in more detail, including a graphical diagram of the complete model over the next four pages, which demonstrates how key processes interlink. The remainder of the detail is set out under the following headings:

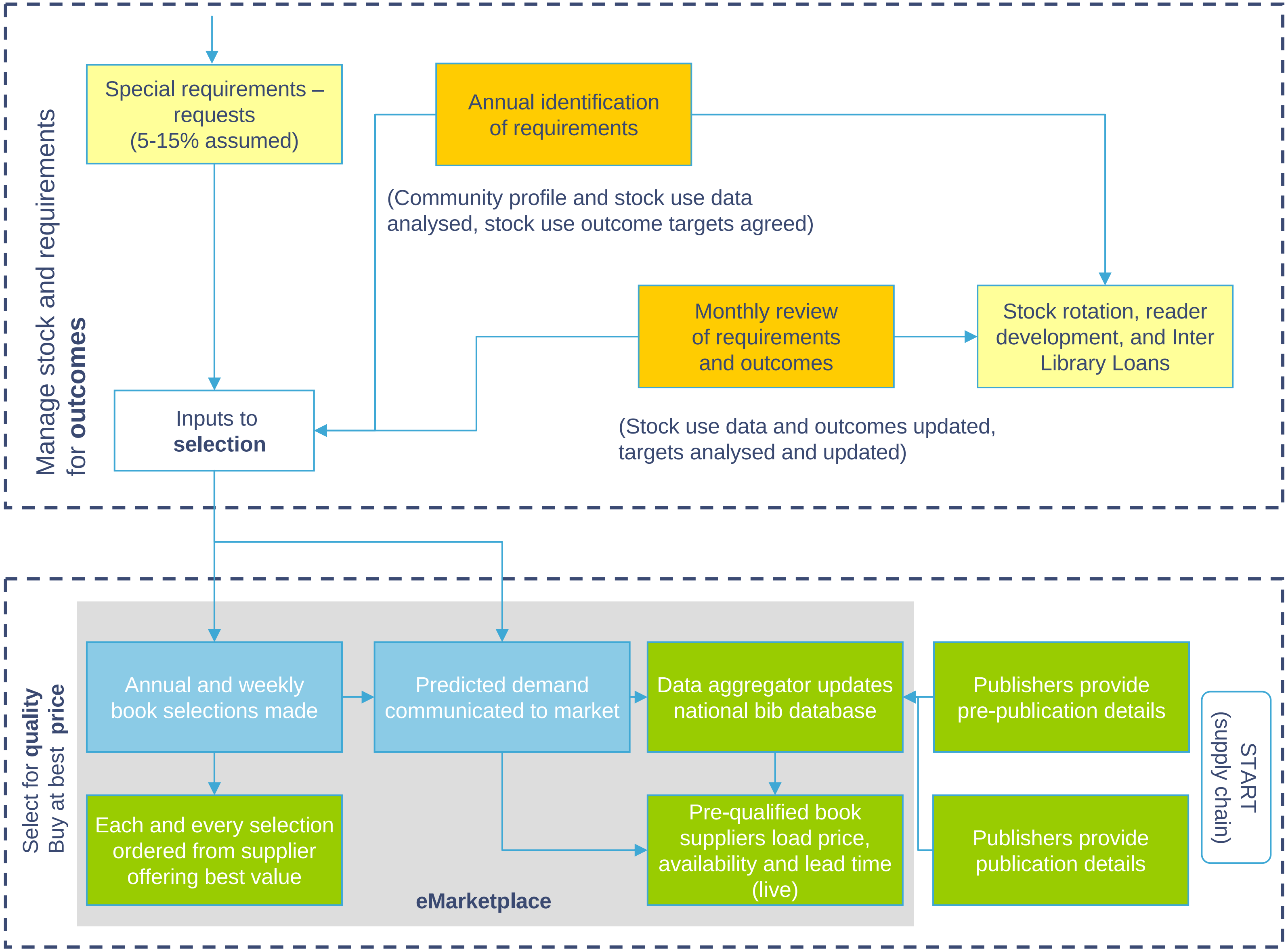
- guiding principles and responsibilities;
- separation of markets, creation of price transparency, lowering of entry barriers;
- roles and staffing;
- accountability;
- financial and contractual infrastructure;
- financial and receipting workflow;
- information infrastructure – a national bibliographic database;
- transport infrastructure – physical supply chain; and
- agreement of standards.

A number of case studies of existing good practice are provided to illustrate aspects of the proposed model. These case studies were provided by library authorities in response to a request for good practice examples through the Society of Chief Librarians.

Library stock procurement: “to-be” process diagram sections 1 and 2



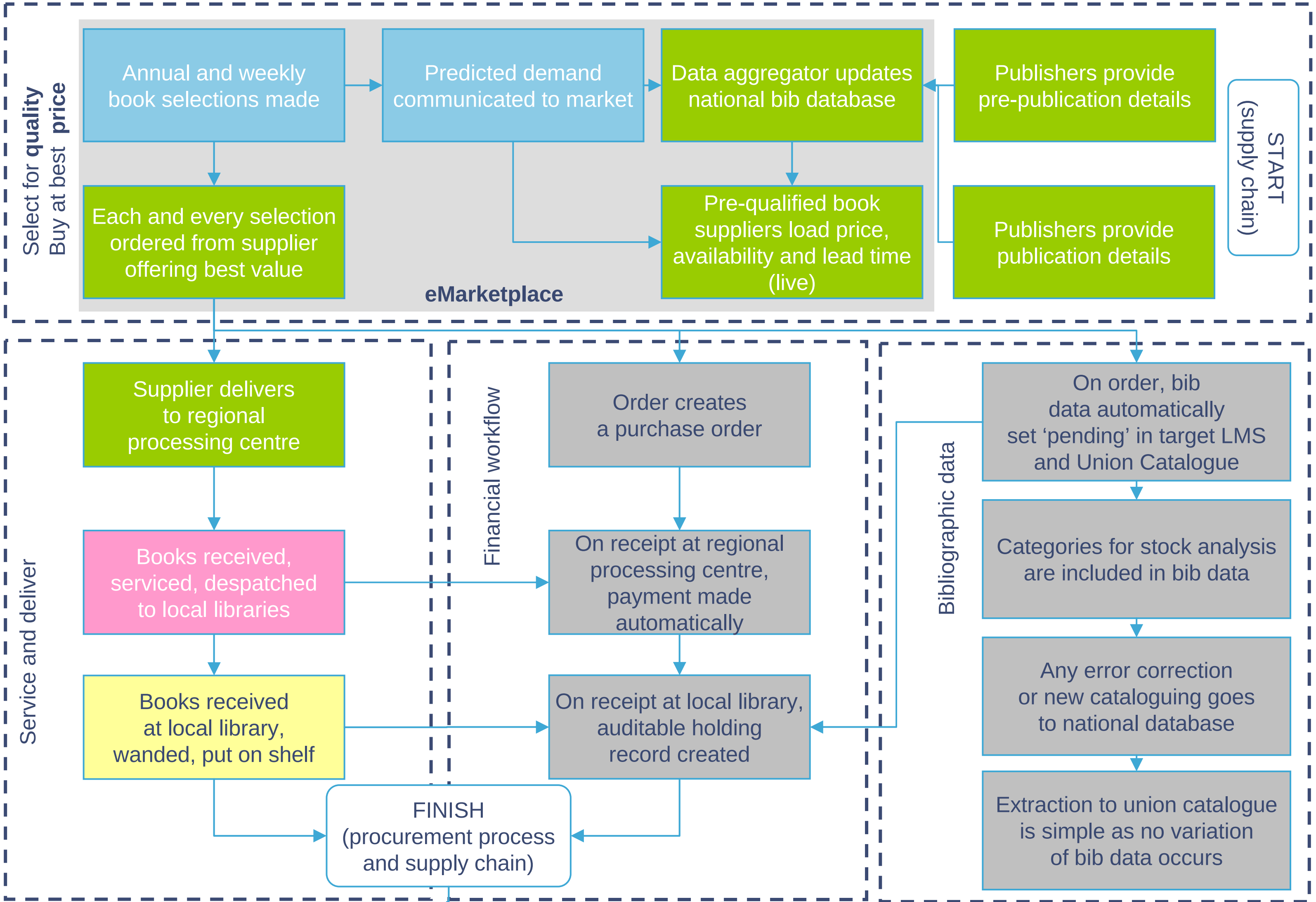
Library stock procurement: “to-be” process diagram sections 2 and 3



Local Strategic Stock Manager responsible for identifying requirements and managing outcomes. Links with regional selection lead
Cost: time spent on quality control and outcome analysis, extra time on stock movement
Saving: time spent on selection

Regional selectors and central specialists and supplier managers buy each book at best price through eMarketplace
Cost: set-up of eMarketplace technically and contractually, selection teams
Saving: local time spent buying, additional discount expected

Library stock procurement: “to-be” process diagram sections 3 and 4

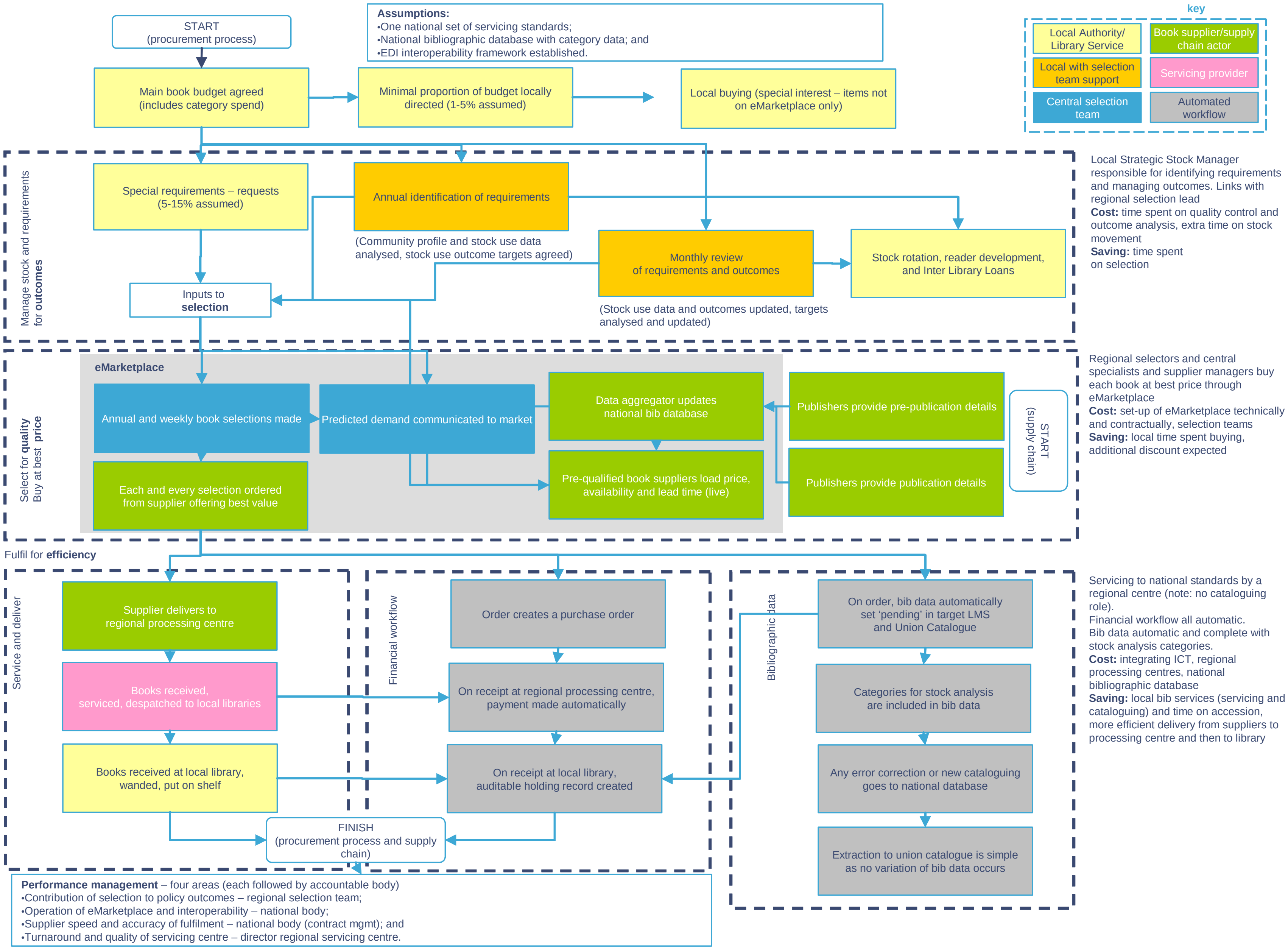


Regional selectors and central specialists and supplier managers buy each book at best price through eMarketplace
Cost: set-up of eMarketplace technically and contractually, selection teams
Saving: local time spent buying, additional discount expected

Servicing to national standards by a regional centre (note: no cataloguing role).
Financial workflow all automatic.
Bib data automatic and complete with stock analysis categories.
Cost: integrating ICT, regional processing centres, national bibliographic database
Saving: local bib services (servicing and cataloguing) and time on accession, more efficient delivery from suppliers to processing centre and then to library

Performance management – four areas (each followed by accountable body)
- Contribution of selection to policy outcomes – regional selection team;
- Operation of eMarketplace and interoperability – national body;
- Supplier speed and accuracy of fulfilment – national body (contract mgmt); and
- Turnaround and quality of servicing centre – director regional servicing centre.

Library stock procurement: “to-be” process – overview process diagram



Guiding principles and responsibilities

The guiding principles of the model are:

- manage stock for outcomes;
- selection for quality;
- buy at best price; and
- fulfil for efficiency – service and deliver, financial and bibliographic workflow.

Manage stock for outcomes

Library stock is a central and critical resource for library services. Only if stock is selected, rotated, maintained and promoted in the best possible way will policy outcomes be maximised.

The professional role in priority-setting and commissioning set out here is at the heart of the model solution.

One goal of the model is to allow Chief Librarians and Strategic Stock Managers in every library authority to manage effectively by setting the outcomes they are seeking rather than focusing on the inputs. The local service will set targets and goals, e.g. for overall issues and visitor numbers, stock quality (breadth and depth), and appeal to certain groups as measured by increased issues of books appealing to those groups.

This commissioning role would be multi-dimensional – for local communities, for a particular library with specialisms, and for individual users. Outcomes would be measured through evidence-based stock management (perhaps facilitated by the software of that name, the stock quality health check, and other similar approaches).

Clearly the purchase of new and replacement stock is only one part of achieving these outcomes, which are also dependent upon stock management and overall library management, including reader development, promotion, library layout and community outreach.

There is an expectation that capacity currently focused on selection and other back office tasks is freed up to focus on these other areas. The public rightly expect to hold the local library service to account for whether it is setting and achieving well-informed policy goals. This is not a new concept – some of the best library authorities are already using third party selection to help them achieve this focus.

Case study: Westminster City Council

Outcomes-based stock management

The Council has been carrying out stock use analysis since the 1990s. It uses the intelligence that it collects in terms of statistical information on issues, size of stock, percentage on loan, issues per item, and percentage of expected use etc to guide the allocation of stock budgets, purchase planning, category size, and withdrawal decisions. This is done in tandem with extensive customer and staff feedback on the stock.

Benefits

Stock management is more responsive to the customer. The Council has been able to demonstrate healthy book issue figures over the past five years, in contrast to many peer Councils.

Selection for quality

Having identified the desired outcomes for the library services, the emphasis is then on ensuring that the correct stock selection is made to help deliver against these outcomes, and selectors are both expert in their field, and held accountable for the results of their choices. There is a need to make the physical procurement of the items as straightforward as possible, to help libraries focus on selecting the right items of stock. While the ultimate judgement will be made on the outcomes, the use which the stock gets, it is important to note that quality means not just ‘good books’, but also stock which meets local needs and requirements.

This commissioning role would be multi-dimensional – for local communities, for a particular library with specialisms, and for individual users. Outcomes would be measured through evidence-based stock management (perhaps facilitated by the software of that name, the stock quality health check, and other similar approaches).

Clearly the purchase of new and replacement stock is only one part of achieving these outcomes, which are also dependent upon stock management and overall library management, including reader development, promotion, library layout and community outreach.

Case study: Leeds City Council with Holt Jackson

Third party selection

The Council’s partner, Holt Jackson, selects books on its behalf. The Council provides detailed specifications together with allocation instructions; tiers/ bands of libraries are profiled, as are certain specific libraries, to ensure that titles are allocated appropriately. All elements of this are reviewed annually as a part of the annual cycle of stock management.

Benefits

The Council’s partner has been given the flexibility to select book categories according to the Council’s specification through an online management system. Over a period of 5 years savings of around £150k have been made by simplifying the selection process in conjunction with a thorough review of all stock processes.

Buy at best value

It is clearly important, however, that while buying the right books to achieve what the local library service wants to achieve, these books are bought at the best possible value. A competitive eMarketplace means that for each title, the best value supplier that can meet delivery and fulfilment requirements, wins the order.

Case study: London Libraries Consortium

Aggregating procurement activity

A relatively small consortium with a group of six London local authorities, the LLC has a combined purchasing power exceeding £2million for library stock purchasing.

LLC uses NAG standards and has reduced its basic servicing requirements in successive tender processes. This, together with an emphasis on electronic ordering and supply of bibliographic data, has streamlined its demands on suppliers.

The consortium is in the process of tendering for supply contracts for the third time, having reduced costs through each previous tender. Redbridge acts as the lead authority and conducts the tendering process on behalf of the consortium and management of the contracts is shared between the member authorities.

Three of the six authorities also share a DS computer system in a separate group of the consortium, increasing the effectiveness of interlending.

Case study: London Libraries Consortium (cont)

Aggregating procurement activity

Plans to reduce costs further are currently being developed to set up a combined bibliographical services unit, with the intention to move to supplier selection as far as possible.

Benefits

As a result of tendering as a consortium the LLC has secured sizeable discounts as well as reducing the associated tender costs for each individual authority. Using electronic processes as far as possible and reducing servicing demands have further increased savings. The consortium is also currently negotiating contracts for the supply of bibliographic data and more attractive terms are expected to result from this.

A less obvious but very important benefit for the authorities in both groups has been the growth over recent years of a close and effective working relationship, not only with each other but also with contractors.

The consortium expects to develop its computer group’s activities and it is believed that those involved in both the stock and computer groups will benefit most in the long term from future developments.

Fulfil for efficiency – service and deliver, financial and bibliographic workflow

Once the book has been selected, it must be on the shelf and in the catalogue as quickly as possible. It needs to be accessible to the reader (generally meaning minimal physical processing or marking), and manageable by the library staff – both physically, and for analysis and location.

Case study: CBC working in partnership with Holt Jackson Book Company Ltd and Peters Bookselling Services

Simplification of standards, bibliographical data and servicing

CBC members are working in partnership with Holt Jackson Book Company Ltd and Peters Bookselling Services to rationalise and simplify the categorisation of Adult fiction and Children's fiction stock. The aim is to standardise genres and labelling.

Benefits

The expected benefits are:

- lower servicing costs;
- improved speed of supply; and
- further reduction in the amount of in-house cataloguing required.

Case study: CBC working in partnership with Bertram Library Service

Simplification of standards, bibliographical data and servicing

CBC has successfully implemented a streamlined non-fiction service with Bertram Library Services. Members agreed to:

- a common standard servicing specification of jacket, bar code, accession label, date label and Dewey spine label based on NAG standards;
- electronic ordering with the intention of moving to full EDI transactions when possible; and
- standard delivery arrangements with multiple orders in one consignment.

Benefits

- Improved supply times with all stocked books being supplied fully serviced within 72 hours of the order being placed; and
- improved discount levels/

An additional indirect benefit of the Streamline project has been the enhancement of Bertram's website to include discount information against each title. This allows selectors to make a fully informed choice and spend book funds effectively.

The financial and bibliographic workflow which enable the book to be in the catalogue and properly accounted for should take place as transparent, auditable, completely automated activities. The book should be serviced on immediate turnaround and distributed efficiently to the right library.

Separation of markets, creation of price transparency, lowering of entry barriers

At present, library authorities, either singly or in consortia, contract with one or a few suppliers to buy books, usually have them serviced, and to have them delivered, complete with bibliographic data. Some authorities also contract with the same supplier to select stock.

The receipting and accession process is usually somewhat complex, with often some management category information added, and there may be local servicing or elements of it.

The proposed model breaks the close link between library authority and a single supplier, creating separate 'markets' for:

- book price (through the eMarketplace);
- servicing and delivery (which will happen regionally, either delivered by the public sector or outsourced – a critical requirement with significant investment and lead-in time requirements);
- selection (which will happen regionally/centrally, either delivered by the public sector or outsourced); and
- bibliographic data (which will be received through a national database).

The majority of the financial processing will be undertaken by automated workflow, and management category information will be ready-supplied with bibliographic data.

Roles and staffing

The local authority will not require a bibliographic services or selection team in the way these roles currently operate, and accessioning stock will become very simple and quick. Instead, a small defined resource will be required to:

- commission by analysing and understanding community needs, policy goals, and existing stock and its use, and set target outcomes for stock quality and stock use;
- manage stock pro-actively to achieve target outcomes through rotation and linking to promotion and reader development activity; and
- monitor achievement of overall objectives and conduct exception monitoring of supplier performance, servicing and delivery.

Regionally, there will be three very distinct roles. The first is as the accountable agent for selection, to provide the link between local requirements and strategic selection of stock. This will involve:

- assisting local library services in providing and interpreting detailed analysis of stock and stock use for the setting of outcome targets;
- translating the outcome requirements of local authorities into guides for selection of stock that will meet their needs; and
- playing the major role in selection of the more predictable, popular and high volume stock items.

The second role is to act as the accountable agent on supplier management issues, monitoring supplier performance and taking responsibility for resolving issues raised by local authorities.

The third regional role would be to run or to commission the regional servicing centre. This must be a purely logistical operation, ensuring rapid throughput of stock moving in from suppliers, physically serviced to simple national standards, and being sent out as quickly and efficiently as possible to the local library. In order to achieve this, the centres must be capable of handling significant volumes on minimum turnover-times, and will need to take advantaged of standardised servicing requirements and automated processes. The regional servicing centre might be in-house, or out-sourced, according to best value requirements.

Nationally, there will be a time-limited contractual and technical set-up team. This will be replaced by supplier and market management, and technical management of the eMarketplace.

There will also be a key selection role centrally, in two regards:

- experts in all necessary areas to ensure quality selection of specialist stock, with breadth across authorities and the country; and
- a strategic overview role of selection of majority items, to ensure stock breadth and quality on a national basis.

The central-regional ‘hub-and-spoke’ selection team clearly plays a pivotal role. The arrangements could vary in two dimensions – the team could be in-house or out-sourced, and could be a dedicated full-time team in one location, or a ‘virtual’ team of part-time and home-workers spread across the country, perhaps seconded to the team.

While those in the supply market might be able to offer selection services to this team, it will be important that they should be supplier-neutral in selection.

Case study: LibrariesWest (formerly Foursite)

Single delivery points & local distribution

The consortium agreed a number of standard processes to reduce costs for its members, and shares a single Library Management System. One standardisation was to operate a single delivery point for all orders. EDI is also used at the single Bibliographical Services unit which serves four authorities.

Benefits

All orders can be managed quickly and efficiently within the single delivery point. Goods receipting, book servicing and general book management benefit from economies of scale allowing cost reductions from carrying out tasks in a single point rather than at multiple points.

Accountability

One of the reported strengths of the single supplier relationship currently enjoyed by library authorities is that accountability is straightforward; suppliers are required to respond in the event of problems and difficulties. This is true to some extent, but the current arrangement has limitations, not least that a four year deal for the supply of books and servicing is difficult to escape from, in the event of underperformance by the supplier. The advantage of the arrangement proposed here is that supplier underperformance can more easily be dealt with through real-time competition between suppliers.

Nonetheless, ‘unbundling’ selection, stock supply, and servicing raises challenges in maintaining a single point of accountability for the library authority client, within the proposed new arrangements.

This is an issue that we believe requires more detailed consideration as part of considering the governance arrangements for these proposals, within Phase 3 (see below in Section 7 Next Steps). The key principles that should underpin accountability arrangements include:

- the desirability of a single point of accountability for individual authorities within the new model, i.e. a ‘one stop shop’ in the event of problems;
- alignment between accountability and the capacity to respond to problems, i.e. an ability to ‘sort things out’; and
- the need for the point of accountability to act effectively as a ‘client manager’ between the local library authority and different elements of the supply chain.

Our working hypothesis, which we will wish to test in Phase 3, is that on the basis of these principles, the most logical central point of accountability for the performance of the system is likely to be at the regional level, where:

- key decisions about stock selection will take place;
- management of processing and servicing will be located;
- automated payments to suppliers will be made, thus sanctions can be applied in the event of supplier under-performance; and
- there is sufficient proximity to individual library authorities to enable responsiveness in the event of problems.

Financial and contractual infrastructure

The local authority remains the contracting body and the client/commissioner, and will in the majority of cases enter into contractual or service level agreements.

These will include:

- a contract/ SLA with the regional and/or national body for selection management;
- a national contract for bibliographical data and use of the national database, negotiated by the strategic hub;
- a book supplier framework agreement, contracted by the strategic hub nationally, and through which local authorities would enter into a contract with suppliers each time they purchased an item of stock;
- a contract to run the eMarketplace itself, contracted by the strategic hub; and
- a contract or SLA for regional servicing/ distribution, probably integrated with selection management.

Case study: Leicester City Council

Automated financial workflows

The Council places 95% of orders via EDI, and uses Quotes for straightforward orders. The Council also implemented the Acknowledgements electronic reporting system two years ago, and is now paperless in terms of reports on the progress of orders. Where possible stock is delivered to site directly from suppliers, and receipted at site as soon as possible.

Benefits

The Library Management System is fully utilized, so the LMS can be used for ordering and budget purposes. Live monitoring of supplier database enables speedy cancellation of items which will not arrive in the required time. Stock is in place in the quickest time possible, and the LMS maintains an unbroken audit trail from the point of order to stock actually being put on the shelves.

Financial and receipting workflow

The financial workflow process will be triggered by the making of a selection through the eMarketplace. An email alert will be triggered to each local authority where an order has been made for them, allowing visibility of the expected titles, quantities and anticipated delivery date. The order will be automatically issued to the supplier and will update the local LMS with order details.

On receipt at the processing centre, a notification will be sent to the local authority. Delivery time will also be notified through the LMS system.

On receipt at the local library, scanning the book will complete a fully auditable record from selection through processing to placing on the shelf.

Payment will automatically be triggered at an appropriate point in the process, receipt at either the processing centre or the library, to be determined according to the most effective way to agree minimal but effective audit requirements.

Therefore the 'purchase-to-pay' process will be entirely automated, and, combined with workflow for bibliographic data, will remove the majority of receipting and cataloguing activity from the library service, freeing the resource for stock analysis and management activity.

Management of the stock budget will occur through the eMarketplace, with full visibility of spending patterns and all orders. Each local authority should be able to view on the eMarketplace all of its expenditure data, and profile where this is in relation to its annual budget.

Case Study: Leicestershire County Council

Automated financial and bibliographic workflows

Leicestershire uses full EDI apart from electronic invoicing with major suppliers including on-line ordering, quotes messaging, acknowledgments and cataloguing services. EDI extends to standing order fiction and reference titles. To date 95% of all stock is ordered through EDI. Consolidated invoicing means that payment for all major suppliers is by monthly invoice or statement, reducing invoices from many thousands a year to only a few hundred. A system of checks of copy invoices against the monthly consolidated list was sanctioned by audit during a review of Bibliographical Services in 2005.

Benefits

Improved supply times, introduced greater consistency in catalogue records. A reduction of one FTE within the Bibliographical Services department from negating the need for re-keying of orders, and an additional 1.5 FTE reduction through consolidated invoicing.

Information infrastructure – a national bibliographic database

The approach includes a national bibliographic database to maintain quality information on all books within the library system or of interest to libraries. The key benefits of this database would be:

- removal of cataloguing duplication, whereby different libraries holding the same item can come to have different bibliographic records due to either creating records separately, receiving the same record but then amending it, or choosing to source records from different sources or with different data;
- removal of additional work to input category information to records in order to conduct stock analysis;
- creation of nationally-comparable categories for stock analysis and management information; and
- the automatic cross-referencing of different stock category and stock management classifications, with the potential to move to nationally agreed standards.

Currently, data aggregators (principally BDS and Nielsen Book Data) play a critical role in both the library and retail supply chains, providing the critical information link between the 40,000+ publishers and individual libraries (and bookshops), by supplying bibliographic records with details of books and publisher information.

However:

- there is duplication of library-created catalogue records (for rare or unusual books but more often for periodicals), as these are not necessarily or consistently shared;
- there are changes and additions to the data locally (when amendments to the bibliographic data are made in a local library's catalogue) which are not necessarily consistent, and are not fed back to amend the source data (in a consistent, quality-controlled way);
- the licensing of the data, and its supply, are fragmented and do not benefit from aggregation;
- the existing data does not provide (or is not used for) all the management information that libraries need for evidence-based stock management in terms of classification to agreed standards comparable between authorities – local authorities tend to spend time inputting their own classification for management information into records on their catalogue; and
- categorisation and classification systems re-invented by every authority create duplicate costs and do not add value or contribute to meeting user needs, which in essence are everywhere are the same.

There are also costs incurred when the data within library catalogues, held in Library Management Systems has to be uploaded back to a national database in the form of the Union Inter-Library Loans catalogue.

There are examples in the public library world where each of these issues have been overcome on a local or collaborative basis, so the proposed solution is not intrinsically new – what will create real value is its national, consistent application.

The proposed solution has at its core a national bibliographic database which works on the following basis:

- data aggregators provide data on books both pre-publication and on publication, which meets agreed standards and contains nationally agreed classification categories for stock;
- this data is held in a national database and any inconsistencies or errors can be updated nationally through an agreed quality-controlled process;
- any new catalogue records created (e.g. periodicals, cataloguing of stacks, locally published items) are uploaded through the same process;
- any ‘value-added’ information (web links, visuals, multimedia etc) is linked to the same bibliographic database and available to all libraries;
- suppliers make stock available through the eMarketplace by updating live price, availability and delivery data which links to the appropriate bibliographic record;
- bibliographic data is automatically flagged as ‘on order’ in the recipient library service’s LMS when a title is selected;
- the same data is used for servicing; and
- the union Inter-Library Loans catalogue then simply links the bibliographic record to basic holding details from individual libraries (and can be updated automatically to reflect new stock on order).

Importantly, consistent classifications allow authorities to perform sophisticated stock use analysis without any additional work to classify the book on receipt, and allow comparison of stock, outcomes, and requirements on a regional and national basis.

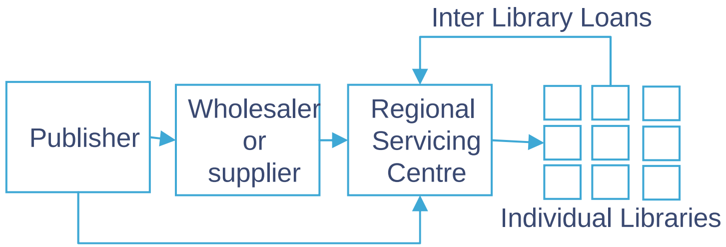
There will be an implication for old stock being classified differently, but the most efficient and effective way to deal with this would be by shelving arrangements rather than retrospective re-cataloguing.

Transport infrastructure – physical supply chain

The current supply chain has over 16,000 active publishers sending material to a relatively small number of library suppliers, who then service and distribute (depending on their contractual agreements) either to a regional distribution point, a central library, or an individual library. In the first case, the regional body sends to the local authority, and ultimately the local authority distributes to individual libraries.

Intra-library stock rotation (and 'return anywhere' etc) are usually organised separately, as is distribution for Inter-Library Loans.

The proposed new supply chain sees a larger number of suppliers organising distribution to a much smaller number of regional hubs – we have assumed ten - for servicing and distribution to local libraries. There is potential for stock rotation (within individual authorities and between willing partners), returns, and inter-library loans to be organised through the same process. The diagram below demonstrates how the distribution process can be managed in practice. We believe that this presents an opportunity to consolidate and simplify the supply chain through the focus on only a small number of servicing centres as the nexus between large numbers of suppliers and large numbers of libraries.



As part of our work, we have undertaken research into best practice in processing and distribution in the retail sector.[36] The following case studies illustrate how these processes are managed within the retail environment, and provide an indication of the potential for improvements in efficiency and effectiveness within the library sector. It may be that logistics and distribution companies will be interested in competing to support the proposed new arrangements.

Case Study: Processing of clothing at Distribution Centres

Many retailers in the UK use Central Distribution Centres as processing points for their garments. In recent years there has been a significant increase in sourcing garments from the Far East. In order to transport these garments economically they are flat packed in bags, boxes and shipped in containers. In order to prepare the garments for display in store they are required to be steamed and placed on hangers. The most efficient place to do this is at a central point, typically the distribution centre, where the process can be controlled and managed in the most efficient way. Clothing retailers often set up steaming tunnels and 'production lines' to carry out this processing at a central point. Less efficient retailers use shop staff to prepare the garments for display; this is less efficient, lacks quality control and is commonly a distraction from core operations of serving customers.

Case Study: Supermarket Distribution Networks

A leading national supermarket chain has 1269 stores that are serviced by its network of 27 distribution centres. In 2005 its fleet of HGVs made around 2 million deliveries. This equates to each store receiving, on average, around 3 deliveries per day. This frequency of delivery can only be maintained at low cost with distribution centres placed close to the stores it services. The distance between distribution centre and store is driven by the frequency and volume of delivery required by the store. As the volume and/or frequency increases the distance must reduce if low costs are to be maintained. This can only be done by increasing the number of distribution centres in the network. This underlines the importance of proximity between distribution/ processing centres and final delivery points; hence our proposition that ten regional centres serving an average of fifteen library authorities is an appropriate ratio.

Agreement on shared standards

The proposed solution depends on agreement to national standards, implementation, and workflow at several levels, and by a number of stakeholder groups. This represents the single biggest challenge in the implementation of the proposals set out in this report:

- the interoperability of LMS systems, including with local authority finance applications (a requirement for which could be built into a national framework contract for the supply of library management systems in order to incentivise this development on the supply side);
- national standard physical servicing requirements for all book stock;
- national standard stock categories/classification for analysis (management information), and any required interpretation of how the MARC standard should be applied;
- stock analysis approaches and evaluation of data to set requirements;
- RFID data and interoperability standards; and
- agreement on EDI standards and, critically, their application.

The engagement of all parties in the supply chain in a series of focused, time-limited working groups will be necessary to achieve this common platform for library supply and bibliographic data. This will represent the key implementation challenge, and we have assumed some associated investment costs in the business case, as set out below in Section 6.

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6 Outline business case

Outline business case

Introduction

This section of the reports sets out an outline business case for the proposed way forward set out in the previous section. The outline business case addresses:

- potential investment requirements of the new arrangements;
- areas where efficiencies can be realised and assumptions about the level of estimated savings achievable; and
- a summary of the key areas of risk in relation to the proposed savings.

The majority of the assumptions made are based on a financial model, which has been populated based on detailed financial information collected as part of a cost review in one of the English regions involving a representative group of 22 library authorities. We have also triangulated the outputs from this analysis, with those from our earlier analysis of cost data from a national survey of the staff costs associated with stock procurement, for which we received data from a representative sample of 50 library authorities.

In developing estimated running costs and stock costs for the proposed model we have made a number of important assumptions about the investment requirements, and running costs associated with the proposed new arrangements. These are set out in summary below, and in detail in Annex C.

Where we refer to the ‘as is’ position in this section, we are referring to the estimated costs associated with the current stock procurement process.

Where we refer to the ‘to be’ position, we are referring to the estimated costs of the new arrangements set out in Section 5.

This draft financial model has been prepared by PwC using data provided by individual library authorities, and other sources. We have also made assumptions in relation to some elements of the proposed ‘to be’ arrangements and have made these explicit within this draft report Whilst care has been taken in the construction of the Model, no action should be taken on the basis of the projections produced using this model without undertaking independent checks.
No representation, warranty or undertaking (expressed or implied) is made in relation to it. No responsibility is taken or accepted by PricewaterhouseCoopers LLP for the adequacy, completeness or accuracy of the Model or the assumptions on which it is based, and all liability therefore is expressly excluded.

The costs and savings we are proposing are estimates of the potential impact to the library service as a whole. The following material is not intended to imply the potential costs or savings at individual authority level, which will vary dependent upon current practice, size, and other variables.

We will be undertaking further financial modelling work to validate and test our assumptions regarding savings potential and investment costs as part of the further development of the business case.

The outline business case is been described under the following headings:

- basis of the current cost profile, including assumptions made;
- assumptions made as part of costing of the proposed solution;
- cost comparisons current versus proposed model;
- scenario comparisons with the proposed model;
- summary of investment requirements and risk levels; and
- summary of savings potential and risk levels.

‘As is’ background and assumptions

As part of Phase 1 of our work, we collected data from around 50 library authorities nationally, to build a picture of stock spend and the cost of staff activity within the stock procurement process. At the beginning of Phase 2, we revisited the data in more detail, and presented a revised estimate, which suggested that spend on library book stock equated to approximately £85m, and that staff related costs equated to around £35m within England.

In parallel with Phase 2 activity, we have also undertaken a more detailed cost analysis of the stock procurement process across all the library authorities within an MLA region. This review has provided us with greater detail and accuracy of staff and non-staff running costs associated with the stock procurement process, as well as an ability to ‘sense check’ our national data.

Our financial modelling activity to support the outline business case has been based on the information collected within this latter exercise, and has been extrapolated to provide an estimated national picture of the ‘as is’ costs associated with stock procurement. As set out above, we have also triangulated this data with the findings from our broader, but less detailed national review to check its consistency.

We have also made a small number of key assumptions within the ‘as-is’ data to fill in gaps in data returns from individual authorities.

Finally, we have made an assumption of a 2.5% annual inflation rate in the estimates set out below.

We have identified staff and non-staff costs in relation to the following areas and activities, which have formed the basis of the ‘as-is’ cost base set out below:

- assessing demand;
- stock selection;
- ordering;
- contract procurement costs (i.e. contract letting);
- preparation for shelving;
- servicing by suppliers;
- local transport costs;
- receipting;

- cataloguing;
- licensing bibliographical data;
- LMS costs;
- direct local authority costs (i.e. HR and finance recharges);
- third party costs; and
- premises costs.

'To be' background and assumptions

We have made a number of assumptions in modelling the 'to be' stock procurement costs, which are set out in detail in Annex C. These include potential savings on existing staff and non-staff costs, as well as estimated increased discount levels for library stock, of 7.5%, on an estimated 'as is' level of 30%, for a total assumed discount of 37.5% on supplier stock prices.

In all cases we believe that we have made conservative assumptions, based, for instance, on the sorts of savings achieved by current regional procurement arrangements.

We have assumed a flat rate of inflation of 2.5% per annum applied to 'to be' costs, in the same way as 'as is' costs.

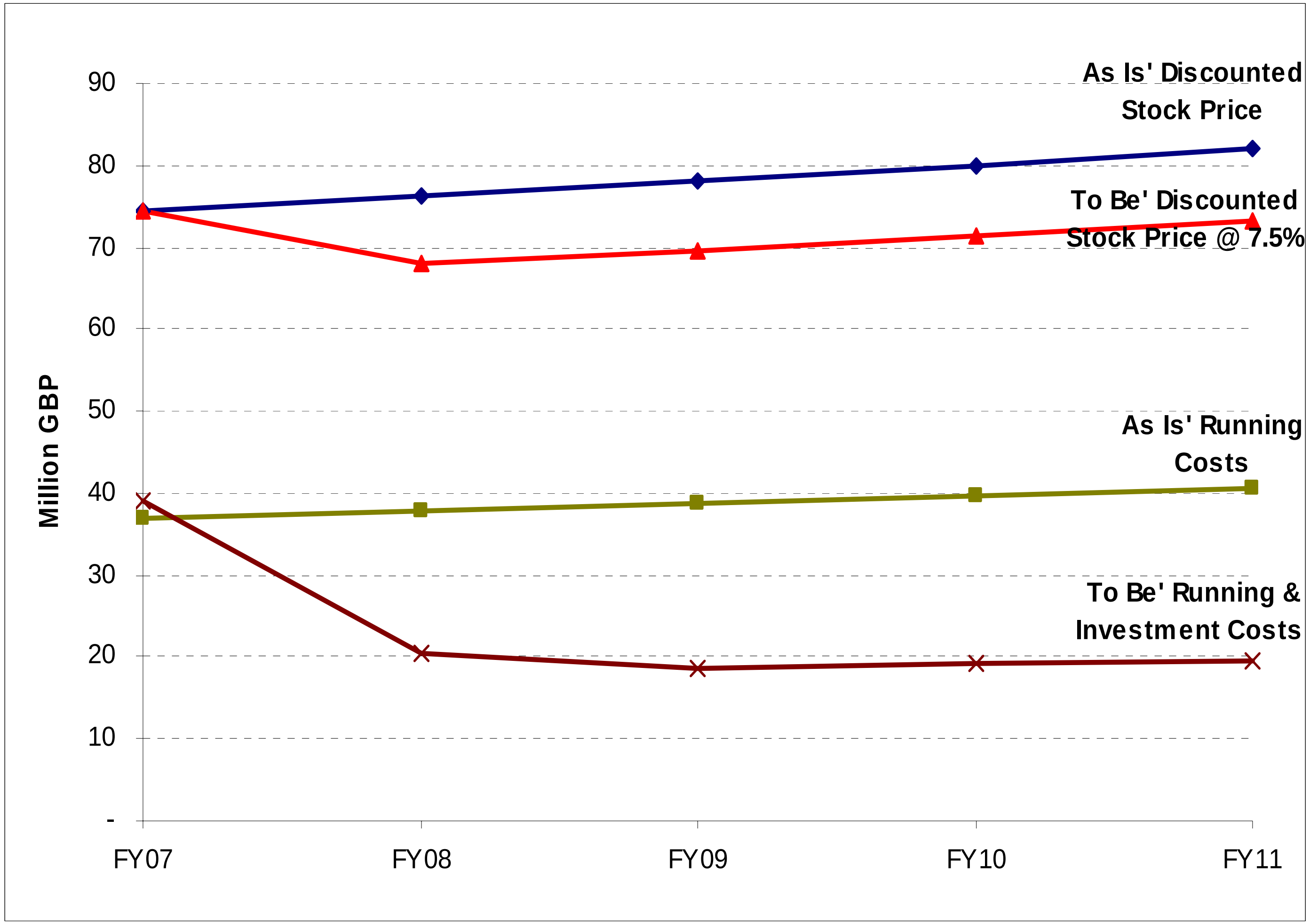
In our initial modelling set out below, we have also assumed 100% take up of the proposed solution, and therefore, full realisation of the potential savings in staff and non-staff costs, and stock discounts.

Further on in this section, we have set out some 'variant' scenarios that set out the financial implications of:

- differential level of stock discounts being achieved under the 'to be' arrangements; and
- differential levels of take up of the solution, with consequent implications for variable efficiency gains.

Throughout this outline business case, efficiency assumptions are made on the basis of reduced costs in stock procurement. This does not imply that the outcome of savings should, or would, be a reduction in stock procurement budgets. It is simply a mechanism for identifying the overall potential for efficiencies from the proposed model. These efficiencies could potentially be taken as cashable savings, however there is a strong argument that these efficiencies should be used to buy more books and other stock or improve other library services for customers – buildings, opening hours, ICT.

‘As is’ versus ‘to be’ model – cost comparison



Observations

- Assumes 100% take-up by local authorities in FY08 (year one) and beyond
- Annual inflation rate of 2.5% applied
- 7.5% discount equates to almost £10m saving on total stock spend
- Initial up front investment required in FY0/08
- Annual savings in FY08 onwards of c£20m through:
  - increased back office efficiency;
  - increased stock discounts through market entry by new suppliers
- **As noted above, the indicated reduction in stock spend simply shows the predicted efficiency gain through the achievement of greater discount levels. This does not imply a reduction in stock procurement budgets.**

‘To be’ variant scenarios

Scenario 1: Significant increases in stock discounts on ‘as is’ levels

This scenario considers the impact on stock savings based on the eMarketplace improving the average discount levels being achieved by 10%, as opposed to the assumption of a further 7.5% discount set out above, on a current market average of 30%

Scenario 2: Marginal increases in stock discounts on ‘as is’ levels

This scenario considers the impact on stock savings based on the eMarketplace improving the average discount levels being achieved by 5% as opposed to the assumption of a further 7.5% discount set out above, on a current market average of 30%

Scenario 3: 40% take-up by library authorities of the new procurement model

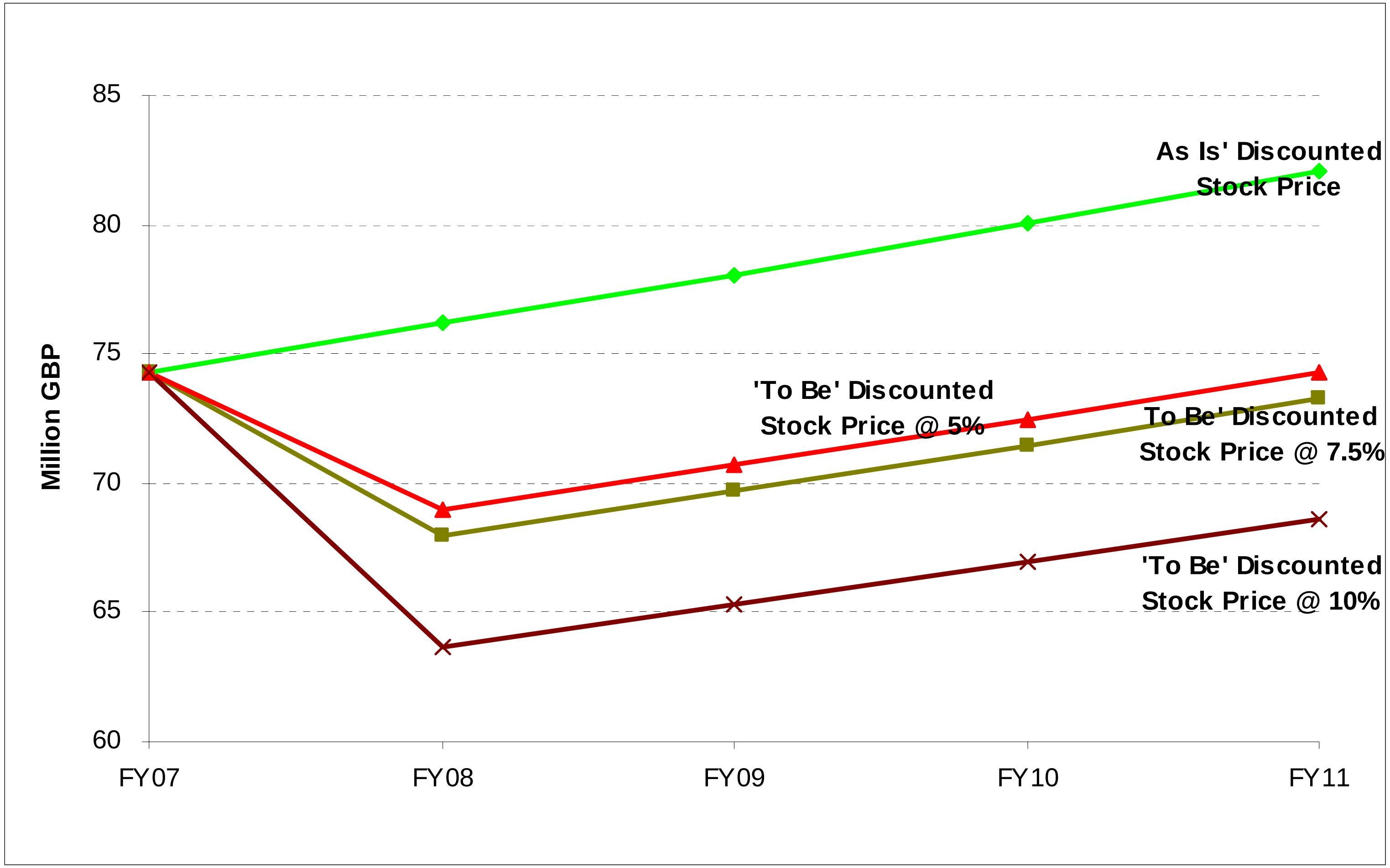
This scenario considers the impact on differing degrees of take up both in terms of the level of take up and the timing of take up over a longer period. This reflects the impact of authorities to allow existing contracts to expire before opting in to the arrangements.

Scenario 4: 70% take up by library authorities of the new procurement model

This scenario considers the impact on differing degrees of take up both in terms of the level of take up and the timing of take up over a longer period. This reflects the impact of authorities to allow existing contracts to expire before opting in to the arrangements.

Each of the four scenarios is illustrated below against the ‘as is’ estimated cost. Scenarios 1 and 2 are shown together to reflect stock price variations, whilst scenarios 3 and 4 demonstrate the impact on both running costs and stock prices given differential levels of take up of the new arrangements by individual library services.

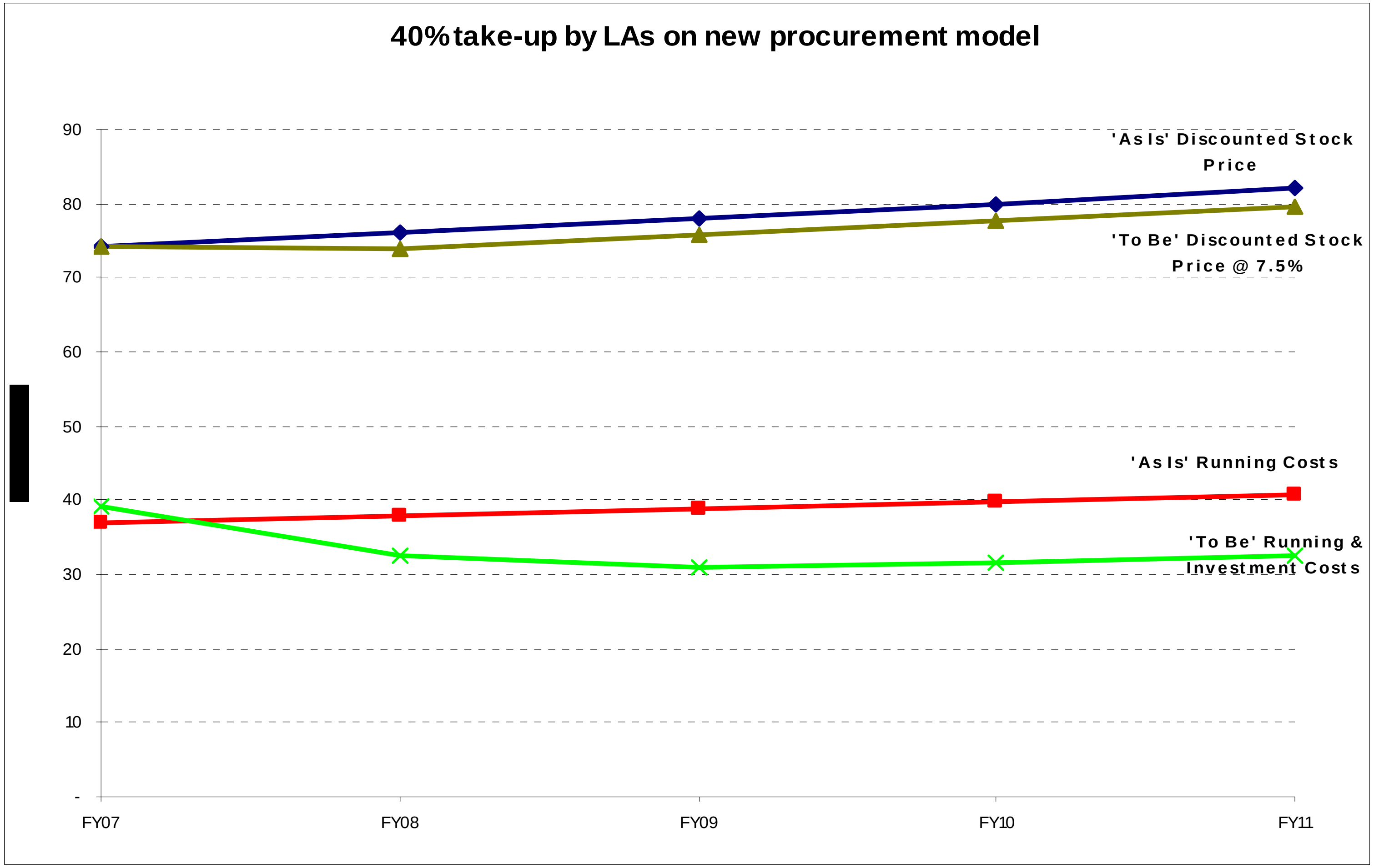
‘As is’ versus ‘to-be’ scenarios – stock price discounts



Observations
Annual inflation rate of 2.5% applied

- Additional discount levels as based on using 30% as current average discount levels within current market
- **As noted above, the indicated reduction in stock spend simply shows the predicted efficiency gain through the achievement of greater discount levels. This does not imply a reduction in stock procurement budgets.**

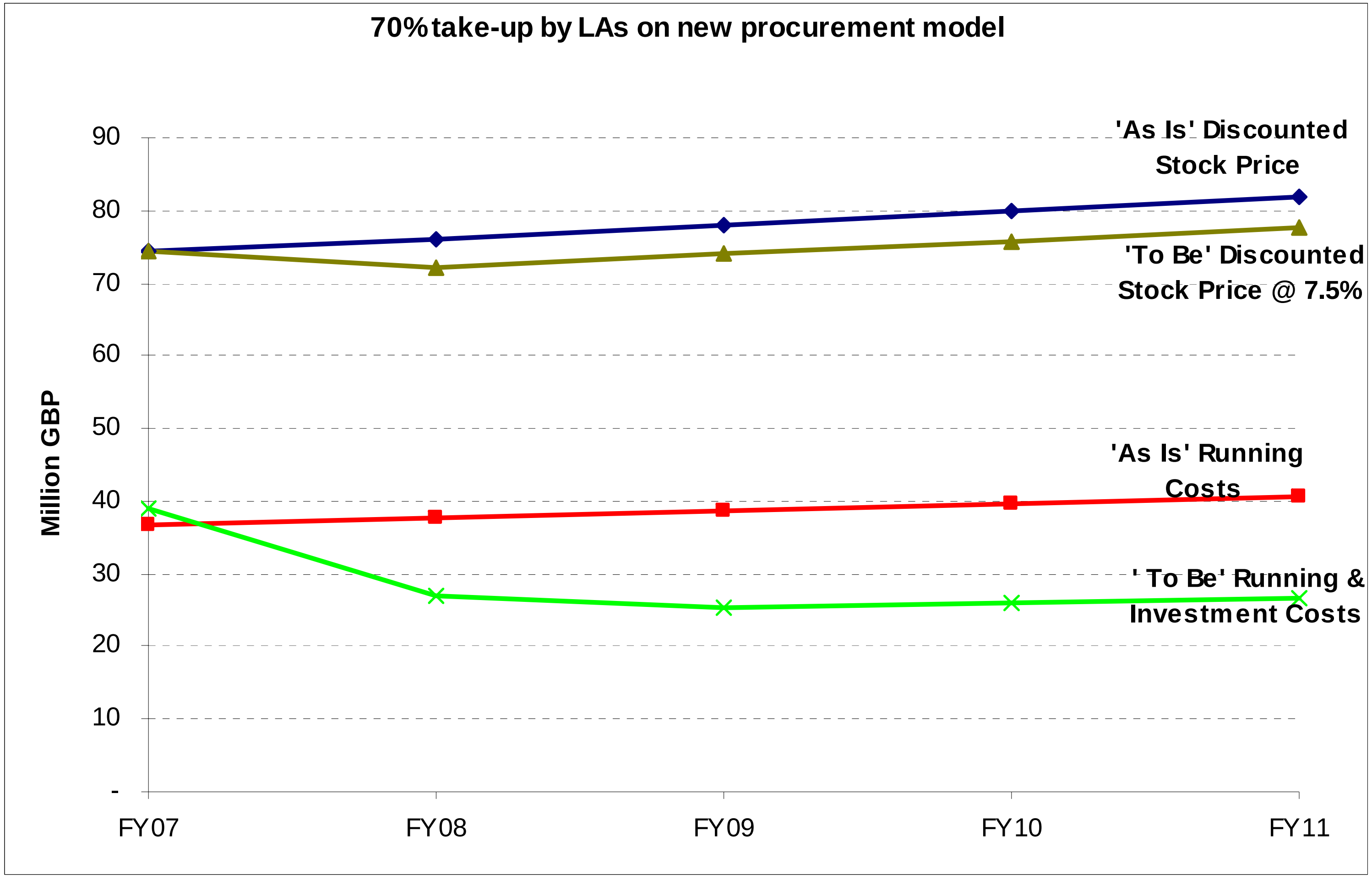
‘As is’ versus ‘to-be’ scenarios – variations in ‘take-up’



Observations

- Annual inflation rate of 2.5% applied
- Assumes a consistent take up level of 40% of library authorities
- Additional authorities joining will generate further savings through greater aggregation
- Assumes an average 7.5% further discount on stock purchases
- **As noted above, the indicated reduction in stock spend simply shows the predicted efficiency gain through the achievement of greater discount levels. This does not imply a reduction in stock procurement budgets.**

‘As is’ versus ‘to-be’ scenarios – variations in ‘take-up’



Observations

- Annual inflation rate of 2.5% applied
- Assumes a consistent take up level of 70% of library authorities
- Additional authorities joining will generate further savings through greater aggregation
- Assumes an average 7.5% further discount on stock purchases
- % further discount on stock purchases
- **As noted above, the indicated reduction in stock spend simply shows the predicted efficiency gain through the achievement of greater discount levels. This does not imply a reduction in stock procurement budgets.**

Initial risk assessment of key investment requirements

Investment area	Potential costs involved	RAG	Risk associated with estimated costs
Development of eMarketplace.	As a guide we have used costs based on extending OGC's Zanzibar system. Initial outlay of approx £560k+ based on application in 10 regions. Annual licence cost of £36k+ per region.		Low risk if 'off the shelf' solution is adopted. Risk and cost will increase should a 'bespoke' solution be required.
Establishment of 'strategic hub'	We have anticipated an annual running cost of around £500k based on a small team of core staff plus running costs at around 33% of staff costs.		Will require appropriately skilled staff – librarians, commercial and procurement, and ICT expertise. Risk level linked to sourcing of the new organisation i.e. within existing procurement entity such as OGC/ RCE (lower risk) or setting up a 'bespoke' organisation (higher risk).
Development of interoperability platform/ operating protocols for LMS	We estimate this cost to be in the region of £640k+, on the basis of staff time within LMS suppliers to conceive, agree and develop the required standards and protocols.		High risk, given criticality of this development to the successful delivery of the model, together with the reliance on third parties (LMS suppliers)
Establishment of a national bibliographical database	We estimate that the cost of establishing a national bibliographical database will be in the region of £2m+. This will also require agreement and standardisation of catalogue records with libraries and LMS suppliers		High risk, given criticality of this development to the successful delivery of the model, together with the reliance on third parties (suppliers of bibliographic records)

Initial risk assessment of key investment requirements (continued)

Investment area	Potential costs involved	RAG	Risk associated with estimated costs
Updating of legacy LMS and other systems	We have made a provision for £1.2m+ to allow those authorities with legacy LMS systems to upgrade to current systems that will support interoperability protocols. Note that it is envisaged that this cost would fall to individual local authorities needing to upgrade.		Medium risk, key is to identify those authorities that require up date and agree requirements to bring in line with standards.
Required staffing changes	This cost has not been estimated but will be part of the decision as to the reallocation of resources realised by the move to a new system.		These proposals have very significant implications for staff, particularly in bibliographic services and all those involved in selection and ordering, payment processing etc. Whilst redeployment into locally ongoing activities may be an option in some cases, this will not always be right, either for cost reasons or capability/skills reasons. Engagement with unions and the relevant staff will be required, with the risk of protracted negotiations, redundancy costs, and industrial dispute

Potential range of investment costs: £4,500,000 to £7,000,000

Initial risk assessment of savings potential

Saving Opportunity	Potential value	RAG	Risk associated with estimated saving
Framework contracting processes	Savings of around £1m per annum realisable through the application of framework contracts for admission of suppliers to the eMarketplace, LMS and other areas of supply, to be managed by the national commissioning body rather than local library authorities.		Given the proven application of this approach elsewhere in the UK public sector, this represents a low risk savings opportunity.
Better discounts on stock purchases	A conservative estimate that further discounts of around 7.5% are achievable under the proposed arrangements, from an average baseline of 30%. This improved discount could generate estimated annual savings on current stock prices of around £10m		To achieve the greatest level of discounts, sufficient take up will be required to encourage market entry by new suppliers. Market entry will also be dependent upon unbundling book supply from servicing, and in turn, on simplification and standardisation of servicing requirements.
Regional approach to selection	Estimated annual savings of around £3.8m based on third party selection, operated predominantly regionally.		Requires buy in from sufficient numbers of library (30-50%, see outline business case) authorities to deliver these efficiencies at a regional level.
Automation of bib services/ cataloguing	Automation of local cataloguing activity coupled with streamlining and aggregation of regional servicing could generate savings of around £4.2m per annum.		Dependence on process automation, requiring ICT interoperability and a single bib database, as well as sufficient take-up by library authorities (30-50%, see outline business case) to regional servicing.

Initial risk assessment of savings potential (continued)

Saving Opportunity	Potential value	RAG	Risk associated with estimated saving
Direct delivery to regional servicing points	Adoption of single delivery points for suppliers and better distribution from regional centres direct to libraries might achieve estimated savings of £2.4m per annum if adopted by all library authorities.		This approach will require buy in from a large number of authorities to achieve the economies of scale through direct delivery to regional servicing points, and potentially combining of stock distribution with circulation of Inter Library Loan stock and other stock movements. It also requires standard servicing, and automated ordering, receipting, and payment.
eReceipting and 'procure to pay' automation	Automation of receipting and payment through the supply chain will deliver savings of at least £1.2m - a very conservative assumption given CIPS estimates of savings through online purchasing.		Dependent upon eMarketplace to deliver automation capability and link with LMS.

Estimated annual savings: £22,000,000

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7 Next steps

Next steps

We believe that the solution we have set out in this report, and the outline business case that supports it, represents a significant opportunity to increase the efficiency and effectiveness of the stock procurement process for the library service, and ultimately improve services to library users.

Nonetheless, there are a number of important issues that require more detailed consideration, as well as the specification of a clear process for managing the implementation of these new arrangements.

This final section of the report sets out next steps for Phase 3 of the project.

The key areas are set out as follows:

- implementation planning and project governance;
- communications planning and stakeholder engagement;
- design issues; and
- investment and funding sources.

Implementation planning and project governance

Implementation planning and project governance requires the development of an implementation plan, and a programme and governance structure to lead the implementation of the new arrangements. This should include structures to engage stakeholders throughout the implementation of new arrangements through working groups, steering group and sounding boards as appropriate.

We propose the establishment of a focused Project Board to oversee project implementation, supported by a wider Advisory Group representing key stakeholders. MLA, with our support, will be deciding the make-up of these groups during Phase 3. We are keen that the Project Board includes representatives from the library service, but also local government, finance, procurement, change management, and publishing/book supply chain specialists.

The scale of changes to processes, procurement and ICT that are required to support the new stock procurement model, underlines the importance of well-planned programme implementation to ensure successful transition. A key issue is establishing a realistic timetable given the ambitious nature of these changes. The feasibility of the current June 2008 target will be considered. In practice, the change process is likely to involve a gradual migration by library authorities towards the new arrangements, given that different authorities are at different stages of development, and face different constraints (such as existing stock supply contracts).

Communications planning and stakeholder engagement

Communications and stakeholder engagement will continue to be crucial to this process, and we set out below the key challenges raised by stakeholders and the approach proposed to address these. Phase 3 will identify and plan the resource and communications requirements in order to do this.

Stakeholder responses to our initial proposals

Throughout the regional workshops conducted by PwC and MLA, individual interviews, and responses to interim communications about the project, our purpose has been not just information gathering to inform our proposals, but also to understand stakeholder issues and concerns so that these can be addressed.

In general, stakeholders have taken a positive and constructive approach, with particularly strong support for:

- standardisation and streamlining, for the 'ideal' of a national bibliographic database, broad support for third party selection of sufficient standard; and
- a strong desire for ongoing engagement and involvement in developing proposals in more detail.

It is noteworthy that Chief Librarians, stock managers, and existing library suppliers have expressed broadly similar concerns across a wide range of issues. These are key considerations in further developing these proposals.

Key concerns include:

- that any loss of current suppliers will mean the loss of third-party provision of servicing and additional services and expertise upon which smaller services rely (whereas we envisage provision of these services regionally and nationally);
- that competition will disappear or be reduced (whereas by separating the elements required by library services, we expect increased competition in supply of books);
- that no new market entrants will be forthcoming (mainly because of the requirement for servicing, which would no longer be associated with supply of books in the new model);
- the national bibliographic database – an emphasis that this must be easy to use, concerns around time and resource implications locally for back stock and in stock management terms, concerns about the cost of sourcing for 'book in hand' record creation if not from current suppliers, and concern that this should not be opened up to local amendments, which must be addressed in detailed design;
- the eMarketplace – concern about the diversity of stock on offer and approach for large print, talking books, periodicals and minority language stock, which can require intensive work to source, select, evaluate, acquire, and catalogue, and may be supplied by public or voluntary sector suppliers, which can only be addressed by further engagement with potential suppliers to gauge their willingness to enter into the market given the detail of these proposals; and

- the strategic commissioning body – concerns about cost, accountability, and ‘a new layer of bureaucracy’;
- regional clusters – concerns about how these would relate to existing consortia, and cost, accountability and bureaucracy;
- non-book and specialist materials – that these should be able to be procured through the eMarketplace where possible;
- standards – scepticism about the feasibility of achieving a single national servicing standard;
- receipting – some concerns about the level (local, central, or regional) of both receipting and payment in order to achieve maximum process efficiencies while retaining good governance and financial controls, which must be addressed in detailed design;
- ICT – concern at potentially high implementation costs and lack of control over ICT, which will be scoped further in the next phase of work;
- joint working – general scepticism, especially over undue influence of larger authorities, which must be addressed through design and solution governance;
- general concerns about maintenance of speed and quality of serviced supply, particularly around the regional processing model (including memories of the higher costs of stand alone servicing companies set up in 1996), which need to be addressed both through detailed planning and conceptual testing, and proof of concept implementation;
- some authorities are sceptical over the value of supplier or third party selection;
- an overall concern that unless the model is mandatory, there is a significant risk of lack of buy-in, which can be mitigated by communications planning and involvement of stakeholders in the design process; and
- a request for standards and formulae which can be used by library services to assess their own circumstances and future direction, which may be considered during detailed planning.

Publishers have communicated some specific concerns to us:

- that savings made through more efficient procurement/reduced stock prices should be re-invested in library book funds;
- that they want to see genuine willingness by library services to invest in improved technology and a single, simplified set of servicing standards, in exchange for publishers’ investment in working with the sector to improve stock procurement;
- that they want to see simplified contractual arrangements, which they currently regard as too complex and costly;
- that they need assurance that competition in the eMarketplace will be managed, and will protect territorial rights and commercial terms;

- that new arrangements are capable of handling the procurement of electronic material, which is likely to be an increasing proportion of the total in future; and
- that the business case should capture the full cost of servicing and all other costs associated with the procurement process.

Communications requirement

It is therefore critical that communications and stakeholder engagement are properly resourced and supported, and integrated into designing and planning the implementation of new arrangements. We will be developing a communications plan to support the activities, and continuing our discussion with stakeholders during Phase 3.

Design issues

There are a number of design issues on which further work will be required. These include:

- mapping out in detail the appropriate governance arrangements for the new stock procurement arrangements;
- testing the broad assumptions made around the size and structure of the strategic hub required to manage the eMarketplace;
- confirming the size, structure and number of the regional procurement 'clusters', and in particular regional servicing and distribution roles;
- scoping the ICT requirements for the new arrangements in more detail; and
- risk assessing the key design areas.

Governance to support the new arrangements

Local library authorities are the accountable body for the provision of a 'comprehensive and efficient' service, and this will not change as a result of the proposals set out in this report.

Therefore it will be key to ensure that appropriate governance arrangements are put in place to support the proposed new arrangements, to ensure accountability for their performance.

A strong message from regional seminars has been that the goal of the strategic hub should be to provide a strategic development capacity that understands library requirements and opportunities, and can ensure that the model can adapt and take on other functions as required. Our initial proposition is that the governance of the strategic hub should include library expertise alongside functional experts in procurement and supply chain management, and finance.

Further developing proposals for governance arrangements will therefore be a priority design task to be completed within Phase 3 of this project.

Size and structure of the strategic commissioning hub

The second key design issue is to determine the overall size and structure of the strategic hub.

The outline business case sets out the assumptions we have made in relation to the capacity requirements for the strategic hub. However, these will need to be further refined in order to identify:

- the resource requirements to deliver the hub's key functions;

- how these resources are best sourced, i.e. whether a new entity required or whether these functions be delivered by an existing public sector entity such as OGC, the Regional Centres of Excellence, or a similar procurement/ commissioning body; and
- the outline management structure for the strategic hub.

At a minimum, the hub will require capacity to deliver four key functions:

- stock selection;
- stock purchasing and the management of the eMarketplace;
- collating and communicating market intelligence data to the stock supply chain; and
- performance management of the new arrangements to support accountability to the library service.

This analysis and our recommendations will be based upon available data in relation to the resource requirements associated with stock selection and other key activities, and our understanding of approaches to establishing similar arrangements elsewhere in the public sector, such as the Centre for Procurement Performance in the DfES.

Size and structure of the regional procurement clusters

The outline business case also sets out our key assumptions in relation to the number of procurement clusters required within the new model, and their capacity requirements. The priority design tasks include identifying:

- the optimum number of clusters to support their functional responsibilities, and their composition;
- the detailed resource requirements of the clusters in relation to their key functions, and particularly the critical function of servicing and distribution to meet requirements for quality, speed, and cost; and
- the options for sourcing the clusters, including outsourcing or delivery by an existing library authority through a trading arrangement or similar.

Principles for 'regionalisation' will be produced in Phase 3, identifying the principles for regional organisation, costing parameters, and addressing the challenges of logistical organisation and distribution of stock.

Scoping the ICT requirements of the new arrangements

As we have argued elsewhere in this report, for the benefits of the new model to be fully realised, significant changes to the existing ICT architecture will be required. The priority design tasks in Phase 3 will include specifying the requirements in relation to:

- the outline design and functionality of the eMarketplace, and whether this is to be delivered by a bespoke system or a ‘best or breed’ integration with an existing procurement portal such as those which exist in central and local government;

- agreeing the implementation of interoperability standards for LMS; and
- establishing a single, national bibliographic database.

Investment and funding sources

The risks associated with estimating the investment requirements of developing and implementing the new arrangements have been clearly set out in this report. Further work is required to develop the risk assessment included in the outline business case section of this report, and also on forecasting potential savings, particularly given the possibility that not all authorities may ultimately ‘sign up’, and that sign-up is likely to be gradual in practice. Mitigating actions need to be put alongside the risk assessment in order to provide the basis for the (future) development of a risk register as part of the implementation programme.

In addition to developing the business case through further assessment of risks and opportunities on the investment and savings sides, Phase 3 will explore potential funding streams. The output will be recommendations on available funding streams, opportunities to exploit them, and the likelihood of direct investment by individual library authorities to support the new arrangements.

Next steps for key stakeholders

It is envisaged that key stakeholders including library authorities and existing consortia and suppliers be engaged directly and intensively in the detailed design of the model proposed in this report, particularly in terms of reaching agreement on key standards required for the new system, probably through a series of working groups. This should not preclude both library authorities and suppliers from continuing to pursue good practice, innovation, and improvements to the current system, particularly those (such as simplification of processing requirements, automation of ordering, receipting and payment, and ICT interoperability) which will provide additional benefits in the new system.

Given the radical and far-reaching nature of these proposals, it will be necessary to assess them in implementation planning, through concept-testing and proof of concept pilots. This will provide an opportunity for all interested stakeholders to remain involved in the project, and in turn advance the development of a system which is fit for purpose and delivers real and lasting benefits to the library service, and ultimately to library users.

Museums, Libraries and Archives Council

Better stock, better libraries: transforming library stock procurement

Annex A: Stakeholders consulted during Phase 2

Annex A: Stakeholders consulted during Phase 2

PwC wishes to acknowledge the input of the following organisations and individuals throughout our Phase 2 activity, from whom we have sought advice and input. However, the conclusions we have reached are our own:

- Participants of the stock managers group;
- National Acquisitions Group (NAG);
- Libraries West (Foursite) Consortium;
- Central Buying Consortium (CBC);
- West London Consortium (WELLSTOC);
- Yorkshire Book Consortium (YBC);
- Greater Manchester Libraries Consortium (GMLC);
- Society of Chief Librarians Executive;
- Bertrams Library Supplies;
- Holt Jackson;
- Askews;
- Peters;
- Talis;
- DS;
- Innovative Interfaces Incorporated;
- Bibliographic Data Services;
- Nielsen Book Data;
- Book Industry Communications;
- NE Regional Centre of Excellence;
- East of England Regional Centre of Excellence;
- Mike Suarez, Finance Director London Borough of Lambeth;
- David Pointon, National Local Government e-Procurement Project Lead;
- Tim Byles, National Local Government Procurement Champion;
- Local Government Association;
- Chief Leisure Officers Association;
- MLA Partnership;
- Susi Woodhouse, MLA Reference Online;
- David Potts, MLA IT Advisor;
- The Publishers Association;
- Harper Collins;
- Random House;
- Scholastic;
- Amazon UK;
- The Reading Partners Group;
- Share the Vision;

- Procurement for Libraries;
- George Kerr, Evidence Based Stock Management;
- Rachel van Riel, Opening the Book;
- Fiona Emberton, John Stanley Associates;
- Retail Supply Chain advisers;
- David Lindley, Coutts Information Services Ltd;
- Desmond Clarke (Libri);
- Tim Coates;
- Biblion NV;
- South Australian Library Service;
- Beverley Fletcher (New Zealand Library Service);
- Office of Government Commerce;
- OGC Buying Solutions;
- NHS PASA;
- DfES Centre for Procurement Performance;
- DCMS; and
- Library services through questionnaire returns and direct engagement, including an ongoing programme of regional workshops, and direct responses to our interim briefing paper.

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Better stock, better libraries: transforming library stock procurement

Annex B: Summary review of national and regional procurement comparators

Overseas models of libraries stock procurement

As part of the review of comparator overseas models we considered the approach in three countries:[37]

- Netherlands;
- New Zealand; and
- Australia.

In reality it was only the Netherlands who delivered library stock procurement through a national model. New Zealand and Australia were suggested as examples due to the success in delivery of library services in general, and because of aggregation to the state level.

Whilst the Australian example provided some useful insights, it became apparent that in terms of library stock procurement, the New Zealand approach is somewhat similar to the as-is position within the UK.

In terms of metrics the following table provides some interesting comparison, not least showing that the scale of the UK library services is clearly unrivalled within the comparator group.

	Spend Per Capita	Total Stock Spend	No of Libraries
UK	52m pop £2.30 per head	£120m	149 authorities and c3,500 library sites (England)
Netherlands	15.5m pop £2.45 per head	E55m (£38m)	505 services and 1150 library sites
New Zealand	3.8m pop £2.76 per head	$30m (£10.5m)	75 services
South Australia State	1.58m pop £1.58 per head	$6.2m (£2.5m)	94 services and 140 library sites

Overseas models of libraries stock procurement (continued)

We set out below, the key features of each of the approaches we considered as part of our review of international examples.

The Netherlands

The Netherlands model is the only true national approach. The service is delivered by Biblion NV a company owned jointly by the library services, publishers and booksellers.

The key features of the approach are:

- co-operative company (Bibliion) established 35 years, board consists of 4 library representative, 2 supplier representative and 2 publisher representatives. The board also represents the respective shareholdings of the company;
- at the point of formation an agreement was made to pay a commission to suppliers to address concerns of loss of business- the level of payment has reduced over time;
- Biblion supply library ready products to libraries – only role for libraries is to enter titles on their local catalogues and put the books on shelves;
- there is still some level of local selection based on local needs but more and more are reliant on Biblion standing selections; and
- Biblion receive around 40% discount from publishers and are allowed to offer maximum 25% discount to libraries. No other booksellers are allowed under law to sell at discount to public libraries.

New Zealand

The New Zealand model's key features of the approach include:

- similar to UK model in that some regional activity has begun but running on the back of existing local relationships;
- a body exists (Metronet) to facilitate better working between libraries that have a population of more than 50,000;
- Metronet has no clear remit – currently 19 library members who meet twice a year – attempted joint procurement of journals some time ago but failed as a result of a lack of commitment and permanent staff within Metronet to drive the project.;
- a national contract for Electronic reference databases has been let and is used by 72 of the 75 public libraries; and
- regional collaboration to date has been around procurement of standard LMS as opposed to stock procurement.

Overseas models of libraries stock procurement (continued)

Australia

Whilst not a national model the approach in Australia did highlight some key areas of value in what is in essence a regional approach. Despite this, given the geographical spread in terms of an Australian state we have included the example in our review of the national model.

We looked at the approach in the South Australian State and the key characteristics of the approach include:

- regional (State) model with mandatory involvement of all libraries;
- stock budgets are the responsibility of the State Library Service, in that the individual library budgets must be spent through them with the exception of up to 30% which can be retained by libraries for local purchase;
- book contracts tendered by the State Library every three years;
- supplier catalogues are reviewed and selections are made by State Library by removing those titles not suitable for Public Libraries – catalogues are then up on line monthly for libraries to select stock they require; and
- books delivered direct to library – library-ready having been serviced by the supplier.

Lessons from International Examples

The review of International approaches to library stock procurement has enabled us to identify a number of key lessons to apply in the development of a solution for stock procurement to the library service.

- Netherlands is the only truly ‘national’ model;
- Australia operates a state model giving large geographical coverage;
- New Zealand is considered to be advanced in terms of service delivery but adds little in terms of stock procurement;
- none of the international examples are comparable in size to UK in terms of spend;
- the operating environment is different and not transferable in most cases;
- key element from Netherlands and Australia is the benefits from standardisation of classification, servicing and incorporation of RFID;
- access to state wide stock in South Australia, all books available to order online through a shared state catalogue;
- additional services include reader promotion and marketing materials; and
- standard discount levels in Netherlands – linked to Dutch equivalent of ‘NBA’ – not significantly greater than that achieved currently in UK.

UK public sector national procurement models

Office of Government Commerce (OGC)

OGC operates at two levels. OGC is a strategic body with a remit to facilitate best practice and act as a catalyst in achieving VfM savings. OGC has a trading fund (OGC Buying Solutions) which operates at a more tactical level setting up mechanisms to achieve cost reduction on the procurement of goods and services. The key characteristics are as follows:

- focus is on contract set up and management;
- demand and choice of what or whether to buy is left locally;
- no mandate to use national contracts;
- encouragement to use national contracts;
- most common approach to market are frameworks which provide a level of choice over suppliers;
- development of eMarketplace solutions e.g. Zanzibar;
- payment to supplier made direct by local organisation – supplier pays levy to OGC;
- contracting through catalogues and frameworks is direct between authority and supplier (not OGC); and
- OGC Buying Solutions is a trading fund of OGC which in turn is funded by HM Treasury. As a trading fund OGC BS covers its costs through income generated from framework suppliers.

NHS Procurement and Supply Agency (PASA)

- Executive Agency of Department of Health;
- large organisation with specialist directorates for different types of supply;
- contract set up and management undertaken by PASA;
- led by a Chief Executive and executive board consisting of 9 Directors;
- operates across strategic, tactical and operational procurement across the NHS; and
- currently moving towards a regional hub approach to procurement in line with new Strategic Health Authority boundaries.

Department for Education and Skills Centre for Procurement Performance (CPP)

- Tasked with achieving £1.4bn savings in procurement across the Education, Skills, and Children & Family system;
- part of the DfES, but significantly different approach;
- focus is on Director and Deputy Directors to build networks in the sectors;
- facilitating better procurement, establishing projects and pilots for better deals, not delivery;

UK public sector national procurement models

- sector approaches include strategic procurement of key commodities, use of existing framework contracts; and
- working closely with, and challenging, established Local Government consortia and Regional Centres of Excellence.

Schools

- Concerned with up-skilling and valuing the Bursar role.

Children & Families

- Developing the strategic commissioning agenda; and
- identifying and spreading good practice.

Further Education

- Establishing and extended existing consortia, building capacity.

Higher Education

- Challenging and developing existing consortia.

Regional models of stock procurement

Review of Regional Models

The work undertaken as part of the review of national bodies was very clear in the way it demonstrated that a wholly national model would not meet the criteria in terms of aggregating procurement yet at the same type remaining flexible enough to meet local accountability requirements. At the same time it did highlight that there are some things which make perfect sense to be delivered at a national level.

If it is recognised that elements of a proposed solution should be operated at this national level but other should not this in itself rules out both the national and regional (or cluster) models and recognises the value of a hub and spoke solution.

This proposition was accepted by the project steering group to a level which focused the approach to consultation with existing consortia. There was an implicit expectation that the final solution would take the best of a national solution and couple this with the most effective use and application of best practice from existing consortia.

The Case Study Sites

There are approximately 13 formalised partnerships of consortia arrangement in England (specifically related to library book purchasing). Of these we selected four sites to use which reflected varying sizes, governance arrangements, process and geographical locations. These were:

- Foursite – (Somerset);
- Yorkshire Book Consortium;
- Wellstoc (West London); and
- CBC (Central Buying Consortium).

The discussions with these bodies were valuable in identifying the current breadth of views around what constitutes an effective consortia in terms of size, prices and governance in particular.

The relevant approaches and roles of each of these consortia are set out over the following sections of the report.

Foursite Consortium

The Foursite Consortium consists of four authorities although this is about to become five with the inclusion to some degree of Bristol. The four core members are:

- Bath and North East Somerset;
- North Somerset;
- South Gloucestershire; and
- Somerset County Council.

The consortium originally came into being through the decision to jointly procure a Library Management System. This has enables the consortium to operate a shared catalogue and ultimately a shared bibliographical servicing centre.

The current contract in place for the supply of materials is with Askews. 80% of all stock purchased is done so through the consortium contract with Askews.

Regional models of stock procurement (continued)

Askews provide a standard level of servicing to the consortium. This coupled with a single point of delivery for the suppler was a key element to the deal struck when the contract was let, of course coupled with the aggregation of stock purchase by the four authorities.

Yorkshire Book Consortium

The Yorkshire Book Consortium (YBC) was established in 1998 with the objective of collaborating to get the best price for books through a largely aggregated contract.

The authorities of South Yorkshire, North Yorkshire and all of West Yorkshire with the exception of Leeds joined the original contract and a specification was produced in 1998. The original contract represented a combined spend through the contract of £2.6m per annum on books. The contract was awarded in 1999. Although not originally intended the contract was awarded to Askews as a single supplier.

YBC does not formally exist as a separate legal entity or contracting body subsequently each authority signed an individual contract for supply with Askews reflecting the terms of the shared contract.

The current contract was let in 2005 and also included the Humber authorities. This contract represents a book spend of £3.5m with a further £1.5m on non book materials.

The contract on this occasion has been let to five suppliers, each having one contract for a particular genre.

The key characteristics of the current arrangements are similar to the original contract in that again YBC is not a contracting body. Each authority has retained an element of its own book fund which it spends outside of the YBC contracts.

Supplier selection is built into the contract but is used sporadically across the region. The contract was let with servicing requirement based on NAG standards. The consortium encourages adherence to this level of servicing although some authorities add extra requirements and these are costed separately within the contract.

Central Buying Consortium (CBC)

The Central Buying Consortium (CBC) is a buying consortium for a range of commodities across local government, and therefore is not a specific library consortium. Having said this the consortium operates different commodity groups one of which is a libraries group.

There are 36 library authorities within the group from different regions of the country. The library group has three contract areas one for books, one for AV and one for binding. They are currently looking at options around a periodicals contract.. The book supply contract has six accredited suppliers and member authorities can place orders with any one of the six suppliers for any genre, typically having selected from suppliers websites.

Regional models of stock procurement (continued)

Whilst the contracts specification was based on minimum NAG standards for servicing additional servicing is available and costed separately and this reflects the fact that different servicing requirements are specified by individual authorities at the point of ordering. The contracts provide for suppler selection and this is being adopted in some quarters but typically for fiction only.

The consortium is governed by the members and individual authorities rotate to chair the library group. The main role for governance is with the six key members and these six meet quarterly with suppliers to discuss performance and other issues.

CBC represent the largest spend of any consortium of around £19m per annum.

West London Consortium (WELLSTOC)

WELLSTOC consists of eight authorities although this is to become seven once the new contract begins in August 2006. The consortium is led by London Borough of Ealing who took over from the original lead Richmond.

WELLSTOC are currently in the process of re-letting a contract for supply. The original contract was a case of straightforward aggregation of authorities in relation to stock buying to achieve a better price. Having said this the specification made provision to ensure with a lower price came a satisfactory level of service. The initial contract made no provision for standard servicing requirements. All authorities operate different Library management systems.

The contract is set up in such a way that it has to have one supplier for each category of stock. Member authorities push 60% of their book fund through the WELLSTOC contracts leaving 40% for local spot purchasing and specialist requirements i.e. large print and minority language etc.

Overview of consortia spend where known[38]

Consortia	Estimated Spend
Central Buying Consortium (CBC)	£19m
Foursite	£1.7m
WELLSTOC	£2m
Yorkshire Book Consortium	£5m
North East	£2.2m
Greater Manchester Consortium	£6m
Cheshire Libraries Consortium	£2.5m
Merseyside Libraries Consortium	£3.3m
London Library Consortium	£2m
Total	**£43.7m**

Regional models of stock procurement (continued)

Lessons learnt from regional case studies

The value of the review and consideration of the case study sites has been two fold. Firstly it has provided evidence of what is happening currently and where best practice lies and secondly has provided an opportunity to collect views from existing consortia on where the challenges lies in terms of considering what if any the role should be for clusters in a regional or hub and spoke model. From this we have been able to identify a number of key lessons to consider in developing our solution.

- It is clear from the success of CBC that a regional cluster is not wholly necessary however there is additional value where demand profiles may be similar;
- with the exception of Foursite all of the other consortia we spoke to have a clear focus on establishment of better contract terms rather than shared services or standardisation; and
- within the newer consortia contracts a greater effort has been made in terms of agreeing standard servicing requirements and factoring in supplier selection, EDI etc, however all contracts allow for additional servicing requirements to be purchased.
- Some of the key benefits of working in consortia identified included:
  - ability to share good practice;
  - better discounts up to 15% improvements in some cases on first contract let;
  - ability to move towards greater standardisation;
  - spread workload of tender process;
  - reduce costs of tender process by pooling resources;
  - ability to use consortia to facilitate change in individual authorities;
  - better management information;
- governance is typically informal with one or a small group of members taking a lead role;
- consortia typically do not have dedicated resources;
- LMS interoperability is key to secure greater efficiencies through shared catalogues;
- single delivery point and standard service has a positive impact on supplier pricing; and
- consortia represent in excess of 50% of total UK library book spend, therefore buy in to new stock procurement arrangements will be key to the viability of those arrangements.

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Better stock, better libraries: transforming library stock procurement

Annex C: Key assumptions underpinning the draft financial model

Cost element	Initial Investment	Running Cost	Saving Opportunity
Stock Selection Costs	• A level of initial investment will required to establish regional and national centres • Some use of existing library back office facilities may be possible	• New running costs associated with the establishment of regional and national infrastructure. National body assumes approx 8 FTE and running cost of around £500k pa • Regional centres funded by a proportion of current selection costs plus additional £100k pa per region to cover management costs	• Up to 50% saving on current selection costs through delivering stock selection at regional level, with some national selection for specialist material • Savings on current estimation of around £2m pa of staff time spent on stock ordering function with local libraries
Procurement Costs	• An initial investment will be required to establish the national commissioning body • Whilst it is envisaged the framework letting activity will be managed by the full time staff within the Strategic Commissioning Body there may be a need for consultancy support at the outset of this process	• New running costs associated with the establishment of regional and national infrastructure as set out above	• Greater discounts achievable through aggregation of supply and opening up of the market to new entrants • Costs of letting local stock procurement contracts are eliminated through real time eMarketplace purchasing, savings of around £1m pa are achievable by letting a national framework contract linked to the eMarketplace

Cost element	Initial Investment	Running Cost	Saving Opportunity
Servicing Costs	• The investment costs of the processing and distribution proposed through regional centres will depend on the size and model of regions adopted, and therefore will be a priority to establish during the next stages of the project.	• Costs of servicing largely remain having been shifted from book supplier to regional body delivered in house or outsourced	• Some savings achievable through the aggregation of servicing at a local level having unbundled supply. Assumed between 10-20% savings on these costs. The bigger savings are achievable through elimination of local 'additional' servicing
Delivery Costs	• Investment is required in terms of the establishment of a distribution network. This is however going to vary based on the level of take up and whether it is deemed to be a function to be outsourced or delivered 'in-house'	• Running costs for distribution are inevitable however it is a shifting of costs currently factored into book prices.	• 10% savings envisaged by establishing a central delivery point for publishers, wholesalers and other suppliers • 20% savings envisaged for individual authorities through more effective management of local delivery direct to libraries from regional processing centre • The use of regional centres and the distribution network should achieve savings and service improvements as part of ILL.

Cost element	Initial Investment	Running Cost	Saving Opportunity
Receipting Costs	• Investment cost required to support improvement to receipting are wrapped in a number of areas including the development costs of the eMarketplace which will contain the level of automation required and in development of interoperability of LMS	• Running costs are covered by regional staffing and ongoing maintenance of eMarketplace and LMS	• Significant savings achievable through the automation of the procure to pay process. CIPS estimates the cost of processing an order through to payment is around £65 per invoice. Electronic automation will significantly reduced these costs.
Cataloguing Costs	• A relatively significant investment of around £2m may be required in terms of developing standard cataloguing records and a national bibliographical database.	• License costs for bibliographical data will continue to be payable as will current LMS licensing costs	• Standardisation of catalogue records alongside other improvements should enable automation of bibliographic data workflow, suggesting a saving of around 1FTE per library authority, on the basis of ‘as is’ data analysis. This equates to a saving of around £3.7m per annum

Cost element	Initial Investment	Running Cost	Saving Opportunity
Infrastructure costs inc ICT and Premises	• Significant up-front implementation costs will be incurred in establishing the national and regional bodies, and working with LMS suppliers and data aggregators to standardise approaches. Based on discussions with LMS suppliers, and suppliers of bibliographic data and other key ICT, we have assumed total up-front investment requirements for the new arrangements of between £4.5m and £7m, spread over FY07 and FY08 (years ‘0’ and 1 in the model) • An initial installation charge based on the use of OGC Zanzibar as the technology to deliver the eMarketplace (as a benchmark) would be in the region of £500k.	• Ongoing annual costs will be required to meet ICT requirement including maintenance charges etc. Based on OGC Zanzibar (as a benchmark), the annual license costs for 10 regions will be in excess of £360k for the operation of the eMarketplace.	• Some savings from the reutilisation of back office library premises could deliver savings in the region of 10% of current premises costs equating to around 200k per annum.

Cost element	Initial Investment	Running Cost	Saving Opportunity
Stock Costs and discount levels	• Costs will be incurred in the set up of national framework contract these are picked up within procurement costs	• Ongoing supplier management activity is seen as a function of the national commissioning body and these costs are picked up with procurement costs	• Current discount levels vary widely across the library service, from reported levels of 15 to 38%. We have based our initial assumption on the 'as is' average discount level being 30%, and made a conservative assumption of average 'to be' discount levels under the new model of 37.5%. • This is against the level of discounts achieved by wholesalers and retailers of around 55%

Museums, Libraries and Archives Council
Better stock, better libraries: transforming library stock procurement

Annex D: References

Footnote	Source
1	Releasing Resources for the Frontline: Independent Review of Public Sector Efficiency, see http://www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_efficiency.cfm
2	Transformational Government, Enabled by Technology, see http://www.cio.gov.uk/transformational_government/strategy/
3	http://www.communities.gov.uk/index.asp?id=1137789
4	http://www.hm-treasury.gov.uk/spending_review/spend_csr07/spend_csr07_index.cfm
5	www.lyons-inquiry.org
6	http://www.culture.gov.uk/global/publications/archive_2003/framework_future.htm and on www.mla.gov.uk via Programmes, Framework for the Future
7	Consistent stakeholder feedback throughout report
8	PwC analysis of returns from a representative sample of 50 library authorities
9	Ibid
10	Ibid
11	Regional study of stock procurement and process costs, conducted with MLA alongside this project
12	Interview with Opening The Book Ltd
13	National questionnaire survey of libraries
14	PwC analysis of returns from a representative sample of 50 library authorities
15	Interviews with industry representatives
16	Various approaches to stock use analysis, from analysis integrated into Library Management Systems and specialised software (Evidence Based Stock Management) to manual analysis of databases extracted from LMS, have been reported to us during this project
17	*Public Library Statistics 2005-06 Estimates and 2004-05 Actuals,* Chartered Institute of Public Finance Accountants, 2006

Footnote	Source
18	PwC analysis of returns from a representative sample of 50 library authorities
19	Public Libraries and Museums Act 1964
20	*Public Libraries: Efficiency and Stock Supply Chain Review*, report by PKF for the DCMS & MLA, 2005
21	Ibid
22	PwC analysis of returns from a representative sample of 50 library authorities
23	Ibid
24	Ibid
25	Ibid
26	Ibid
27	Ibid
28	Ibid
29	Interviews with stakeholders during Phase 2
30	Interviews with industry representatives
31	Interviews with librarians and suppliers
32	Collated workshop feedback from MLA/SCL regional workshops
33	Regional workshops, stock managers' group, Steering Group, and individual interviews
34	Telephone interviews with representatives of relevant organisations
35	Ibid
36	Telephone interview with retail marketing and logistics expert
37	Telephone interviews with representatives of relevant organisations
38	Figures provided by consortia

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ISBN 1-905867-03-4

PricewaterhouseCoopers LLP