Department of Transport, Planning & Local Infrastructure

Business Case:

Business Case for the Implementation of ‘The Victorian Library’

(as outlined in the Stage 1 Report by the Ministerial Advisory Council on Public Libraries, December 2012)

September 2013
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1.0 Introduction

1.1 Project Context

Mach 2 Consulting has been engaged by the Department of Transport, Planning and Local Infrastructure (DPTLI) to prepare a detailed business case for the implementation of 'The Victorian Library' proposal.

The ‘Victorian Library’ is a concept proposal that was generally described in the Stage 1 Report of the Ministerial Advisory Council on Public Libraries (the MAC) and presented to the Minister for Local Government in December 2012.

This Business Case is a continuation of a series of studies undertaken by the State that are designed to inform a high-level strategic review of future library funding and policy options by the State Government.

1.2 The Ministerial Advisory Council on Public Libraries (‘MAC’) Review

The State Government’s public libraries policy and strategy has in recent years been characterised and underpinned by two key principles: these are accessibility and universality.

The MAC Review process was initiated in August 2011 by the Minister for Local Government, The Hon. Jeanette Powell MP. The MAC is a bi-partisan policy forum for promoting vibrant and effective library services and in shaping the future role of public libraries in Victoria’s local communities. Its aim was to bring together key stakeholders involved in public library service delivery and policy development in Victoria and develop a strategic service delivery framework for the future.

The MAC has been tasked by the Minister to comprehensively review the role of Victorian public libraries and report back to the Government on future strategic directions. The review is to include all aspects of public library operations including services and funding arrangements. The Review is being conducted in two stages over a two year period from 2012 to 2014.

The scope of the MAC Review process includes:

1. the relevant future services, directions and trends that will lead to changes in the provision and delivery of library services, such as emerging technologies, e-books, internet, partnership arrangements and the increasing role of libraries as community spaces and changing community needs;
2. the services currently provided by libraries in Victoria and a comparison to those provided in other Australian states and territories;
3. procurement practices and opportunities for standardisation of operations including borderless libraries and inter-library operations;
4. an analysis of the sustainability and diversity of library services;
5. the aggregate level of funding and funding accountability provided by the three tiers of government to support public library services including analysis of other jurisdictions;
6. the efficiency and effectiveness of specific purpose funding of public library services which includes the question of tied or untied library funding to councils; and

7. the appropriate level of recurrent funding and capital contribution necessary to support the operation of public libraries including opportunities to engage with private and philanthropic sector support. ¹

Stage one of the MAC Review process focused on services and community needs and consultation. Stage two of the Review process, to be informed by the outcomes of stage one, is focused on costs, prioritisation of library projects and programs, sustainability and levels of funding.

The first stage of the MAC Review assessed the current status and use of Victoria’s public libraries and analysed future directions and needs. It included extensive community consultation, as well as engagement with councils and regional library corporations. Stage 1 was informed by a series of detailed research projects targeted specifically at a number of issues and questions.

Specific aspects addressed during the Stage 1 process included:

- Collections, resources and programs (including e-resources and e-books);
- Library buildings and facilities;
- Technology and enabling systems; and
- Service delivery.

The MAC Review Process commenced with the issue of the ‘Tomorrow’s Library’ discussion paper (March 2012). This discussion paper was published to promote discussion and debate among the library sector and within the wider community about the future role and direction of public libraries in Victoria. The discussion paper informed the consultation stage of the MAC Review process. It was the mechanism for the community to have input to the process of defining and shaping tomorrow’s library. The discussion paper invited comment and feedback on issues that were deemed to be core to the review process. Early in 2013, a discussion paper was released and a further process of consultation with libraries and the community was undertaken.

1.3 The ‘Borderless Library’ Concept

The MAC Review process has also emerged out of a wider concept that has been around for several years. That concept is a broad vision for public libraries in Victoria that embodies the delivery of social, cultural and economic benefits to all Victorians. This vision emphasises the interconnectedness of all libraries across the State and the benefits to be gained from resource and information sharing between libraries. ²

A cornerstone of MAC thinking, planning, advocacy and policy in recent years has been to work towards the realisation of the notion of the ‘borderless library’. This concept is one where anyone in the State of Victoria can access information, resources or material in library collections (public, school and other) across the State from anywhere in the State (either in person or on-line).

This vision seeks to fully embrace the digital information age that is still emerging around us and changing the way we seek and get information: the vision challenges the prevailing paradigm of public libraries and library collections as being defined mainly by the physical buildings they occupy and the geographic boundaries of their local government (and regional library corporation) owners.

Implicit in and fundamental to the borderless library concept is the need for easy access to inter-library lending facilities.

² Ministerial Advisory Council on Public Libraries: The Library- The Key to Growing the Knowledge and Skills of the Victorian Community, 2007
1.4 Scope of this Business Case

This Business Case seeks to take the broad concept of the 'Victorian Library' (as described in the Stage 1 Report) and examines each specific aspect of it in far greater detail. The Business Case breaks the broader concept of the Victorian Library down into a number of specific project components.

For each component, all issues are examined in detail. Options are explored with costs and benefits for defined options and a preferred option recommended.

The various components and initiatives that comprise the Victorian Library are summarised in the table below:

<table>
<thead>
<tr>
<th>Victorian Library Component:</th>
<th>Initiatives:</th>
</tr>
</thead>
</table>
| 1. Enabling Systems         | • Establish a single State-wide library management system (LMS)  
                             • Acquire a discovery layer and integrated content management system  
                             • Acquire a Victorian Library smart phone 'app' 
                             • Establish common processing and cataloguing practices. |
| 2. Collections and Accessibility | • Increase accessibility to a quality State-wide collection developed and owned by local government  
                                 • Improve access to the State-wide inter-library loan service  
                                 • Expand the State-wide courier system to more efficiently delivery inter-library loan requests  
                                 • Establish a floating State-wide Languages Other Than English (LOTE) collection  
                                 • Develop a common platform for digital material consisting of two parts: access to downloadable e-books and e-resources and digitised local history and heritage material. |
| 3. Collection Management    | • Install radio frequency identification readers and tag all items in the State-wide collection. |
| 4. A Victorian Library Membership | • Develop one library card for all Victoria with local library branding. |
| 5. Procurement               | • Investigate best value collection procurement options  
                                 • Delivery of shelf-ready materials directly to library branches  
                                 • Investigate central procurement options for hardware (computers, tablets, e-readers) and other services. |
| 6. Information and Communication | • Establish a Victorian Library social media presence  
                                   • Develop a State-wide marketing strategy. |

The structure and scope of the Business Case generally reflects the structure of the Victorian Library Concept, as set out in the Stage 2 Discussion Paper. In addition, it addresses the key questions related to governance structure for the Victorian Library and an implementation plan.

1.5 Business Case Methodology

This Business Case has been prepared based on an extensive sector-based research, analysis and consultation process. It draws on all the research undertaken as part of Stage 1, with a range of additional consultation, research and analysis conducted for the Business Case.
The project was undertaken with the aid and input of a working group comprising public library professionals. Community and council survey outcomes on the Victorian Library proposal conducted by the Department of Transport, Planning and Local Infrastructure were reviewed as part of this project.

To aid and inform the research process, consultation was also undertaken with a range of organisations with an interest and/or expertise in the public library sector. Organisations consulted included peak bodies, library professionals and vendors supplying the sector.

1.6 Investment Logic Mapping (ILM)

As part of the Business Case methodology, an Investment Logic Mapping (ILM) process was undertaken.

Investment Logic Mapping (ILM) is part of the Investment Management Standard developed by the Department of Treasury and Finance. The approach evolved out of desire by the State Treasury to ensure that rigorous investment analysis practices are applied to Government projects.

The ILM process analyses a project proposal in terms of it being a proposed investment. It addresses the proposed investment in terms of:

- The core problems being addressed;
- The solutions that are proposed;
- The indicators (KPIs) of success;
- The likely benefits that will flow from the solutions;
- The likely costs; and
- The risks involved.

The ILM process involved a series of 3 x 2 hour independently facilitated workshops involving key public library sector professionals and senior staff from DTPLI. The outcomes of the ILM process have been applied and integrated into this Business Case.

1.7 Scope Limitations

The findings and recommendations contained in this Report represent the views of the consultant. These views are based on the scope of research and consultation undertaken for the project which was undertaken in close consultation with a library sector working group.

The financial estimates and costings for each component of the Victorian Library concept contained in this Business Case are based on the research undertaken within the review scope. In some cases, costs are based on indicative cost estimates that have been obtained from suppliers and vendors specifically for the purposes of this Business Case. In other cases, financial assumptions have been made based on experience in implementing similar projects in locations including Victoria and interstate.

Discussions regarding the governance structure are general and conceptual only and are subject to obtaining more detailed legal advice.
2.0 Overview of the Victorian Library Sector

Public libraries have a proud history in Victoria. The internet age has vastly increased the community’s direct access to information and resources through non-library channels. This presents a real challenge to public libraries to remain relevant and present themselves as user-focused, community-based, information hubs. Libraries are becoming more focused on their role as being an active and engaging community hub or space, rather than their traditional role.

2.1 Introduction

Public libraries in Victoria (excluding the State Library of Victoria) are local government owned and operated. They are either operated directly by councils or through regional library corporations established under section 196 of the Local Government Act 1989. These entities (councils and RLCs) own and operate the businesses, own the physical assets (including buildings) and the collections they hold and hence retain ultimate control over these assets.

Table 1 below provides a snapshot of Victorian public libraries *.

<table>
<thead>
<tr>
<th></th>
<th>Local Government</th>
<th>RLCs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number **</td>
<td>41</td>
<td>12</td>
<td>53</td>
</tr>
<tr>
<td>Population served</td>
<td>3,296,844</td>
<td>2,232,697</td>
<td>5,529,541</td>
</tr>
<tr>
<td>Active Members</td>
<td>694,904</td>
<td>392,522</td>
<td>1,087,426</td>
</tr>
<tr>
<td>Total loans</td>
<td>30,527,166</td>
<td>20,016,617</td>
<td>50,543,783</td>
</tr>
<tr>
<td>No. of Visits (physical)</td>
<td>17,330,937</td>
<td>10,296,913</td>
<td>27,627,850</td>
</tr>
<tr>
<td>No. of Loans (virtual)</td>
<td>6,361,610</td>
<td>4,277,139</td>
<td>10,638,749</td>
</tr>
</tbody>
</table>

* Excludes State Library of Victoria and Vision Australia
** Upper Murray RLS (3) and CHRLS (7) disbanded.

Source: Public Library Survey Statistics (2012)

Public libraries are predominantly funded by local government. They also receive annual operating grants from the State Government.

The chart below shows operating funding sources of Victorian public libraries.

Public Libraries -% of Operating Income
(Source: Public Library Survey, 2012, PLVN Excludes Vision Australia)

<table>
<thead>
<tr>
<th></th>
<th>Councils</th>
<th>RLCs</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees, fines, other</td>
<td>3.3%</td>
<td>15.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>State Income</td>
<td>81.6%</td>
<td>75.6%</td>
<td>79.4%</td>
</tr>
</tbody>
</table>
This chart shows that local governments are the major source of operating funds for public libraries in Victoria, contributing some 79.4% of total library income ($159 million in 2001/12). State grants (operating) account for 16.5% of total operating income or $33 million in 2011/12 (NB: this analysis excludes capital grants).

In considering the most appropriate governance structure for the Victorian Library concept, consideration must be given to the current sources of funding for libraries and any changes that may be proposed.

2.2 Libraries in the Digital Age

For nearly 100 years, the role of the public library movement has centred on education, knowledge, access to information and literacy improvement. Historically, this role has focused on the physical collections held by libraries, with operations structured around the core activity of the lending transaction. In more recent times, library service models have moved more towards activity and engagement oriented programs.

With the dawn of the digital and internet age, the way people choose to access information is changing. Libraries, as a result, are on the cusp of a vast change in the role they play in their local community. Libraries face new challenges in offering services that remain relevant to their community’s needs.

Increased community access to technology and high-speed broadband services mean people have ready access to much of the information formerly sourced through more traditional library and print-based sources. The advent of e-books is also rapidly changing people’s reading patterns and preferences. Indeed, the likely impact of the e-book age on libraries, particularly with decisions by some e-book vendors in relation to not supplying libraries, is still unfolding. The long-term term impact of these changes is far from understood.

2.3 Library Usage – Membership, Visits and Loans

Library use has traditionally been measured by transaction volume (loans), visitation and membership. The following graph shows key library usage trends over the past decade:
The above graph shows that, over the past decade, library usage in terms of loans per capita has declined marginally from 9.22/capita to 8.82/capita. Over the same period, physical library visits have declined from 5.11/capita to 4.82/capita.

Library membership (as a % of population) is also declining from 50.8% of the total population in 2000/01 to 44.2% of the population in 2011/12. The level of active membership (defined as members who have borrowed in the past 12 months) has also declined from 24.0% in 2000/01 to 19.9% in 2011/12.

2.4 Internet, PC and Wireless

As stated, over this period, the reason people go to libraries has also changed, as has the service offering of public libraries. The following graph shows library usage for public access PCs and wireless sessions over the past five years.

The level of PC and internet-related library use paints a very different picture to the traditional metrics. It illustrates the changing nature of library use.

The above graph shows that, over the past five years, the level of PC-related and internet-related use of public libraries has increased significantly. Indeed, whilst traditional metrics applied to public library usage indicate declined usage (loans, visits and membership), the internet-related measures have shown significant growth.

Key growth measures include:

- 44% growth in PC hours booked since 2006/07
- 67% increase in the number of PC bookings since 2006/07
- A 31-fold increase in the number of wireless sessions since 2007/08.

These trends confirm what has been widely known for some years. That is, the reason people are attending public libraries is changing rapidly. Increasingly, people use libraries for IT/internet related reasons but, as the above graph shows, the use of library-owned devices/public PCs is starting to decline.

People increasingly have access to their own devices and use the library as a place to go to work, study or relax and use the wi-fi network and physical facilities. In summary, people are using libraries less to execute a borrowing transaction. But, encouragingly, they are still choosing to physically go to libraries in substantial numbers. They are going to
libraries more for the activities that are offered and for the wi-fi services and for the physical space and environment that is offered.

2.5 **E-Content (e-Books and e-Resources)**

The community's reading patterns are also changing. Research undertaken by the US Pew Research Centre in 2012 (funded by the Bill and Melinda Gates Foundation), confirmed, among other things, that e-book reading is significantly on the rise. It found:

- That people are increasingly using a range of e-reader devices to read books (21% of respondents had read an e-book in the previous 12 months).
- A typical reader of e-books reads, on average, more than a typical non e-book reader. The median number of books read by e-book readers in the previous year was 13 compared to a median of six physical books for non-e-book readers.
- Those who read e-books as well as p-books read more books overall (in either e- or physical format). 30% of e-book readers report reading more overall (in both formats) since the availability of e-content. ³

The following chart shows the growth in e-books sales (as a quantum and as a % of total book sales) in the UK over the past four years.

³ Pew Research Center, Internet and American Life Project, USA, 2012
The following graph shows net revenues (as opposed to sales) for e-books (as a % of total net revenues) in the US over the past five years:

![Graph showing net revenues as a percentage of total net revenues for e-books in the US over the past five years]

This shows e-books (in net revenue terms) in the US increased from 1.18% of total revenues to 22.55% in 2012.

Further indications of the current/predicted future growth in e-books are:

- A report by consultants PwC predicts that the consumer e-book market in the US will be worth $8.3 billion by 2017, surpassing the value of the p-book market (which it predicts will shrink by more than half in that period).
- Amazon recorded increased e-book sales of 71% in 2012, compared to a rise in p-book sales of just 5%.

However, there have also been some contra-indications that the rate of growth of e-book sales is slowing (as opposed to declining) in some areas. In the US and Canada, the rate of growth in e-book sales in 2012 was not as fast as in previous years. Of course a 'levelling out' of the meteoric growth rates experienced in recent years is to be expected. Where this all ends and its policy implications for public libraries is emerging and is still unclear.

**On-line Sellers and Competition for Market Share:**

Amazon has emerged as the world's leading on-line book store and dominates the market (to the detriment of many traditional high street bookstores). In 2012, Amazon recorded increased e-book sales of 71% (following on from similarly large increases in preceding years). Criticism of Amazon is largely based on, among other factors, its preparedness to significantly discount and 'loss-lead' with e-books to build its market share, an approach not supported by publishers.

Apple has also emerged as a key player in the e-content market. Apple recently entered into agency arrangements with a group of leading publishing houses to sell e-books. However, this arrangement, which preserved the publishers’ price-setting discretion, was recently the subject of a US Department of Justice anti-trust case against Apple. In this case, Apple was found guilty of colluding with the publishers (those joined in the action) to raise prices of e-books through the underlying agency relationship it had agreed with publishers.

In one US State, access to e-books by public libraries was considered of such fundamental importance that a bill was introduced into the State legislature to require publishers to enable public library access to e-resources (the bill was subsequently watered down considerably). In other US States and in Canada, consortia-style
approaches are being implemented in order to create improved access to e-books for public libraries.

In short, the commercial world and the various factors that influence the availability, pricing and license terms for e-books generally are in a state of flux.

However, what is clear from these world-wide trends is the changing profile and nature of the community's preferred reading and content consumption formats. It is also clear that:

- Demand for e-content will continue to increase relative to p-books (in the near and longer terms). However, demand for p-content will not cease (in the near term). There will continue to be demand for p-content and for collections comprising physical content and resources as well as providing access to new format e-content.
- The total potential demand for information content is not finite. The e-content revolution is likely to lead to an overall increase in content consumption by the community (in e- and p- formats) and most (if not all) of the growth will be in digital formats. Indeed, this overall growth in reading consumption can only be regarded as a positive outcome in terms of community education and literacy.

It is also clear that, for libraries (with collections presently dominated by physical content formats) to remain relevant, they need to adapt quickly and prepare for a very different future. They need to respond to these changing consumer preferences and position themselves to be able to offer quality content and services that reflect community needs.

2.6 Libraries as 'Community Spaces'

Technological changes, consumer preference changes and the increased accessibility of information through the internet are part the rapidly changing nature of the local library landscape and its role as a ‘place’.

These changes are impacting on what people expect of public libraries as physical places. Libraries are becoming more focused on being 'community spaces' where people of all ages and backgrounds come together for a range of learning and leisure pursuits. For many people, the library has also become a ‘portal’ or access point to the world through cyber space and the internet while for others it's just a place to go.

Libraries are one of the few public places where people can go and be confident of just being accepted and where there is no expectation of engagement in a particular activity or commercial transaction.

Yet despite all the technological changes we are seeing, every day, on average, about 100,000 people physically walk into a public library in Victoria. Whilst that is less than the level of past years, it remains very substantial. And, it is likely to continue, at least in the near term.

Further, local and state government considered public libraries important enough that they contributed over $214 million to them (including capital works) in 2011/12. 4

Public libraries will continue to play an important and relevant role in communities into the future. However, the balance and structure of the role of libraries will continue to shift away from the traditional resource lending function towards more active community engagement through 'space provision' and program delivery.

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4 Source: Public Library Survey, 2012, PLVN
3.0 Problem and Opportunity Definition

3.1 The Problem

The core problems faced by Victorian public libraries, as defined through the Investment Logic Mapping process undertaken, are described below:

1. Increasingly inequitable access to information for learning and recreation marginalises some members of the community.

2. Libraries struggle to keep pace with expectations threatening their continued presence as valued public spaces and services.

3. Library services are unable to standardise approaches leading to higher levels of duplicated effort and wastage.

**PROBLEM:**

**BENEFIT:**

- More active and inclusive communities
- Victorians retain a sense of cultural identity and belonging
- The life decisions of each Victorian are based on reliable and impartial information
- More efficient and effective service delivery

**STRATEGIC RESPONSE:**

- Improve digital content and delivery across the network
- Improve and streamline backroom processing
- Improve the attractiveness and accessibility of the physical collection
- A more integrated State-wide library service

**SOLUTIONS:**

**CHANGES:**

- Build on the partnership between the State / public libraries
- Provide orientation and training for staff and users
- Establish new governance structures & agreed policies
- Establish procedures for book procurement
- Expand the existing courier service
- Expand the LOTE collection State-wide
- Undertake a State-wide marketing campaign

**ASSETS:**

- Procure a digital platform
- Procure digital content
- Procure a common LMS and apps
- Install RFID tracking across the system
- Establish a single library card

**Business Case:**

*Source: Investment Logic Map, DPCD, July 2013*
The above illustration provides a broad strategic context and rationale for the various projects and initiatives that are set out in this Business Case.

In essence, the problem faced by Victoria's network of public libraries is that unless they (collectively and collaboratively) can quickly adapt to the rapidly emerging digital information era (ie; in terms of what they do, the services they offer and how they work), they risk becoming less relevant to Victorians.

To adapt in this way is not a single dimensional challenge: it applies at a number of levels in terms of what libraries do, how they present and market themselves to the community, how they collaborate and how they manage and enable access to collections and resources.

Libraries are moving from being largely transaction-oriented resource borrowing places towards being more activity-focused, engaging and vibrant community spaces.

The digital information era is characterised by increased internet and broadband speeds and unprecedented access by the community to all forms of information and resources through digital media. E-books and e-resources are becoming more popular and people are increasingly using electronic media as their preferred way to access information and content. This includes literary resources, educational and reference material, audio-visual and music. Content publishers are not making e-books and e-resources easily accessible to public libraries.

These challenges are not peculiar to public libraries in Victoria: indeed, they are shared (to greater and lesser extents) by libraries world-wide. The vastly increased portability of information that is enabled by digital formats and delivery media changes the relationship between the physical library itself (the traditional role) and the digital library (the emergent role).

### 3.2 The Opportunity- A State-wide Collaboration

Behind each problem lies an opportunity.

The opportunity now is for all public libraries in Victoria to enter into a State-wide collaborative arrangement that will provide the necessary technological, operational, policy and governance platforms to enable effective responses to be developed at a sector-wide level to respond to these problems.

The opportunity, as assessed in this Business Case, includes a number of interrelated projects that will position public libraries to continue at the centre of community life. It includes:

- A shared, State-wide up-to-date technological capability and platform (LMS, discovery layer, apps etc.).
- Processes for seamless sharing and lending of materials and resources State-wide.
- A single library membership card, with reciprocity of rights and benefits.
- Ability to monitor and track the movement and lending of all physical resources State-wide using RFID technology.
- Improved LOTE and more targeted LOTE resources than can be easily sourced and shared State-wide.
- Easier access to a better range of e-resources, e-books and digital content.

The specific solutions that are proposed to address the issues are detailed in the next sections.
4.0 Project Components
- A Common State-wide Library Management System (LMS)

Recommendation:
A universal State-wide library management system (LMS) should be introduced for all libraries throughout Victoria. The library management system is the ‘engine room’; of a public library.

A single State-wide LMS will enable a common collection database throughout the State. It will provide the mechanism to lend, share and track all collection resources across the State within agreed policy parameters determined by libraries. It will also enable the introduction of a single library card and other initiatives detailed in this Business Case.

4.1 Context and Issues
The first component of the Victorian Library addressed in this Business Case is the introduction of a common State-wide library management system (LMS). This would be a shared operating platform for all public libraries (except the State Library of Victoria). The LMS (also known as the Integrated Library Management System or ILMS) is the ‘engine room’ of a library. It provides the core bibliographic database of the library collection and the library user/member database. It delivers the core functionality upon which other enhanced systems can be anchored/launched.

The LMS market is international, competitive and mature, serving library services and consortia world-wide. There are a range of separate LMS vendors contracted to public libraries in Victoria and across Australia under a variety of contractual terms and conditions.

The LMS itself is essentially an enabling system for the public library. It delivers limited direct user features and benefits but is the system platform upon which a library operates. By having a common State-wide LMS, a range of other service improvements will be enabled or made easier (as detailed in the Business Case).

In considering a universal State-wide LMS, it should be noted, that the world-wide LMS market is mature and well established. It is competitive with a range of active vendors. It should also be noted that this Business Case is not for a system development project. LMS products themselves are well-established proprietary products, a range of which already exist and are commonly available throughout the world (as opposed to a system that would need to be purpose-developed through this project).

Scope:
The discussion of a common LMS in this Business Case includes:

- The core LMS itself (including the operating system, bibliographic collection database, patron user data base etc.).
- The discovery layer/layers that patrons use to gain access to and browse/search in the library's bibliographic database.
• All potential add-on features to the core LMS that, through the LMS specification, would either be sourced directly from the contracted LMS provider or seamlessly through 3rd party product vendors (ie; including specialist products/services such as electronic content delivery, shared State-wide digital repository/archive (that all libraries can upload to and access), literature reviews, genealogical search/database services, reporting, RFID, SMS messaging etc.).

The specification for the LMS would need to be structured so as to ensure capability to address a range of transitional, policy and other issues identified later in this Business Case. For the purposes of this Business Case, no consideration has been given to the evaluation of LMS choices available (or to the detailed specification of capability and features required), through the LMS procurement process. It does not address the question of which LMS would be the most suitable to meet the needs of Victoria's libraries under a common State-wide model. These are matters to be addressed as part of implementation.

**Sector LMS Preferences and Allegiances:**

Within the Victorian library sector, there are strongly held preferences and perceptions (among library managers and staff) in relation to the merits and otherwise of different library management systems.

Library sector preferences and allegiances to different systems (and vendors) reflect perceptions that are based on a range of factors. These include system functionality, features, performance, quality, customer service as well as cost/value for money. It also reflects, at least partially, the inevitability of people being comfortable with the system they know and are familiar with.

LMS contracts have generally resulted from competitive tendering processes implemented by councils/RLCs as required under the Local Government Act. Hence, price as well as assessed quality, has been a factor in system selection. Quality reflects factors which form part of the library ‘experience’ of a system which goes beyond its technical features and capability of the system itself. This includes a range of factors such as reliability, reputation, customer service and responsiveness. It also reflects the ability of the system to embrace/incorporate (or accommodate on reasonable terms) 3rd party products and services within the overall system contract.

The perceptions of the library sector in respect of the core qualities of different systems and vendors is not a matter for this Business Case to address. Rather, it is matter to be addressed as part of any future procurement process that may result.

It is assumed that library staff, to varying degrees, hold (and will continue to hold) LMS preferences and that all such views have merit. A move to a universal LMS will inevitably require agreement on a significant level of standardisation as part of the LMS specification process. This would require broad sector-wide consensus in relation to base system design, features and functionality. Inevitably, this will require trade-offs in terms of perceived strengths and weaknesses of any universal LMS that is implemented.

This suggests a process of close involvement and consultation with sector professionals, facilitated with expert technical advice, would be necessary through any implementation/change process (see section 13.0 - Implementation)

**LMS Assumptions- As Good or Better than Present:**

For the purposes of this Business Case, it is assumed that a common State-wide LMS would be specified as a high quality, state-of-the art LMS. It is assumed that it would offer features and functionality at least equal to or better than the LMS systems that are presently used by public libraries.

In other words, a new common LMS rolled out on a State-wide basis in Victoria would be specified, designed and scoped to redefine the minimum service level ‘bar’.
For the purposes of this Business Case, it is assumed that a common State-wide LMS would specify a service level that reflects the *highest common denominator*, rather than the 'lowest common denominator'. It would represent a service level that delivers:

- Improved core service levels and functionality generally, on average, across all libraries (big and small); and
- A service levels for each individual library that is at least as good as the service level that the library presently enjoys.

As stated, it is not within the scope of this study to define the details of the specification for (or provider of) a common State-wide LMS. However, it is assumed that library professionals and groups across the State would be actively engaged in the system design, scoping and selection process (see section 12.0) in order to achieve the necessary sector 'buy-in' and ownership.

This Business Case is also prepared independently of the question of who would fund the various project components that fall within it. However, this question is obviously a key issue to be considered as part of the value equation for both public libraries themselves and for the State Government in considering any proposal.

It is assumed, for the purposes of this Business Case, that a centrally procured and contracted common State-wide LMS broadly includes:

- **Catalogue/Bibliographic Database:**
  
  This is the core library operating system itself. It includes the operating system, the bibliographic and patron database and lending systems that are the basis of a modern public library.

- **Discovery and Search Capability:**
  
  A common State-wide LMS will include, as part of the specification, the provision of high quality, integrated discovery layer(s) with the best-available (multi-source, multi-format and multi-lingual) federated search capability. (This may include such discovery capability by the core LMS vendor and/or 3rd party search engine providers).

- **3rd Party Products/Services ('Add-ons'):**
  
  The LMS will need to be able to seamlessly support and enable a range of quality add-on features and services to be provided by 3rd party vendors. These may include things such as integrated and flexible management reporting, content reviewing, e-resources/databases access and delivery, genealogy, reporting (these need to be defined as part of the specification).

- **Digital archive/repository:**
  
  It is expected that, as part of the specification, the LMS would include the creation of a State-wide digital document archive/repository for all libraries (likely to be sourced through a 3rd party vendor).

- **Integrated SMS functionality (capacity to send out an SMS to library users on defined events such as a reserved item becoming available for collection).**

- **RFID interface capability.**

- **Smart-phone ‘apps’.**

- **Managed services/hosting with high security back-up protocols and services.**

- **Project implementation and change management support.** This includes data migration/transition management and extensive staff training for library sector staff.
**Payment Arrangements - Fees and Fines:**

The LMS will need to enable State-wide accounting and clearing of transactions in relation to fees and fines by library members exercising reciprocal borrowing rights. The LMS will also need to facilitate payments across different library services. Inevitably, where some libraries continue to apply fees and fines as part of their local collection management policies, outstanding fines will present as a barrier to borrowing by a member of such libraries presenting at non-local libraries (which may not themselves apply fees and fines as local policy). In these cases, arrangements will need to be established for the collection of fees and fines at any library (irrespective of local policy).

Similarly, arrangements will need to be established (through an appropriate financial clearing house arrangement) for the regular (say weekly) aggregation and reconciliation of fees and fines collected at all library services and for the repatriation of funds due to each library service. Whilst libraries have differing fees/fines policies, most generally still retain basic cash collection/handling capability that can be applied/adapted for this purpose.

**The LMS Consortium Model:**

The idea of a consortium-based or multi-library approach to the provision of LMS services is not new. In a range of countries across the world, including North America and Europe, consortia-based approaches have become more common as a feature of public library collaboration over the past decade.

A common State-wide LMS was procured in South Australia in 2010 for some 70 individual library services across that State. The staged roll-out of State-wide LMS in South Australia is still in progress, but is over 50% complete.

In Victoria, the SWIFT consortium was formed by a group of Victorian public libraries in 2006 with a view to procuring a shared library management system for consortium members. This was set up as a collaborative joint venture on an opt-in basis. Initially, the SWIFT Consortium involved nine libraries. It has since grown to 25 libraries including 19 Victorian library services.

Both the SWIFT Consortium and the South Australian State-wide LMS provide a common/shared system and a common bibliographic collection/membership data base. In Victoria, collection access, lending and policy issues are considered and resolved through a governance structure established by consortium members. In South Australia, with a more centralised public library model and culture, policy matters are governed and managed through a separate public library unit within the State Library of South Australia working with a number of library professional working groups established under its auspices.

**4.2 Options:**

An alternative to the option described in this business case is for library services to retain their existing LMS and for the State to commission the development of an ‘umbrella’ system to integrate the disparate systems used by each service. This option has a number of disadvantages, including:

- There are a large number of systems currently in use. In addition, most existing system vendors have several products and versions currently in use within the market place.
- There are discontinued and custom developed systems in use. Integration of these may no longer be possible.
- Not only does the LMS need to be linked, but the link needs to extend to the discovery layer, smart phone apps, the proposed digital archive, and to other features considered in this business case.
This option requires the development of specifically tailored software. The likely cost and risks associated with a substantial ICT system development project are considerable.

This approach has a the risk of cost overruns and/or the project costing more than budgeted for.

There is also a risk of such a project failing to meet functional and operations expectations.

In summary, this option is considered unwieldy, cumbersome and difficult to manage. Although this option has not been scoped and costed in detail, it is likely to be risky and potentially costly as an ICT development project (with no guarantee of success).

The final option is to retain the status quo (ie; do nothing). This approach does not recognise or address the core problem.

4.3 Preferred Option:

The preferred option in relation to the implementation of a State-wide LMS is to undertake a State-wide procurement process and contract for the provision of a common LMS for all public libraries (excluding the State Library of Victoria) across the State (as described above).

It is assumed that the participation of individual libraries in this process would be managed on an 'opt-in' basis. The system would be scoped, specified, tendered and procured/contracted on the assumption that all libraries in the State (excluding the State Library of Victoria) are included. Individual libraries would ultimately retain the option of not participating in the project but the capacity for 100% State coverage/participation would form the basis of the specification and contact.

4.4 Advantages / Benefits:

The advantages of introducing a common State-wide LMS are:

- It is essentially the ‘enabler’ for a range of other user-focused initiatives and service improvements that are proposed as part of the Victorian Library concept.
- It would provide Victorian public libraries with the necessary ICT system foundation upon which an improved library service that is geared to the needs of library users in the digital information era can be built.
- It is not an ICT development project, but a procurement process for existing proprietary products through a well-established and mature market.
- A common State-wide LMS would provide the foundation for/enable the following initiatives:
  - One State-wide library card.
  - Easier State-wide collection access through inter-library loans.
  - Improved quality of and better access to State-wide LOTE collection.
  - A State-wide digital archive.
- It will increase equity of access to library services in Victoria. It will create the capacity to increase the level and quality of library services available to all Victorians, irrespective of where they live (and the resources available to their local library service).
- It will bring all Victorian library services up to a new and higher defined minimum level of service. In so doing, it will substantially address the present situation where service levels and accessibility across different library services (especially in rural compared to metropolitan areas) vary considerably.
- It will create a shared technological platform for libraries from which e-books and e-resources can be sourced and offered more seamlessly on a State-wide basis.
• It will enable improved and more consistent functionality and presentation of public libraries (through more standardised discovery layer/s) to library users across the State, whilst enabling the retention of distinctive local branding integrated with local service and program-specific information.

• It will vastly increase the State-wide data capture, statistical and performance reporting capability for public libraries. This will better inform decision-making and policy development at both the State Government and individual library levels.

• A common State-wide LMS necessarily involves the standardisation of some (though not all) collection management and lending policies by libraries. In some cases, this policy standardisation (whilst not universally supported within the sector) has been broadly identified as desirable for many years but has proven difficult to negotiate. The introduction of a common LMS will create a framework within which such policy matters and standards can be negotiated and finalised.

• It will mean individual libraries will no longer need to provide their own hosting, server and technical support services. Managed services/hosting would form part of the State-wide LMS contract. For some libraries (ie; those that currently provide hosting, server and technical support services in-house), this will create the potential to realise internal savings and/or redesign jobs to refocus specialist library IT roles from system maintenance and support onto direct customer assistance/advisory tasks.

• It will create a stronger basis to improve the quality and consistency of collection cataloguing throughout the State, including compliance with ISO (and other) standards. It will create the capacity to increase sector consistency in collection processing standards and specifications across the State and create the capacity for increased resource sharing in relation to processing.

• It creates the potential to develop a more integrated approach to State-wide collections procurement.

• A State-wide LMS, as part of a State-wide contract, will lead to significant net savings across the State (see Financial Impact section for details).

4.5 Risks / Disadvantages:

The disadvantages and risks of introducing a common State-wide LMS are:

• A State-wide LMS inevitably involves standardisation of certain core system features and capabilities. Even though libraries themselves would be involved in the system specification and procurement process (and in related policy decisions), this inevitably means the loss of a certain level of individual library autonomy in respect to their choice of specific LMS features and capabilities.

• There is a risk that library services will not be able to negotiate and agree (to a sufficient extent) on the necessary system specification and related policy matters necessary to enable a common State-wide LMS.

• As libraries throughout the State are currently operating on a range of LMS platforms, the introduction of common State-wide LMS inevitably means a substantial period and process of change and transition for libraries across to the State-wide system. Change can often be a challenging and difficult process, especially for library staff who, in many cases, may prefer a continuation of the status quo. Change inevitably brings with it teething issues and difficulties (transition issues).

• A key risk of introducing a common State-wide LMS is that the system, once implemented, doesn't perform/function to user/library expectations and/or leads to decreased functionality/performance. This risk can be mitigated through a carefully and diligently planned and executed specification, procurement and implementation process. It is also substantially mitigated by having in place a governance structure with significant direct library sector involvement in the implementation process.
• There is a risk of non-compatibility between a new State-wide LMS and Council systems/websites. This needs to managed as part of system specification and implementation.

• For some of the larger better-resourced individual libraries throughout the State (ie; those that already have in place a high quality LMS), the level of individual benefit for these libraries (ie; from the common State-wide LMS) will be less than the level of benefit that will flow to smaller, less resourced libraries (ie; those that currently operate on a basic/lower quality LMS). However, this is more of a ‘marginal advantage’ issue (as opposed to being a disadvantage issue).

• The previous risk is offset by the fact that all libraries, on average, would enjoy an increased level and quality of LMS service and no individual library will experience a lower service level of quality.

• A disadvantage that is often associated with the common State-wide LMS proposal is the suggestion that it will undermine the existing level of competition that exists between vendors in the LMS market. Further, it is sometimes argued, this reduced level of competition may potentially, in the longer term, lead to ICT cost increases for libraries that more than offset any initial savings that may be achieved. However, the LMS vendor market comprises multiple vendors and operates world-wide. The global nature of systems provision and support is likely to continue with increased data speeds, off-shore hosting and cloud solutions. In a world-wide context, the State of Victoria, with a population base of over five million people, is significant but by no means dominant or market defining. On this basis, this Business Case assumes a multi-vendor competitive LMS market will continue to apply offering LMS choice to Victoria’s public libraries.

4.6 Summary:

The consultation process undertaken as part of the MAC review process to date has shown that the proposed introduction of a common State-wide LMS, conceptually, is widely supported throughout the Victorian public library sector. Whilst there exists some concerns about the proposal, these mostly relate to other flow-on implications that are perceived to be an inevitable consequence of a common LMS and/or the cost implications (ie; increased inter-library loans and related collection access/cost issues).

In some cases, the concept of a common State-wide LMS is caught up in issues of system preferences and/or perceived as being attached to a particular system/vendor (which is not an assumption in this Business Case). These flow-on implications are dealt with separately later in this Business Case.

In summary, a common State-wide LMS is considered a critical component for a seamless library service in the State. Whilst it will be a significant change process for public libraries (with inevitable transition issues and challenges along the way), it is a critical component for a library service that wants to remain relevant in the rapidly emerging digital information age.

A common State-wide LMS will be critical for a public library service to have the capacity to meet constantly changing user needs in future, in a borderless way, where information and content portability is significantly increased.

4.7 Financial Impact:

The following table provides a summary of the estimated financial impact of this Victorian Library project component. The financial impact shows estimated gross costs (both centrally-incurred/State level costs and library-borne costs), the estimated savings and the estimated net financial impact (over a 4 year implementation period). Estimates include both direct and indirect costs/savings. Procurement, governance, administration and contract management costs are estimated separately.
A State-wide LMS, as part of a State-wides contract, is likely to achieve significant savings in library ICT-related costs across the State. These savings will result from the competitive process that would be implemented to procure, under a single State-wide contract, a LMS to meet the needs of all libraries.

The final level of savings achieved will depend on a range of specification-related and market-related conditions. This includes the level of functionality and system capability that is specified, how the procurement process is executed and the level of competition that results from it.

This estimate has been developed by the consultant taking account existing library ICT costs (both direct and indirect) and experience in implementing similar State-wide and consortia-based library projects elsewhere. As stated, it is based on a number of assumptions including moving all libraries onto a universally high base service level (with options for add-ons above the base service level), under a phased implementation plan. Importantly, it assumes delivering an LMS that is at least as good or better than what libraries have in place presently.

(NB: This savings estimate includes direct LMS license fees and related vendor costs plus indirect hosting and management costs. It relates only to the LMS-specific related aspects of the overall Victorian Library proposal. The level of net savings achieved is highly dependent on the specific LMS specification developed and prevailing conditions at the time of procurement.)
5.0 **Project Components**  
- Expanded Access to Inter-Library Loans

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**Recommendation:**  
The preferred option is to introduce a fully integrated inter-library loan service that can operate within agreed lending/collection management policy parameters. This will be supported by a State-wide courier system and seamless web-based user access to search and discovery.

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5.1 **Context and Issues**

Increased access for all Victorians to the State-wide collection, through inter-library loans, is another core component of the Victorian Library concept.

Inter-library loans (ILLs) have been occurring in public libraries throughout the world and in Victoria for many years. Whilst public libraries themselves in Victoria are all independent entities (owned by their local governments), the culture of the library sector is generally collaborative. Within it, to greater and lesser extents, there exists a desire and will to share collections and resources. Inter-library lending is widespread in the educational library sector and there is an ALIA standard that applies to Inter-Library Lending.

The need for easier and improved access to inter-library lending emerged from the so-called ‘silo effect’ in public libraries. This was inhibiting access by Victorians to the vast intellectual resource that is embodied within the State’s many and varied public library collections. Whilst inter-library lending has existed previously, it has always been difficult for individuals in most communities to search for and access materials from library services other than their “home” or local library. This restricted the use of the collections held by most libraries across the State to local library patrons.

This also failed to recognise the fact that library collections throughout the State themselves are not homogenous. Collections across the State vary in terms of size, profile and subject matter. Indeed, many collections are renowned for specialising in different areas and subjects and catering for a diverse range of niche interests, literary genres and user needs. This diversity and richness has not in the past been recognised through the way in which the people of Victoria were given the opportunity to use and access this collective intellectual resource.

The need to increase the ease of access to inter-library lending is partially based on equity of access arguments but also on efficiency arguments. It was identified that it would be more efficient to offer Victorians access to a broader range of information and literary resources by sharing resources, rather than by trying to replicate the breadth and diversity of the State-wide collection within each individual library collection. Anything near replication of the entire State-wide resource breadth in each individual library collection is obviously not feasible given the scope and range of information across the State.
Of course, all these issues need to be seen in the wider context of the significant existing investment that individual councils/library services have made in their respective collections over the years. Similarly, any proposed collaborative/resource sharing initiatives need to recognise and respect the ownership rights that go with that investment.

**Growth in ILLs:**
The growth in inter-library loans in Victorian over the past seven years has been enormous. According to Annual Public Library Survey data, ILLs in Victoria grew from 22,265 in 2006/07 (or 0.04% of total loans) to over 698,255 in 2011/12 (or 1.4% of total loans) \(^5\). That amounts to more than a 30-fold increase.

This ILL growth has been the cause of some concern to public libraries. However, it has been driven and led by deliberate policy initiatives at the State and public library level. Concerns about ILLs generally relate to:

- Collection management philosophy/policy issues (ie; protecting access priority for local users).
- Transport costs (inter-library transport/delivery of books/materials, wear and tear etc).
- Staffing costs/OHS and logistics/handling issues.

The growth in inter-library loans is due to two key initiatives - LibraryLink and SWIFT.

**LibraryLINK:**
LibraryLINK is the State Government program and website that is aimed at enabling inter-library loans across Victoria. LibraryLINK enables cross-collection web-based search capacity supported by a State-funded daily inter-library pick-up/collection of materials from each library service across the State.

LibraryLINK was developed as the web-based platform as a start to achieve the MAC 'borderless library' vision. LibraryLINK facilitates the sharing and exchange of information and resources between libraries and library users across the State. It allows users to search catalogues and databases and borrow materials from any public library around Victoria. The LibraryLINK service provided by the State to public libraries includes provision and maintenance of the LibraryLINK website and courier service (managed and funded by the State). The courier service contract taken out by the Victorian Government comprises a daily (five days per week) pick-up/drop-off service to each of Victoria’s public library services of one ILL collection bag (up to 15 kg/bag).

Any costs above this are to be met by the library. If additional courier bags are required to transport excess items (over and above the single bag allowance under the State LibraryLINK funding), these are separately invoiced directly to the Library service by the courier contractor.

LibraryLINK was set up to ensure equitable access to all of the content of all libraries across the State for all of the people, irrespective of where they live.

**SWIFT Consortium:**
The second initiative that has led to increased inter-library loans was the advent of the SWIFT Consortium within Victoria’s public libraries. SWIFT is a group of 25 public library services (originally nine) that have joined together (as a consortium) to share a common library management system (LMS). Consortium members include 19 Victorian and 6 NSW library services.

SWIFT libraries share a single bibliographic database and Library Management System. The libraries operate in a managed services environment provided under contract by the chosen LMS vendor. The SWIFT philosophy is based on resource sharing, open access and collaboration.

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\(^5\) Annual Survey of Public Libraries, PLVN, 2012
The stated objective of the SWIFT Consortium is to provide member libraries with a cost effective shared Library Management System (LMS) to meet all operational needs, including:

- Acquisitions and Serials
- Cataloguing and Authority Control
- Circulation and Reserves
- Online Public Access Catalogue.

SWIFT’s shared bibliographic database (and the underlying principal of collaborative resource sharing) benefits the libraries and library users, by facilitating seamless access to collections across all member libraries.  

Inevitably, SWIFT’s shared library management system necessitates significant standardisation of processes and procedures. These include cataloguing and bibliographic recording protocols etc. However, SWIFT libraries retain some flexibility and local autonomy in relation to their base circulation management and collection policies. This flexibility ensures each member library is able to respond to local community preferences and needs, within the overall LMS framework.

In the 19 SWIFT libraries, inter-library loans are enabled (and made easier) with those libraries operating on a common catalogue database. The barriers to inter-library lending in the SWIFT environment are minimal. Non-local library collection resources are highly visible to users (through search and discovery) and easily accessible. Other factors that affect the levels of inter-library loans are, of course, the quality and currency of the home library resource collection.

In South Australia, a State-wide LMS was launched in 2010, combined with one library card and seamless access to inter-library loans. In the two years since the State-wide library project was implemented (where ILL enablement was launched in combination with OneCard and with significant publicity and marketing), ILLs have increased to approximately 7.3% of total loans. The only ILL barrier applied is no access to new releases for the first 30 days.

The higher level of ILLs in South Australia (compared to SWIFT in Victoria) needs to be viewed in the context of the structural differences that exist between the South Australian and Victorian library systems. In particular, in South Australia, there are considerably more separate library services serving a much smaller population over a larger geographic area than in Victoria (with no regional library corporations).

However, despite these structural differences, the South Australian experience does suggest that there is a level of latent demand among library users for access to non-local resources through ILLs (assuming an absence of significant ILL barriers/fees). With marketing and promotion, this demand is more likely to be taken up/exercised by library users. These figures also need to be considered in the context of significant catalogue duplication problems that have been experienced in South Australia and the fact that, like SWIFT, there are presently very few limitations or restrictions that have been applied to limit ILL access.

South Australian data also shows that there is a high-level of multiple ILL users. It shows that borrowers registering more than 15 holds (as a cohort) account for about 29% of total holds in the State (at a point in time). In policy terms, this suggests that the application of an annual ILL allowance for users (or an ILL ceiling) may be an appropriate policy response if the goal is to restrict or limit ILL access (if budgetary conditions required this). This could be applied so that higher volume ILL users (above an annual free hold allowance) are required to pay a small ILL hold fee. This is an option to limit ILL access and reduce ILL traffic and costs (should such an outcome be desired or necessary).

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6 SWIFT Consortium, Website, 2013
The SWIFT and South Australian experience shows that ILLs, after initial rapid growth (if fully enabled in a shared catalogue environment), appear likely to level out (with existing patron awareness levels) at about 6% of total circulation.

**Digital Information/Content Sharing:**
Inevitably, over time (given world-wide trends with e-book take-up), it is reasonable to expect that the use of e-books and e-resources will increase in relation to (or perhaps even supplant) print-books and p-resources as the primary media for inter-library interchange of content.

This transition process is illustrated (conceptually only) below:

![Graph showing transition from print to e-content]

As this transition towards e-content takes place, the need for and scope of physical transportation infrastructure to support the ILL service will inevitably decline. This framework provides a rationale for the State to continue to invest in the physical transport of intellectual materials across the State (where the State-wide collection remains predominantly in the physical format for the time being despite the rapid growth of e-books) through a transition period in how the community chooses to access its information. This assumption is not regarded as contradictory to the underlying rationale of this Business Case.

**Inter-Library Loan (ILL) Access - ‘Levers’:**
This Business Case is based on an assumed Inter-Library Loan (ILL) target level being defined at 4% (of total loans).

There are a number of policy ‘levers’ and measures that can potentially be applied to limit or restrict the level of access by library users to ILLs (irrespective of any target ILL level that is set) in the event such be deemed desirable in a policy sense. These policy ‘levers’ include:

- ‘Layered’ ILL search access (ie; Initial default search of local collection, followed by regional group/neighbouring collections etc.)
- Limitation of access to non-local collection items where local collection items are out on loan but due for return.
- New release exclusion (say six or twelve months).
- Category exclusions/limitations (full or partial, audio-visual, magazines, games etc.)
- Reservation number limitations.
- Concurrent reservation number limitations.
- ILL reservation fees (either for all ILLs or for ILLs over allocated minimum allocation per above).
Under this model, library service staff would be able to exercise their discretion/override the LMS defaults on any/all of the above limitations on a user-by-user basis.

It is proposed that ILL access policy would be determined through the Victorian Library Governance structure established.

ILLs have proven popular for non-fiction and audio-visual resources. The chart below shows a breakdown of total loans compared to ILLs in South Australia by collection category:

This chart shows that, compared to the total loan profile in South Australia, ILL levels are relatively high in the adult non-fiction and audio-visual categories. In the adult fiction category, ILLs are marginally lower (compared to total loans) and magazine ILLs are relatively insignificant.

The implication of this (in policy terms) is that, if the audio-visual category were to be excluded from ILL access as part of the Victorian Library implementation, that policy measure alone is likely to reduce ILLs by about one third (NB: This exclusion measure is not being advocated by the author).

**Transport/Delivery:**

There are a range of options and issues that need to be considered in relation to the inter-library transport/delivery of materials.

In Victoria, there are presently 53 separate library services (including council and RLC services) providing services from some 273 branches (excluding mobiles). Under present arrangements, the following applies:

- Individual libraries currently arrange and fund their own inter-branch courier/delivery service within their own service. This is done through various arrangements, ranging from a volunteer approach ('friends of'), to Council staff (daily 'milk-run') to a separately contracted courier service.
- The State Government funds and arranges daily courier pick-up delivery service (up to 15kg bag) per service, five days per week. For any inter-library lending over and above the State-funded 15kg bag, the library pays excess courier costs directly (ie; for SWIFT libraries) for any inter-library service transfers.
- The current courier contract arrangements are part of the State-wide DX network and the State pays an annual membership subscription for libraries to the contractor.
- The delivery routes are all defined by the contractor and form part of the contractor's existing logistical arrangements (ie; they are not 'purpose-built' for ILLs only). All deliveries are transported under a centralised 'hub-and-spoke' model through the contractor's State-wide logistics hub based in Melbourne.
• Handling and sorting of outbound ILLs (and ILL returns) is done at each library service level. Items are sorted to each destination library service with a printed transfer slip inserted. Inbound ILLs are sorted to the library's own branches.

**Delivery to Branches or Services:**
The number of delivery destinations included in a State-wide delivery service is a significant driver of costs. Similarly, costs incurred centrally (for the delivery contact) and indirectly by libraries in staff time (for handling and sorting) must be taken into account. It needs also to be noted that these costs (centrally incurred delivery costs and library-borne staff/indirect costs) are, to a large degree, inversely related.

The more ILL sorting that is done (under contract) as part of State-wide arrangements and the greater the number of delivery destinations (i.e.; to local branches rather than to services only), the higher the centrally-incurred delivery/sorting costs will be. However, with more centralised handling/sorting, the less the indirect library borne staff handling costs that will be incurred by libraries themselves.

Feedback received through the Victorian Library consultation process suggests that the physical handing, sorting and delivery of ILLs at service level is an issue of significant concern to libraries. As stated, this concern relates to direct staffing costs, impact on role and job design, as well as OHS issues associated with lifting and handling of materials.

There are also concerns about the physical constraints and capacity of library buildings in many cases (to handle receive/dispatch etc.).

Of course, a middle-ground option is for ILL delivery to up to (say) three or four nominated major branches (defined by a minimum annual loans/visitation threshold) in each library service. Such an approach would substantially offset much of the current intra-library ILL handling that is of concern to libraries but still eliminate the low volume ILL delivery destinations (and cost) from any State-wide delivery contract.

**Regionalised Delivery Model:**
Throughout the Victorian Library consultation process, concerns have been expressed by some councils about the environmental impacts (so-called 'book miles') of the State-wide physical transport of library materials. To address this, suggestions have been made to implement a regionalised delivery arrangement for ILLs to minimise the distance travelled by books and other items across the State.

The current ILL transport arrangements and routes are not part of a separate dedicated contract. They form part of an existing State-wide logistics and freight handling network and infrastructure. The rationale for the establishment of a separate, dedicated delivery route structure (built on a regionalised model) just to service State-wide ILLs is considered flawed. A regionalised and dedicated ILL delivery model is likely to lead to:

- Substantially higher delivery costs due to (in most cases) small and sub-optimal delivery quantities (for ILLs alone where volumes are small).
- Duplicated, sub-optimal capital efficiency (for the investment in specialised electronic sorting equipment that would be required if RFID sorting is applied);
- Commercially inefficient and sub-optimal route planning (if done for ILLs in isolation); and
- Increased total greenhouse gas emissions (on a marginal basis). This would be due to the emissions from a dedicated regionalised route structure established in addition to the pre-existing State-wide delivery structure that would continue to remain in place (for non-ILL commercial freight needs) in any case.

Such an approach is not considered likely to be economically or environmentally viable. However, despite the above limitations, preference to/consideration of environmental impacts and regionalised arrangement should form part of any tender/procurement process but it should not be wholly dependent upon it.
It is preferable to deal with this issue through technological means of access levels that are enabled through catalogue search and discovery processes and 'layers'. This can be achieved through careful and detailed capability specification of the ILL component of the LMS.

**RFID - Tagging and ILL Sorting:**

Another variable to be considered in the multi-dimensional ILL logistical equation is whether or not the whole State-wide collection is RFID tagged or not. If the entire State-wide collection is RFID tagged, an ILL sorting/delivery structure would be able to be established using automated and electronic sorting systems. Electronic RFID-enabled sorting offers improved efficiency at both the library level and centrally. A totally RFID-tagged State collection also potentially enables increased mechanisation of the centralised State-wide sorting solution applied. This would involve the installation of a conveyor belt/gate-type sorting technology solution to reduce the need for human handling for ILL central sorting. Such an investment may be feasible but would involve a significant level of capital investment in its own right.

This mechanised central sorting option should be considered as a separate sub-aspect of the ILL equation and has not been factored into this business case.

At present, however, only about 55% of the State-wide collection is RFID tagged (and not all are compliant with ISO standards or necessarily adopting an ISO compliant data model). This means such an approach is not possible unless the whole State-wide collection is RFID tagged.

The issue of a State-wide RFID tagging project, as part of the Victorian Library, is considered separately in this Business Case. As a project component, RFID tagging of the whole State-wide collection is also noted as having a high project component inter-dependency with this ILL component.

### 5.2 Options

**Option 1:** Abolish ILLs

While offering significant savings to the State and library services, this option is clearly a considerable reduction in service level to Victorians. It is not considered desirable at any level. Collection access significantly diminishes, and the divide between well resourced libraries and those less well financed is exacerbated. Collection sharing between libraries has been in place since library inception.

**Option 2:** Continue with 'LibraryLink'

Existing usage data suggests that difficulties with discovery make this service less than optimum from library users point of view. Whilst a lower cost option in overall terms, it is more costly (in terms of cost per inter-library loan) than the preferred option. It is unlikely to achieve a genuinely seamless State-wide access.

**Option 3:** Enable Seamless State-wide ILL Access

This option involves enabling expanded and more seamless access to ILLs State-wide, through a shared bibliographic catalogue and combined with layered and controlled user access to search and discovery. This is the preferred option.

### 5.3 Preferred Option

The preferred option is enabling expanded and more seamless access to ILLs State-wide through a shared bibliographic catalogue. This would be combined with layered and controlled user access to search and discovery.
Based on the above analysis, across all these potential variables, the following key assumptions are applied as part of this Business Case:

- Delivery to up to three or four branches/locations per service (at least one per service plus other nominated locations above a total loans threshold to be determined - indicatively 150 State-wide).
- Delivery up to five days per week.
- RFID-tagged State-wide collection (to aid sorting).
- Target ILL level set at 4% of total loans.

The preferred ILL transport model, reflecting these assumptions is illustrated below:

It is assumed that the level of ILLs (ie; as a % of total loans) that is enabled would be determined as a matter of policy through the governance structure established for the Victorian Library project. This determination would be made based on library policy considerations (with input from library professionals/collection owners), as well as the budget for implementation and the flow-on cost impacts for libraries themselves.

5.4 Advantages/Benefits

The advantages of enabling expanded State-wide access to inter-library loans are:

- It makes the intellectual resources embodied in the State-wide library collection universally accessible to all Victorians across the State.
- It recognises and protects the significant existing investments made by library services in their collections.
- It enables libraries to substantially retain local control/autonomy over collection management policy.
- Carefully planned and specified 'layered' search and discovery mechanisms (through the discovery layer) will enable access to ILLs under controlled and managed circumstances and within an overall target/budget level.
- Access and discovery mechanisms can be set up to enable user searches for local/neighbouring resources in the first instance as part of a technology-enabled regionalised ILL model.
• ILL delivery to 150 (approximate) larger branches according to thresholds and rules to be defined (rather than to a single destination in each service) will substantially reduce and minimise the current handing and sorting challenges and costs incurred by libraries in relation to ILLs.

• RFID tagging of the whole State-wide collection will minimise manual handling required for ILLs and enable electronic sorting/processing at libraries and centrally.

• It will provide the inter-library communication/delivery network that is necessary to offer and market public libraries as an integrated, seamless State-wide service with reciprocal membership rights across the State ('borrow anywhere, return anywhere').

• It provides the inter-library communication/delivery network that is necessary to implement a 'floating' State-wide LOTE collection.

5.5 Risks/Disadvantages

The risks and disadvantages of enabling expanded State-wide access to inter-library loans are:

• It involves a significant investment and cost.

• Increased access to inter-library lending decreases the incentive for individual libraries to continue to invest in their own collection development (i.e.; in the absence of any State Government funding/policy measure or conditionality that may be introduced to counter this).

• It requires some standardisation of processes and policy (but not all).

5.6 Summary

While physical library collections (as opposed to digital content) remain the dominant content format in public library collections (as is presently the case), a physical system of transport for collection materials throughout the State remains necessary to facilitate State-wide collection access.

This situation (predominantly physical collections) is likely to continue to be the case at least for the next five years, despite the rapid rise if e-content as a preferred reader format.

The level of ILLs that are enabled under any State-wide system is controllable. There are a range of policy 'levers' available to manage and restrict access to ILLs to a specific target level should such be desired. A level of ILLs at about 7% of total loans could be expected in an unfettered (unrestricted) policy environment.

A level of ILLs at about 4% of total loans appears to be realistic (with some minimum policy restriction and with a de-duplicated bibliographic database on implementation) as part of the State-wide LMS roll-out. This level is assumed in this Business Case.

The cost of physical transport of library materials will vary according to many factors. These include the specific model of ILL transport/handling that is implemented, the service level (days per week), the number of delivery destinations, whether or not the whole collection is RFID chipped and the level of ILL access that is enabled through policy 'levers'.

5.7 Financial Impact

The following table provides a summary of the estimated financial impact of this Victorian Library project component. The financial impact shows estimated gross costs (both centrally-incurred/State level costs and library-borne costs), the estimated savings and the estimated net financial impact (over a 4 year implementation period).
Estimates include both direct and indirect costs/savings. Procurement, governance, administration and contract management costs are estimated separately.

A seamless and universally accessible State-wide inter-library loan service is a substantial public library service level increase. This estimated net cost depends on a range of factors. This includes the level of ILL accessibility (as a % of total loans) that is enabled through policy settings and the transport, sorting and delivery model that is employed.

This estimate includes all direct and indirect costs (including those centrally incurred and by library services themselves) based on the preferred model described in this Business Case. This estimate takes account of the costs currently being incurred by libraries under the ILL arrangements that are presently in place.

<table>
<thead>
<tr>
<th>Victorian Library Component:</th>
<th>Year 1 ($'000)</th>
<th>Year 2 ($'000)</th>
<th>Year 3 ($'000)</th>
<th>Year 4 ($'000)</th>
<th>Years 1 to 4 ($'000)</th>
<th>Ongoing p.a. ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Expanded ILL Access</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Courier fees</td>
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<td>$494</td>
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<td>$494</td>
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<td>$47</td>
<td>$118</td>
<td>$118</td>
<td>$284</td>
<td>$118</td>
</tr>
<tr>
<td>Crate processing at library service</td>
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<td>$196</td>
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<td>$489</td>
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<tr>
<td>Other costs</td>
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<td>$0</td>
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<td>$0</td>
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<tr>
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<td>$5,995</td>
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<td>State courier fee / LibraryLink savings</td>
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<tr>
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<td>-$532</td>
<td>-$1,277</td>
<td>-$532</td>
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<tr>
<td>Subtotal</td>
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<td>$440</td>
<td>$1,570</td>
<td>$1,556</td>
<td>$3,566</td>
<td>$1,556</td>
</tr>
</tbody>
</table>

NB: Savings expressed as negative amount. See section 11 for detailed financial analysis and assumptions.
6.0 Project Components
- One State-wide Library Card

A large proportion of Victorians choose to be members of public libraries. Many are members of several libraries reflecting where they live, work and play.

One State-wide library card will introduce State-wide membership reciprocity and benefit portability for library users for the first time.

It will represent a truly seamless State-wide library service, enabling access to a vast resource collection for all Victorians.

Recommendation:
The preferred option is to introduce a single State-wide library card in Victoria. It would retain capacity for local design/branding (within an agreed State-wide template), offering full membership portability, reciprocity and transferability for all Victorians.

6.1 Context and Issues
The most visible feature of the Victorian Library proposal for library users is the proposed introduction of a single State-wide library membership card.

At present, library users across the State are members of their local library. Individual libraries provide members with a library membership card. Fundamentally, under this proposal, this membership structure would continue but with increased portability/reciprocity of membership benefits and lending rights across the State.

Under the present structure, the cards issued by libraries vary significantly in terms of design and levels of sophistication. Most cards are a basic identification device with library membership number, a barcode, and member name/signature strip. In most libraries, members sign their cards (which includes signing for acceptance of the library's policies and lending terms and conditions).

Membership of Victorian libraries is not currently regulated or controlled. Many Victorians choose to be members of several public libraries. Limited identity evidence is generally required to join a public library and membership is not limited to principle place of residence. Membership choices by people are dictated by factors including where they live, where they work, where they travel to and from and where they take holidays. The perceived quality and/or range of resources offered by specific library collections is also a factor (ie; LOTE collection specialisation).

The rationale for a single State-wide library card is simply to make library membership easier and more convenient for users across the State and to make membership benefits more portable. It would also create the capacity to launch a State-wide marketing program to promote membership of public libraries, focusing on ease of use, portability of membership benefits and user convenience.

Proposed Library Card Features (and Optional Features):
It is proposed that a base template and design for a single State-wide library card be developed with library sector input into design, features and functionality. Individual libraries would have the option to order library cards with additional functionality/features, such as RFID, (at their own additional cost) over and above the base card specification. The cards would be procured on a State-wide basis pre-printed (with the base local library template design) ready for issue to members by each individual library.
The base minimum State-wide card would include the following features/functionality:

- Retention of exclusively local library branding/logo on the front-side (ready for allocation).
- A bar-code (with visual readable number) and magnetic stripe.
- Designated space for member name to printed on by the local library (as required).
- Designated space for member signature and printing of agreement clause to local library terms and conditions (as required).

**Privacy Issues:**

Privacy issues, as with all membership-related businesses, need to be addressed. It will be necessary to put in place policies and mechanisms that protect the privacy of library members and the security/integrity of information they provide to libraries. The requirements of the Privacy Act and appropriate protocols will need to be stringently observed and complied with. In the event that RFID chips are included in a single State-wide library card, the integrity and security of member data will need to be addressed.

### 6.2 Options

One option considered is to introduce a single library membership (including card terms, policy conditions etc.) throughout the whole State. As all libraries are currently and will remain separate autonomous entities, this option is neither possible or realistic.

Another option to introducing a single State-wide library card is to leave library card management and printing within the full control of individual library services (ie; do nothing). This has the following disadvantages:

- Continued incompatibility between cards issued by different library services and no reciprocity of membership benefits.
- Continued duplication of membership across the State.
- Risk of libraries being perceived as a ‘relic of the past’ in an age where digital enablement and access portability are paramount.
- Loss of an opportunity to present and market Victorian libraries at a seamless State-wide service.
- Continued lack of ability to track library members State-wide (ie; when they change address).

A sub-option (of the single State-wide card option) is including an embedded read-only RFID chip (or read/writeable chip) as part of the card specification. On balance however, it is considered that the necessary functionality required for the base library card can be met by a card without an RFID chip (ie; using magnetic stripe and bar code technology only).

This also addresses concerns about privacy and data security using an RFID-chipped card (as opposed to touch/proximity card). However, some libraries, for their own internal use, may prefer this additional feature (ie; card with an embedded RFID chip) and (subject to privacy issues being satisfied) this option could be facilitated through this project for such libraries.

### 6.3 Preferred Option

The preferred option is to introduce a single State-wide library card (retaining capacity for local design/branding within a broad standard template), offering full membership portability, reciprocity and transferability for all Victorians.
This proposal would require agreement of certain inter-library processes and protocols regarding lending and access policy issues (including fees and fines). However, it is not dependent of full lending policy standardisation across the State.

6.4 Advantages / Benefits
The advantages of a single State-wide library card are:

- It substantially increases user access, convenience and service levels.
- It will provide vastly increased portability and reciprocity of library membership benefits to all Victorians.
- Libraries will retain control over local collection management and lending policy.
- Libraries will retain local control over card design and carry local design/branding etc. (within a State-wide design template).
- It will eliminate the need by library users to be members of multiple libraries to meet the needs at home, at work and on holidays. Library membership will offer access to the vast resources of the State-wide collection.
- It will eliminate the need to change library membership when people change their address and improve the quality/integrity of library membership data State-wide.
- It will provide a more cohesive, seamless and user-friendly public image for public libraries State-wide.
- It will provide marketing benefits for public libraries generally. It will be possible to implement a State-wide marketing campaign associated with the launch of the State-wide card.

6.5 Risks / Disadvantages
The disadvantages and risks of a single State-wide library card are:

- By requiring the development of a base State-wide card template, it reduces the level of local library control/autonomy over card design.
- Library members that are currently members of multiple libraries will need to choose which library service they wish to remain a member of in future. This is an implementation/transition issue.
- This will lead to an apparent one-off decline in the total number of library members State-wide (due to elimination of multiple library memberships). This, however, is regarded only as a one-off statistical correction with no impact on real library use.
- Subject to how this project is implemented, it may limit individual council choices/autonomy in term of their own card design and functionality. (ie; community membership card membership including other local non-library services/facilities as well as the library).

6.6 Financial Impact
The following table provides a summary of the estimated financial impact of this Victorian Library project component. The financial impact shows estimated gross costs (both centrally-incurred/State level costs and library-borne costs), the estimated savings and the estimated net financial impact (over a 4 year implementation period).
Estimates include both direct and indirect costs/savings. Procurement, governance, administration and contract management costs are estimated separately.

A single State-wide library membership card is a substantial public library service level improvement. This estimate includes all direct and indirect costs (including those centrally incurred and by library services themselves) based on the preferred model described in this Business Case. It includes the cost of card purchase, bulk pre-printing (in a card livery tailored for each individual library within the agreed State-wide parameters/template), postage and library staff costs. This estimate takes account of the costs currently being incurred by libraries under the library card arrangements that are presently in place.

The ongoing net State-wide savings that are predicted reflect the increased cost efficiency of State-wide card purchasing and the reduced number of ongoing new/replacement cards that would be required. Net growth (after the predicted initial decline due to duplicated membership elimination) in library membership take-up resulting from increased community awareness of libraries (through associated marketing program) has not been factored into these estimates. A significant State-wide marketing campaign to accompany the single library card has been included.

<table>
<thead>
<tr>
<th>Victorian Library Component:</th>
<th>Year 1 ($'000)</th>
<th>Year 2 ($'000)</th>
<th>Year 3 ($'000)</th>
<th>Year 4 ($'000)</th>
<th>Years 1 to 4 ($'000)</th>
<th>Ongoing p.a. ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. One State-wide Library Card</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Card purchase / printing</td>
<td>$0</td>
<td>$418</td>
<td>$418</td>
<td>$97</td>
<td>$933</td>
<td>$97</td>
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<tr>
<td>Card processing</td>
<td>$7</td>
<td>$7</td>
<td>$7</td>
<td>$7</td>
<td>$27</td>
<td>$7</td>
</tr>
<tr>
<td>Marketing</td>
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<td>$643</td>
<td>$643</td>
<td>$0</td>
<td>$1,286</td>
<td>$0</td>
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<td>Subtotal</td>
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<td>$1,068</td>
<td>$103</td>
<td>$2,245</td>
<td>$103</td>
</tr>
<tr>
<td>Library service savings</td>
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<td>-$206</td>
<td>-$206</td>
<td>-$206</td>
<td>-$824</td>
<td>-$206</td>
</tr>
<tr>
<td>TOTAL COST/(SAVINGS):</td>
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<td>$862</td>
<td>$862</td>
<td>-$103</td>
<td>$1,421</td>
<td>-$103</td>
</tr>
</tbody>
</table>

NB: Savings expressed as negative amount. See section 11 for detailed financial analysis and assumptions.
7.0 Project Components
- RFID Tagging of the State-wide Collection

**Recommendation:**
The preferred option is to RFID tag the entire State-wide library collection.

7.1 Context and Issues
It has been proposed, as part of the Victorian Library proposal, to RFID chip/tag the entire State-wide collection. This proposition has been widely supported and advocated by the library sector throughout the consultation process undertaken.

Radio Frequency Identification (RFID) technology has been gradually entering and becoming more common in the public library sector in recent years. It is generally provided by three main vendors with software that is integrated with the Library LMS through an appropriate interface (SIP – Standard Interchange Protocol).

In a library situation, a RFID technology package generally includes:
- RFID tags/chips inserted in all collection items.
- RFID readers installed at each library branch and counter (including mobile services).
- Self-check-out RFID readers (in busier higher volume branches).
- RFID alarm gates installed at larger branches.
- RFID wands used by staff for shelf-checking, stock control and stocktake purposes.

In general terms, the primary benefits of installing RFID technology in libraries include:
- Improved efficiency by reducing staff time required for checking out/checking in loaned items.
- Option for self check-out facilities (with no staff input required).
- Increased capability for electronic stock control (wand-enabled stock-take etc.).
- Improved collection security (with door alarms).

The table below provides a collection profile of Victorian public libraries:

<table>
<thead>
<tr>
<th>Victorian Public Libraries - Collection Profile:</th>
<th>GENERAL</th>
<th>LOTE</th>
<th>TOTAL:</th>
<th>% of COLLECTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Books/print</td>
<td>7,416,087</td>
<td>429,764.00</td>
<td>7,845,851</td>
<td>87.40%</td>
</tr>
<tr>
<td>Audio Visual</td>
<td>1,040,127</td>
<td>92,293.00</td>
<td>1,132,420</td>
<td>12.60%</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>8,456,214</strong></td>
<td><strong>522,057</strong></td>
<td><strong>8,978,271</strong></td>
<td></td>
</tr>
<tr>
<td>% of Collection</td>
<td>94.20%</td>
<td>5.80%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: 2012 Public Library Survey, PLVN
It is estimated that approximately 55% of public library collections throughout the State have already been RFID tagged or are in the process of being tagged. This estimate is conservative. It does not include libraries where a submission to install RFID is currently before council or the RLC Board.

Installation of RFID technology involves a significant capital investment by libraries. The investment in RFID is often ‘sold’ on the basis of it delivering productivity improvement and/or savings for a library. Productivity improvements are realised by the freeing up of staff time to perform other specific customer service/assistance functions. The productivity argument for RFID tends to be more relevant for larger library branches with higher transaction turnover (200,000 plus loans per annum is often used as a benchmark in relation to the loan level at which RFID becomes viable).

The rationale for RFID in smaller transaction volume branches, where a base staffing level is required to be maintained in any case, is much weaker. Hence, the productivity/efficiency rationale for installing RFID technology State-wide does not apply universally across the State. Indeed, many (if not most) library branches State-wide would find it difficult to mount a case for installing RFID technology on efficiency improvement/savings grounds alone.

However, in the context of the aspired-to concept of a more mobile, shared State-wide collection (that is a cornerstone of the Victorian Library concept), the arguments relating to RFID are somewhat different to those in a single library context. The core rationale for RFID as part of the Victorian Library is to:

- Make easier and improve efficiency of the handling, sorting, delivery and return of ILLs to multiple locations across the State.
- To enable better State-wide tracking, monitoring and reporting of a more mobile State-wide collection.
- To facilitate security of and accountability for a more mobile State-wide collection (that is owned by numerous library entities).
- To bring management practices for all State-wide collections up to a new baseline standard that is more akin to modern collection management standards.

**ISO Standard Compliance:**

The level of compliance with the ISO standard in relation to RFID application in public libraries is an issue that needs to be considered.

ISO 28560 was introduced in 2011 and applies to RFID tagging of library collections. Whilst most of Victoria’s total State-wide collection is currently RFID-tagged (or in the process of being tagged), some collections do not comply, or only partially comply, with this standard. One library collection is known to have installed ultra high frequency (UHF) tags whereas the Australian convention is high frequency (HF) tags.

Even within the ISO standard defined thresholds, there are various RFID chip types and designs available on the market. Tags vary in terms of size and signal strength, as well as style/design (ie; some tags are installed in circular stickers purpose designed for DVDs/CDs). Each has different levels of quality, functionality and reception sensitivity. The State-wide RFID specification and procurement process will need to address all these issues and ensure a quality outcome for all libraries across the State.

Another issue is that not all existing RFID tags (even those that are technically compliant) use the data model specified in the ISO standard. This is due to some RFID installations being implemented before the ISO standard was introduced. The extent of this non-conformity (of data models) is not presently clearly understood. Making existing RFID installations conform therefore needs to be considered and factored into a State-wide RFID project.
**RFID Parameters:**
For the purposes of this Business Case, based on research undertaken, the following RFID-related project parameters apply:

- Approximately 55% of public library collections throughout the State have already been RFID tagged with ISO 28560 compliant RFID chips.
- The balance of the State-wide collection would be RFID tagged (or retagged) as part of a State-wide project. This would occur in the first year of project implementation.
- As part of the tagging process, an RFID standard compliance audit procedure would be conducted to ascertain the level of compliance of data sets applied by libraries to all existing RFID tags. The proposed project includes allowance for a standardisation procedure for all data models currently in place (and those being installed).
- Each library branch in the State (excluding mobile libraries and sub-branches) would be allocated one RFID reader as part of the project.
- Self-check-out readers, wand readers and RFID security gates are not included as part of the base Victorian Library package. These additions may be opted for by libraries should they choose at individual library expense.
- SIP license fees will be included as part of the common State-wide LMS specification.

### 7.2 Options

**Option 1: Status Quo:**
As previously identified, more than half of the total State-wide collection has either been, or is in the process of, being RFID tagged. Rather than tagging the entire collection in year one (as part of the Victorian Library project), an option is to continue to allow the status quo to continue. Under this option, each library service may choose, at their own discretion, to RFID their own collection if they form the view that the benefit outweighs the cost and funds become available.

Whilst this clearly saves significant costs, there are several implications of this approach:

- Sorting of inter-library loans, both at the proposed central sorting centre and at branches receiving inter-library loaned resources, requires significantly less staff time where RFID tags are used. Assuming a State-wide ILL solution is implemented, a partially-only RFID-tagged collection increases the costs of handling and sorting.
- In the absence of State-wide RFID, picking slips would need to be printed for all ILLs to enable centralised and library sorting. This represents a significant labour cost.
- It is noted that some SWIFT members currently voluntarily install RFID tags in un-tagged ILLs (from other non-RFID libraries) at present, as the efficiencies gained by installing the tag outweigh the tag’s cost and the cost of installation (in terms of staff time). Not tagging the collection simply transfers this cost from un-tagged collections to services who have tagged.
- Higher bulk purchase discounts of RFID tags can be attained when purchasing at State-wide RFID tag quantities.
- Some services may never be able to economically justify the tagging of their collection based on local efficiency arguments alone.

**Option 2: Limited (ILL-Only) RFID Tagging:**
An option that has been suggested, in order to reduce the costs of State-wide RFID installation, is to progressively install RFID chips in only those library items that are moving between libraries (rather than a complete State-wide RFID installation in year 1). This would substantially reduce project costs and enable the installation to occur only for those items where it is necessary for inter-library transfer and tracking.
In practical terms, this is achievable, where installing chips becomes a task integrated within the normal ILL workflows. However, it also introduces complexity as there are many different styles and types of chips that are currently in use. This is especially the situation for audio-visual items where there are different methods employed including applying the chip to the item case and/or to the CD/DVD item itself.

Progressive chipping (integrated as part of library ILL workflows) would also create a situation where a ‘dual-status’ collection (with some chipped and some non-chipped items) continues on indefinitely into the future, creating ongoing operational complexity for library staff and potential confusion for users. It would also accentuate a continuation of the existing diversity in RFID chipping methods employed and standards.

**Option 3: RFID Tagging of Whole State-wide Collection**

The final option is a full State-wide RFID tagging project.

### 7.3 Preferred Option

The preferred option is for the entire State-wide library collection to be RFID tagged at the commencement of the Victorian Library implementation. This would deliver a complete and ISO-compliant installation across the whole collection to aid other project components.

It is also cheaper and more efficient to RFID the State-wide collection as a single process. One or more RFID tagging stations would be hired from RFID vendors to speed up the tagging process. A ‘tagging team’ would then be established to tag the entire collection on a service-by-service basis. This same team would also run an automated compliance check and conversion on items with an existing RFID tag to ensure the data model matches the ISO standard.

Irrespective of whether the whole collection is chipped, it would still be necessary to equip all library branches with at least one RFID reader (as part of this project) in order to be able to offer a truly State-wide library service where items can be borrowed or returned freely to any branch in the State.

An issue that needs to be considered is whether (and if so, how) the existing investment made by library services State-wide in RFID technology should be recognised/factored into any State-wide implementation/roll-out. This issue needs to be considered as part of an overall package in the interests of fairness and equity. However, this is essentially a political and funding related issue.

### 7.4 Advantages / Benefits

The advantages of RFID tagging the State-wide collection include:

- It will enable more efficient and cost effective handling and sorting of a more mobile State-wide collection (both centrally and internally in library services themselves).
- It will enable a substantially reduced level of manual handling and sorting of ILLs by library staff at service and branch level.
- It potentially enables (subject to separate assessment) a more efficient and cost effective central mechanised sorting and transfer solution to be applied as part of the State-wide ILL process.
- It will increase the ability to monitor and keep track of movement of the State-wide collection and items that are in transit between libraries.
- It increases efficiency in managing collection stock within individual libraries, including electronic stock-take procedures.
7.5 Risks / Disadvantages

The disadvantages and risks of RFID tagging the State-wide collection include:

- RFID tagging is a relatively high cost part of the overall Victorian Library project.
- Whilst inter-library lending can still occur (as it presently does) without a universally RFID-tagged State-wide collection, the absence of universal RFID tagging significantly increases the costs (to libraries) and labour intensity (through manual sorting and handling of ILLs at libraries) associated with the inter-library lending function.
- Inevitably, a complete State-wide RFID project will result in the tagging of low-circulation/zero circulation collection items.
- RFID compliance with the ISO standard will need to be addressed and the extent of current ISO compliance (include tag and data model compliance) remains unclear.

7.6 Financial Impact

The following table provides a summary of the estimated financial impact of this Victorian Library project component. The financial impact shows estimated gross costs (both centrally-incurred/State level costs and library-borne costs), the estimated savings and the estimated net financial impact (over a 4 year implementation period). Estimates include both direct and indirect costs/savings. Procurement, governance, administration and contract management costs are estimated separately.

<table>
<thead>
<tr>
<th>Victorian Library Component:</th>
<th>Year 1 ($'000)</th>
<th>Year 2 ($'000)</th>
<th>Year 3 ($'000)</th>
<th>Year 4 ($'000)</th>
<th>Years 1 to 4 ($'000)</th>
<th>Ongoing p.a. ($'000)</th>
</tr>
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<tbody>
<tr>
<td>4. RFID of State-wide Collection</td>
<td>$1,227</td>
<td>$353</td>
<td>$353</td>
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<td>$90</td>
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<tr>
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<td>$242</td>
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<td>Tagging / conversion of collection</td>
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<td>-$563</td>
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<tr>
<td>Library service savings</td>
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<td>-$563</td>
<td>-$563</td>
<td>-$2,213</td>
<td>-$563</td>
</tr>
<tr>
<td>TOTAL COST/(SAVINGS):</td>
<td>$2,188</td>
<td>$131</td>
<td>$122</td>
<td>$122</td>
<td>$2,562</td>
<td>$122</td>
</tr>
</tbody>
</table>

NB: Savings expressed as negative amount. See section 11 for detailed financial analysis and assumptions.

A State-wide RFID project is a substantial investment in the ability to track, record and monitor the lending and movements of public library collections throughout a more accessible State-wide lending system. This estimate includes all direct and indirect costs (including those centrally incurred and by library services themselves) based on the preferred model described in this Business Case. It includes the cost of RFID tags, labour and related costs, compliance testing of tags/data models, reformatting of data models as re-tagging where required.
8.0 Project Components - A State-wide LOTE Collection

**Recommendation:**
The preferred option is to work collaboratively with library services throughout the State to improve the breadth, quality and diversity of Victoria's LOTE resources. State funding would be provided to libraries to supplement existing library investment within the framework of an agreed State-wide LOTE collection profile. Grants would be provided to libraries, through an application process, to purchase, manage and store LOTE resources in particular languages. Once acquired, items would be made accessible to library users State-wide and moved around through the inter-library lending system.

8.1 Context and Issues

The establishment of a State-wide LOTE (languages other than English) collection is identified as a core component of the Victorian Library proposal. Non-English speaking communities are a significant part of the Victorian community and any Victorian Library proposal needs to respond to their needs. According to ABS 2011 data, 23.1% of Victorians speak a language other than English at home. However, LOTE items comprise only 5.8% of total library collections State-wide.

The top 6 languages spoken at home (other than English) in 2011 were, Italian (2.3%), Greek (2.2%), Mandarin (1.9%), Vietnamese (1.6%), Cantonese (1.4%) and Arabic (1.3%). Together, these account for over 10% of all Victorians. However, the ABS data shows that there is a large range of rapidly emerging smaller minority language groups reflecting recent arrivals. The fastest growing language groups between 2006 and 2011 included Mandarin, Punjabi, Hindi and Vietnamese. The remaining smaller languages (including the emergent groups) are spread across a vast range from Russian, Sinhalese and Bosnian, through to Somali, Tamil and Albanian. Offering a quality choice to such a diverse target group is challenging.

Of course, these trends don't apply universally across the State. In the City of Greater Dandenong, for example, 66% of the population speak a language other than English at home. In the City of Maribyrnong, 43% of people speak a language other than English at home. In addition, communities of different origins tend to be concentrated in different locations throughout the State. These figures underscore the cultural diversity of the Victorian community.

Currently, there is no centrally held LOTE collection in Victoria to meet the needs of these communities. LOTE collections are acquired and held by individual libraries based on their own locally assessed needs, community profile and resource capacity.

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7 Reflecting a Nation, ABS Pub. No. 2071.0, 2012
8 Annual Public Library Survey, 2012, (PLVN)
9 ABS Census data, 2011
According to Annual Public Library Survey data, there are 522,000 LOTE items in Victorian library collections. This amounts to 0.41 LOTE items for every person that speaks a language other than English.

In comparison, there are about 1.99 English language collection items per capita in Victorian library collections to meet the needs of Victorians that speak English at home. To meet the needs of non-English speaking communities, there currently exists an informal collaborative culture between libraries in relation to sharing of library-owned LOTE resources. Libraries negotiate and arrange bulk inter-library loans to meet needs where local resources are deemed insufficient for this purpose.

This informal State-wide approach to LOTE resources tends to have the following effects:

- It leads to concentrations of higher quality LOTE resources and depth in different languages and language groups in some libraries throughout the State where the need is recognised by local policy makers and resources are allocated in response. Indeed, some collections are renowned for excellence in certain languages.
- It means that LOTE collections tend to be of higher quality in larger, more populous communities with better resourced library services and with higher concentrations of demand for LOTE resources.
- It means that the larger, traditional, more populous LOTE language groups are better catered for than language groups of new arrivals and emerging population groups.
- It means that where non-English speaking people live in areas of relatively lower concentrations of non-English speaking people, their literary and information resource needs are less well met.

Another issue is the cost of a library's investment in LOTE resources. The selection, sourcing and acquisition of quality appropriate LOTE items by public libraries can be a challenging exercise. It is also relatively expensive, especially in certain language groups. Similarly, cataloguing of LOTE items is a relatively costly process compared to English language items. In some cases, libraries in Victoria, in recognition of the scale of the local investment in LOTE resources (where this investment has been made), place ILL restrictions on their own LOTE items to ensure local user priority.

As part of this Business Case, discussions were held with a number of library organisations with expertise in the management of LOTE collections. In NSW, the State Library holds a 70,000 item central LOTE collection on behalf of libraries throughout the State. The collection is owned and managed by a cooperative of public libraries throughout the State, with libraries themselves directly involved in the selection process. In Victoria, Caval is a not-for-profit, independent library service organisation owned by 11 Australian universities and based at Latrobe University's Bundoora campus. Caval provides end-to-end services for LOTE services for public libraries in profiling, specification, acquisitions, processing, cataloguing and delivery. Other commercial organisations also offer LOTE-related services.

**LOTE Collection Outcomes:**

The challenge for the Victorian Library project is to develop a collaborative State-wide approach that builds on what already exists. It needs a LOTE response that achieves the following outcomes:

- Retention of a collaborative approach and local 'centres of excellence' in relation to LOTE collection development, reflecting local community profiles. In other words, to build on the quality of the LOTE collections that are already in place.
- Retention of the existing investment/acquisition programs of public libraries in LOTE resources and the creation of incentives to retain/increase this.

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10 Annual Public Library Survey, 2012 (PLVN)
• Supplementation of existing LOTE acquisition/investment programs with State-wide resources targeted at niche and specialty LOTE gaps (ie; for minority LOTE language groups and to meet the emergent needs of new arrivals).
• Incentives structures for LOTE collection owners (libraries) to continue to invest in and share LOTE collections by making them available State-wide through ILLs.

8.2 Options
There are a number of options in relation to implementing a better, more accessible State-wide LOTE collection that have been considered as part of this Business Case. These are:
• Establish a separate, centralised 'floating' State-owned LOTE collection.
• Establish a separate, centralised State-owned LOTE collection, centrally housed and managed.
• Provide additional tied funding to selected individual libraries ('centres of LOTE excellence') throughout the State for targeted new investment in LOTE resources.
• A combination of these approaches.

8.3 Preferred Option

Preferred LOTE Model - LOTE 'Centres of Excellence':
The preferred option is to work collaboratively with library services throughout the State to facilitate targeted and coordinated continued/new investment in LOTE resources by libraries. This approach would employ a State funding-led 'centres of excellence' model, to improve the breadth, quality and diversity of Victoria's State-wide LOTE resources and accessibility, in accordance with a sector-defined State-wide LOTE profile.

Key features of this model include:
• Establishment of an larger, improved, more targeted State-wide LOTE collection that is still owned, managed and housed by individual library services.
• Working collaboratively with library services throughout the State to achieve targeted continued/new investment in LOTE resources by libraries in accordance with an agreed State-wide LOTE profile.
• Applying a 'centres of excellence' model, to improve the quality and diversity of Victoria's State-wide LOTE resources and accessibility. This model would aim to achieve excellence in different language groups in various libraries throughout the State, combined with accessibility and portability.
• Under this model, libraries would receive financial incentives (facilitated through a State-wide funding and application process) to invest in new LOTE resources based on a sector-defined, target State-wide LOTE profile.
• Libraries would be required make their full LOTE collections [including existing and newly acquired resources under the program (subject to agreed policy parameters)] accessible to all Victorians through the State-wide ILL system.
• Owner libraries would remain responsible for all aspects of the management of all newly acquired LOTE Resources under the program (within the agreed State-wide policy framework).

Under this model, it is proposed that a State-wide LOTE acquisitions program would be overseen by a dedicated LOTE sector working group (to be established under the Victorian Library governance model). The working group would be responsible for developing a LOTE acquisitions profile for the State to be progressively filled under a central acquisitions program over a period of years.
This LOTE collection would be co-funded but not owned by the State.
State-wide collection management/coordination measures would be established to keep LOTE resources visible, moving and on library staff ‘radars’ across the State. This model, by definition, implies that individual libraries are effectively providing the shelf-space to physically house an improved/expanded LOTE collection. Other collection management functions (acquisitions, checking, weeding, stock management etc.) would be undertaken by the owner library.

The primary focus of the State-funded floating LOTE collection would be to fill niche language needs gaps that are presently not adequately met (or capable of being met) through existing library-held LOTE collections throughout the State. In other words, the State investment (at least initially) would be focused on building and extending LOTE resource capacity and breadth.

It is noted that, as part of the State-wide LMS specification, discovery layers that are acquired as part of the system should be specified so as to enable easy and concurrent searching for LOTE materials in different languages (ie; both the collection item language and the discovery layer language itself). This will maximise the useability and accessibility of the State-wide LOTE resources for library users whose preferred language is not English. This also has implications for the type of LMS to be specified. It needs to support Unicode text to enable the use of a wider range of language character sets (ie; in addition to basic Latin scripts).

The incentive-based structure of this model is important, especially in relation to future LOTE funding by libraries. It is important that any State-wide project in relation to LOTE does not undermine the incentive structure for individual libraries that currently have LOTE collections and expertise to continue to invest in LOTE in the future. This would substantially defeat the purpose of a State-wide response.

This model would result in the acquisition of an additional 50,000-60,000 (approximately) LOTE items over a four year period. That is in addition to the existing State-wide LOTE collection (currently numbering 522,000 in total), the mobility and accessibility of which would also be substantially increased and opened up through the two-tier incentive based arrangements.

The final configuration of the investment and funding structure is a matter of policy to be finalised through the governance structure established.

8.4 Advantages / Benefits

The advantages of establishing a State-wide LOTE collection are:

- This proposal would result in an increase of approximately 10% in the total number of LOTE resources available through public libraries to Victorians who speak languages other than English.
- This model recognises and reinforces the role of library services as owners and managers/custodians of all collection resources, including LOTE resources.
- It creates a structure whereby a library-owned State-wide LOTE collection is established/expanded, adding value to and building on the existing quality LOTE collections that are already held by many public libraries throughout the State.
- It creates a structure within which a State-owned LOTE collection can be profiled using an evidence-based approach. A quality LOTE collection can be progressively accumulated in an orderly fashion over time. This would be done under the policy direction of a specialist sector-driven LOTE working party operating under the governance structure established for the Victorian Library.
- The LOTE acquisition program would be implemented in a manner that complements the existing library-held LOTE resources rather than duplicates, replicates or cuts across them.
• This model can be targeted to respond to and meet niche language group needs and fill what are existing gaps in the quality and breadth of State-wide LOTE resources (especially in relation to less common and emergent languages). New arrivals to Victoria in language groups not presently well catered for by existing LOTE resources will especially benefit from these new resources.

• This model not only recognises the existing specialisation that has been developed over many years by public libraries throughout the State in relation to LOTE, but actively embraces it. Further, it creates a structure within which these LOTE specialist libraries can be more formally recognised State-wide as 'centres of excellence' with specific language and program specialities (including sourcing, acquisition, cataloguing etc.).

• This approach creates a structure whereby public libraries that have a specialty and interest in continuing to develop quality LOTE programs and collections can do so with that leadership role being more formally recognised State-wide.

• This approach embraces the experience and expertise of public libraries and library sector professionals in building a comprehensive State-wide LOTE program and collection.

• The establishment of the State-wide collection effectively as a shared 'floating collection' (rather than centrally housed at a repository) will maximise the user visibility and accessibility of LOTE items for library patrons (and staff) at the point of use (ie; in home library branches). State-wide visibility will be enabled through the common LMS discovery layer. This will ensure that valuable collection resources are not left languishing out of user and staff sight and awareness on shelves at a central warehouse/repository.

• This model would result in substantially increased size, quality and currency of the LOTE collection and, (if agreed to by libraries), free up State-wide access to existing LOTE resources that is not presently available.

• This would represent an investment (ongoing after implementation) of approximately $0.40c per year for each Victorian that speaks a language other than English at home in their education, leisure and literacy.

8.5 Risks / Disadvantages
The disadvantages and risks of establishing a State-wide LOTE collection as proposed are:

• It relies on individual LOTE owning libraries agreeing to free up State-wide access to their existing LOTE collections through the ILL system. However, it is expected that most leading LOTE-oriented libraries would respond to the structure, intent and financial incentives articulated in this Business Case in a positive way and collaborate.

• A risk of establishing a central State-wide LOTE collection is that, over time, individual libraries will be less likely to invest in new and replacement LOTE collections. This risk can be managed by careful, targeted and conditional application of State LOTE funding programs.

• The proposed State-wide LOTE collection model requires libraries themselves to provide the necessary shelf space to house the expanded collection (which is an indirect cost to libraries). However, participation in the State-wide LOTE funding program will be voluntary and through an application process and hence, this cost will be weighed into library decisions.
8.6 Financial Impact

The following table provides a summary of the estimated financial impact of this Victorian Library project component. The financial impact shows estimated gross costs (both centrally-incurred/State level costs and library-borne costs), the estimated savings and the estimated net financial impact (over a 4 year implementation period). Estimates include both direct and indirect costs/savings. Procurement, governance, administration and contract management costs are estimated separately.

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<th>Years 1 to 4 ($'000)</th>
<th>Ongoing p.a. ($'000)</th>
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</thead>
<tbody>
<tr>
<td>5. ‘Floating’ State-wide LOTE Collection</td>
<td>$0</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$1,500</td>
<td>$500</td>
</tr>
<tr>
<td>Costs</td>
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<td>$500</td>
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<td>$500</td>
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<tr>
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<td>$500</td>
<td>$1,500</td>
<td>$500</td>
</tr>
</tbody>
</table>

NB: Savings expressed as negative amount. See section 11 for detailed financial analysis and assumptions.

The establishment of a State-wide LOTE collection is a substantial investment in the literacy, leisure and educational options that are available for Victoria’s non-English speaking communities. It represents a substantial service level improvement.

This estimate includes funding for State-wide LOTE collection through the provision of targeted additional State grants to public libraries for LOTE-related investment and acquisitions.
9.0 Project Components

- Expanded Access to e-Books and e-Resources

Recommendation:
The preferred option is to implement a State-wide e-book/e-resource acquisition program on behalf of library services. This would be done in a way that recognises and works within prevailing market conditions.
The program would supplement and add to the existing e-book/e-resource collections already held by public libraries, with a focus on maximising the breadth, quality and range of the State-wide e-book collection. The acquisitions program would be specified, procured and funded on a central State-wide basis.

9.1 Context and Issues

It was clearly identified throughout the consultation processes undertaken at each stage of the Victorian Library process that developing a cohesive State-wide response to e-books and e-resources is the number one priority for a State-sponsored project involving public libraries. It is probably the biggest single challenge currently facing public libraries worldwide.

Readers (and library users) clearly want access to more and better e-resources but libraries are struggling to provide that access. This problem exists world-wide - it is by no means isolated to Australia or Victoria. And most of it is due to commercial interests and pressures that are continuing to unfold in a multi-national publishing sector. These issues are well beyond the control of the Victorian State Government or the library sector.

It should be noted that many libraries are already procuring e-content and offering it to users. They are doing this through a range of content providers/aggregators and through a variety of web-based delivery platforms.

However, quality and range are limited. Libraries are also concerned about the terms upon which e-content is being licensed/made available to public libraries. In many cases, the terms upon which content is being offered (to libraries specifically) are regarded as prohibitive, punitive, unreasonably expensive or too restrictive.

The broader world-wide patterns that indicate a general reader trend towards e-books and e-resource use and take-up have been explored as part of the wider public library context discussion in section 2.

In summary, this analysis shows:
- That e-book/e-resource use is clearly increasing rapidly world-wide, especially in the developed world. At the same time, demand (in relative terms) for p-books is declining. (The mix varies across different content categories).
Despite this transition in the digital-physical content mix, p-books remain, for the time being, the dominant media (in terms of sales and reader use). This is likely to continue to be the case at least in the near term. However, e-content is likely to keep growing its share to possibly match (or even exceed) p-content as a category over the next five years or so.

Where the e-book/p-book mix will eventually end up is not yet clear and commentators vary in their predictions. It will also differ across content categories and user audiences.

**Access on Reasonable Terms:**

Whilst these consumer preference changes are occurring, libraries, in order to remain relevant and up-to-date, need to offer patrons better access to a quality range of e-books and e-resources. Patron access to e-books needs to be more seamless. Searching and downloading needs to be fully integrated within the library's search/discovery layer (as opposed to being overtly executed as an additional search step through an external third party supplier/aggregator).

The key challenge for libraries is getting access to the content (and on reasonable terms), rather than the delivery platform itself. There are already a range of e-book/e-resource delivery platforms available to public libraries through commercial library providers/vendors. The quality or attributes of different platforms varies but is not critically examined or assessed as part of this Business Case.

**Publishers and Aggregators:**

The world-wide publishing market is dominated by the so-called 'Big 5' group of publishers (Hachette, Harper Collins, Penguin/Random House, Macmillan and Simon and Schuster). Other key players in the world publishing sector now include Amazon and Apple. In addition, the library sector has traditionally been serviced by a range of content 'aggregators' that source, aggregate, process and on-sell content in a variety of user-friendly formats tailored to libraries needs. There are also a range of other emergent avenues for content including 'indi' publishers and self-publishing companies.

Having already suffered commercially from the demise of the so-called 'bricks and mortar' distribution and marketing channels (ie; bookshops) at the hands of on-line sellers of physical books (such as Amazon), publishers are desperate to protect their own commercial interests in relation to the rapidly growing e-book segment.

**Digital Rights Management (DRM):**

The potentially unlimited portability of the e-book format is of significant concern to publishers. E-book content is proprietary and covered by Digital Rights Management (DRM).

However, DRM processes are not fool-proof and content piracy remains relatively easy. Some publishers perceive that they face significant commercial risks from un-fettered distribution of e-book content and content piracy which they fear will erode their sales and profitability. Some larger publishers also perceive that public libraries, with their proven extensive membership and patron networks, add to this risk. Clearly, the lending potential and access convenience for a digital resource is, in theory, unlimited compared to a physical resource and this translates (in the commercial eyes of publishers) into lost sales.

**Licensing Terms and Conditions:**

Libraries are concerned that with e-books, they are being offered access (to some resources only and dictated by publishers) under licenses with limitation of rights of use rather than outright ownership.
Licensing terms offered for e-book access varies widely from publisher to publisher in a range of pricing and non-pricing ways. It generally involves a license by the publisher to use content rather than outright ownership in the traditional sense.

Publisher e-book terms and arrangements currently on offer for public libraries include:

- Catalogue access - Varies from full access to limited access.
- 'Windowing' - Some publishers impose 'windowing' provisions (access to e-book only made available after a period of time after print publication).
- Number of checkouts/title users - Range from unlimited checkouts, 26 checkouts per title, to one copy per user model.
- Price - List price up to 300% of p-book price.
- License terms - Range from one year license, one year purchase/lease, to two year model, through to perpetual access.

This range of access arrangements underscores the complexity of the access and pricing arrangements on offer for e-books for public libraries.

**E-Resources (including Databases):**

The challenges with e-book access goes further than e-books only. It includes other non-book resources such as database subscriptions. Database subscriptions in the past have been provided to public libraries through a consortia approach (Gulliver) but this arrangement is no longer available.

Any State-wide procurement program for e-books/e-content should address this issue and include a core set of State-wide database subscriptions (to be specified) and procured under the model proposed in this Business Case.

**Seamless e-Book Search and Discovery:**

A key concern among Victorian libraries is the lack of integrated search and discovery capability that is available through existing supplier/aggregator channels. At present, search and discovery, whilst originating in the library discovery layer, overtly moves to a different (aggregator) platform where an e-book/e-resource option is chosen by the user. This lack of integration is a source of concern to libraries and an inconvenience to users. Further, in a general public image sense, this does not reinforce the idea of the public library being the repository and access point for all forms of content across a range of print, AV and digital formats.

In Canada, the solution proposed is where users can borrow seamlessly, purchase and download content through and within the library’s existing discovery layer, without appearing (from the users’ perspective) to ever leave it (even though in a technical sense, they actually do leave it to execute certain actions). This approach is being planned in reaction to perceived shortcomings in current content distribution models through third party content aggregators and distributors. A key specification requirement in the Canadian Request for Proposals is for system vendors to address the needs of content-supplying publishers. Specifically, system vendors need to demonstrate the ability to ensure that all content is used solely as set out in contractual agreements between libraries and publishers (ie; protect publishers' commercial interests).
9.2 Options

The options for Victorian public libraries to get improved access to e-books and e-resources are:

- Undertake a full (unlimited) State-wide procurement program for e-books/e-resources. In view of the resistance on the part of publishers to provide e-content to public libraries, this option is likely to generate limited response/benefits (or lead to vendor participation on restrictive terms).

- Develop a tailored e-resource delivery platform for Victorian public libraries. Developing a tailored, library-owned and controlled delivery platform in the context of still-evolving/emerging market conditions would produce limited benefits. It would not address the underlying core challenge of getting access to e-books/e-resources. It would embody a significant ICT development project the outcomes of which are limited in the current e-book context.

- Undertake a controlled and measured State-wide procurement program designed to recognise existing perceived market-driven impediments for e-books/e-resources. This may be structured on a block/zone basis to encourage wider publisher/aggregator participation.

9.3 Preferred Option

It has become clear through the process of developing this Business Case, that an immediate and easy solution to the commercially-driven e-book challenges facing libraries (ie; one that is wholly within the control of the State and the library sector) is not readily available.

A multi-pronged approach is therefore proposed in order to address the issue. The initiatives detailed below are intended to provide an interim response to the issue while a more comprehensive Australia-wide national response is developed in conjunction with peak library sector bodies in the context of emerging market conditions.

On this basis, it is proposed to implement a controlled State-wide e-book/e-resource acquisition program as part of the Victorian Library project on behalf of library services. This program would supplement and add to the existing limited e-book/e-resource collections already held by public libraries, with a focus on maximising the breadth, quality and range of the State-wide e-book collection. The acquisitions program would be specified, procured and funded on a central State-wide basis.

Subject to further developments in the publishing sector over the next year or so (and the resultant availability of e-books to libraries and prices/license terms offered), this procurement process may be specified and structured on a block/zone basis. Such a block/zone structure would be designed to encourage wider publisher/aggregator participation in the procurement process by substantially removing the current perceived market-driven impediments that would likely otherwise apply.

Such an approach would be designed to establish e-book acquisition zones/blocks to:

- Quarantine larger public library population blocks for the purposes of e-book acquisitions.

- Aggregate smaller public library populations into larger blocks/zones for the purposes of e-book acquisitions.

- Quarantine the availability of e-books (ie; those acquired under the program) to library users within the defined zones/blocks.
The specification for this procurement process would seek tenders from e-book suppliers/aggregators to supply e-books and e-content (to the defined budget level) and to propose license terms. The process would seek to appoint a supplier panel to supply e-content (potentially within the quarantined access zone structure as defined). It is envisaged that, with a procurement program on this State-wide scale (albeit with access zones quarantined), it would effectively guarantee suppliers of a minimum annual public library e-content spend (as defined in the project budget). This would underwrite supplier participation in the tender process on a competitive basis.

Through this approach, it is envisaged that suppliers would offer direct access to their catalogue and digital content through vendor-supported interfaces (APIs). These APIs allow integration of vendors’ digital media with the common LMS, discovery layer and mobile services, providing seamless e-resource searching and content delivery.

Parallel with this procurement process, it is proposed that Victoria participate in national e-content acquisition/platform development initiatives. Also, it is proposed to seek through advocacy channels to address library concerns regarding the terms upon e-content is offered to libraries by content aggregators and publishers.

9.4 Advantages / Benefits

The advantages of this approach/response are:
- This approach will result in significantly improved access to a quality range of e-books and e-content for Victorian public libraries.
- It would significantly aggregate library e-content purchasing power with the aggregation benefits focused on the smaller/lower population libraries.
- It achieves a State-wide procurement program of sufficient scale to achieve cost efficiency and, through the supplier panel established, ensures that acquisition costs are optimised. This is able to be undertaken within the parameters of a defined acquisitions budget.
- It substantially recognises and addresses what has been a significant e-content supplier obstacle to e-book procurement by public libraries. (ie; large population consortia models).
- It enables continued development of, and investment in, existing larger library e-book collections.
- It provides an interim sector-level response to the current e-book access challenges whilst recognising the essential commercial and licensing-related access barriers that remain.
- As an interim response, it recognises the fluid and fast-changing nature of developments in relation to library e-content access world-wide and allows scope to respond to these emerging changes.
- It provides scope for a national response and advocacy-led initiatives in relation to e-book access.

9.5 Risks / Disadvantages

The disadvantages and risks of establishing this approach are:
- This approach does not provide a comprehensive or conclusive solution to the e-content issues faced by public libraries. It is an interim solution only. However, the development of a comprehensive solution at a Victorian level to what is essentially a world-wide commercially-driven issue would seem an unrealistic expectation.
- The proposed zone/block based approach to e-content procurement is wholly-reliant on e-content supplier/aggregator participation (which in not guaranteed).
Suppliers and aggregators may choose not to participate in a State-wide procurement process and/or participate in a limited fashion in a manner that is not considered acceptable to public libraries. This risk is mitigated by structuring the tender specification to respond overtly to known commercial concerns of likely participants.

9.6 Summary

The core challenge for public libraries is that they are presently unable to purchase a sufficient range of quality e-books and e-resources on reasonable terms to meet library user needs. As library users want access to e-books, this presents a threat to the communities perception of the relevance of public libraries.

A State-wide response in relation to e-books/e-content is clearly needed. However, the factors and interests that are driving access issues for public libraries are essentially commercial and international in nature: they are far beyond the control of the State Government in a Victorian library context. These issues are, however, within the sphere of influence of governments and the library sector and therefore collaborative advocacy efforts to negotiate improved e-content access terms with vendors should be continued.

At the same time, a State-wide e-book/e-content acquisition program should be implemented. This program should include e-books and other e-content/resources (including databases) to a specification to be developed by a Victorian Library working group tasked with that purpose. Professional advice (from procurement specialists) in relation to the procurement strategy should be engaged to assist in and provide advice on this activity.

This program should be realistic and structured to reflect the prevailing vagaries and commercial realities that apply to the current e-book market, irrespective of any philosophical views or policy positions with regard to the fairness or otherwise of such market conditions. An idealistically driven centralised procurement process that ignores the existing tensions and factors at play in the world-wide e-content markets would not be appropriate and is unlikely to deliver significant quality e-content to public libraries (at the present time).

9.7 Financial Impact

The following table provides a summary of the estimated financial impact of this Victorian Library project component. The financial impact shows estimated gross costs (both centrally-incurred/State level costs and library-borne costs), the estimated savings and the estimated net financial impact (over a 4 year implementation period). Estimates include both direct and indirect costs/savings. Procurement, governance, administration and contract management costs are estimated separately.

<table>
<thead>
<tr>
<th>Victorian Library Component:</th>
<th>Year 1 ($’000)</th>
<th>Year 2 ($’000)</th>
<th>Year 3 ($’000)</th>
<th>Year 4 ($’000)</th>
<th>Years 1 to 4 ($’000)</th>
<th>Ongoing p.a. ($’000)</th>
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</thead>
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<tr>
<td>6. E-Resources</td>
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<td>TOTAL COST/(SAVINGS):</td>
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<td>$1,000</td>
<td>$1,000</td>
<td>$2,500</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

NB: Savings expressed as negative amount. See section 11 for detailed financial analysis and assumptions.

This project component would represent a significant investment and improvement in the e-resource collections of Victoria’s public libraries.
10.0 Project Components

- Procurement

**Recommendation:**
The preferred option is to review the opportunities for collaborative collection procurement in libraries at a later date.

10.1 Context and Issues

Procurement was identified as part of the Victorian Library concept. For some years, it has been suggested that Victorian libraries could benefit from significant savings through collaborative procurement processes for collection materials and other items such as computer hardware and supplies.

This proposal may be structured in a number of ways. One option would involve a centrally provided procurement service to be made available to all public libraries across the State. The specific structure of how such a centralised model would be delivered has not been considered in detail in this Business Case. However, it is assumed that, if it were to be pursued, the model would be broadly along the lines of the centralised procurement service in South Australia through the SLSA. (It is noted that in South Australia, public library funding is partially tied, with a defined proportion State-provided grants held back by the State and applied for the purposes of collection procurement.)

The key findings of this Business Case are as follows:

- The issue of introducing a more centralised procurement model for library materials in Victoria must be considered in the wider (and more pressing) context of public libraries response to the rapid emergence of e-books and e-resources. The issues and challenges relating to a collaborative approach to the procurement of e-books and e-resources is dealt with elsewhere in this Business Case.
- Significant procurement ‘aggregation’ already occurs in the Victorian public library sector. This is provided on an optional/voluntary basis (with high levels of library participation) through services provided on a contract basis through a peak body and commercially through another commercial organisation.
- Each of the existing procurement service agencies that are commonly used in Victoria offers a different philosophical approach and model of procurement. The differences tend to reflect what are considered key value definition issues that go beyond purchase price itself. These include issues such as panel size/supplier choice, options for discretionary local buying, processing options/flexibility etc.
- This structure provides a choice of approaches from which councils/RLCs can choose according to their own preferences and definition of procurement ‘value’ (i.e; including but not only price).
The level of savings achieved through the current level of procurement aggregation mainly benefit smaller and rural library services. These smaller libraries benefit from increased aggregated buying power that results from access to supplier panels shared with larger libraries with larger annual acquisition budgets.

Savings for the larger library services are more marginal (the larger could probably achieve similar price efficiency acting alone).

The ability to achieve savings in relation to the purchase of e-books/e-resources is much more limited than for print materials. As stated in this Business Case, the challenge with e-resources is access on reasonable terms rather than the negotiation of discounts.

A more centralised State-wide procurement model is likely to lead to marginal additional financial savings (through increased discounts from RRP for physical collection items), which would mostly be to the benefit of smaller libraries. However, the extent of these savings is difficult to quantify. It can only be accurately defined through a comprehensive market testing process.

A centralised library materials procurement model provides the potential to introduce other service improvements and efficiencies in the public library service. These include standardised collection processing, single bibliographic record, State-wide RFID tagging etc.

There presently exists a varied range of collection processing standards that are applied across libraries throughout the State. These include a range of stickers and visual codes/prompts that are designed to aid library staff and users in accessing/managing the collection within a variety of highly entrenched and varying library work processes.

Inevitably, these processing standards have evolved with limited consistency and over many years, public libraries have developed highly specific processing specifications to tailor the way in which library items ‘present’ to users.

Like other changes to the status quo, standardisation requires reaching agreement on an appropriate and uniformly acceptable set of processing standards to apply across the sector. This inevitably involves change (and in many cases there is resistance to such change) for some libraries with strongly-held positions and preferences on collection processing, standards and labelling. The level of broad sector consensus on common processing standards has proven elusive in the past.

Despite this, an increased level of collection processing standardisation is likely lead to significant savings across the State. However, the likely quantum of such savings has not been estimated as part of this Business Case.

10.2 Summary:

Significant procurement aggregation for public library collection acquisition already occurs (through the existing agents). Whilst more aggregation could occur (with purchase savings resulting), this is not considered the biggest challenge facing public libraries presently. The benefits of a more centralised procurement approach are considered to relate more to efficiency savings that would result from processing standardisation. E-books and e-resources are also a priority.

Further investigation of a State-wide procurement model and approach is therefore warranted. However, this needs to be done as part of (or at least consistently with) a wider sector-level response (at a State or National level) in relation to procurement of e-books and e-resources. It also needs to address the related issue of collection processing standardisation where significant savings are likely to be achievable.
Given the scale of change that is proposed in this Business Case (through other components including the common LMS, ILL access, single library card, LOTE and RFID initiatives) it is proposed that the investigation of a more centralised collaborative procurement model be pursued in years 3 and 4 of the implementation timeframe.

As part of the collaborative State-wide procurement model for public libraries, the investigation should address:

- Introduction of uniform State-wide collection processing standards.
- Purchase of e-books/e-resources.
- Potential links to State operational grants.

### 10.3 Financial Impact:

No allowance or estimate has been made in relation to procurement.
11.0 Financial Analysis - Costs and Savings

The Victorian Library model, as set out in this Business Case, will cost approximately $20.495 million over 4 years. This cost will be offset by library savings of approximately $8.797 million, resulting in a net investment cost of $11.698 million. It will have an ongoing net cost of about $0.45 cents per capita annually for every Victorian. This investment has a NPV of -$12,607 million (over 5 years).

11.1 Net Financial Impact

The table below provides a summary of the net financial impact of the Victorian Library proposal for each component and for the overall project. Explanatory notes and core assumptions are appended (appendix A). The table shows estimated net costs (centrally-incurred/State level and library-borne) by project component (over a 4 year implementation period). Estimates include both direct and indirect costs/savings.

<table>
<thead>
<tr>
<th>Victorian Library Component:</th>
<th>Year 1 ($'000)</th>
<th>Year 2 ($'000)</th>
<th>Year 3 ($'000)</th>
<th>Year 4 ($'000)</th>
<th>Years 1 to 4 ($'000)</th>
<th>Ongoing p.a. ($'000)</th>
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**NET PRESENT VALUE (5 Years):** $-12,607

Discount Rate: 6.00%
11.2 Financial Assumptions

The core assumptions applied to the above financial analysis are detailed in Appendix A, together with the detailed financial analysis.

11.3 Project Net Present Value (NPV)

NPV is a method of discounted cash flow analysis that is designed to aid decisions in relation to projects/investments. NPV aggregates predicted future flows of cash (over a given timeframe) in relation to a proposed project/investment and discounts these (compounding) according to a discount factor. This method does not weigh or factor in predicted future benefits from an investment that cannot be defined in cash flow terms (as with this project). Non-cash flow benefits must be assessed through other associated means.

In a commercial decision-making context, a positive NPV would indicate (prima facie) that a project/investment is worth proceeding with. In a non-commercial setting (where future benefits do not necessarily equate with future flows of cash) the NPV method is generally applied as an aid in deciding between project options (ie; prima facie, the option with the highest NPV (albeit possibly negative) would, all else being equal, offer the best value).

The discount factor applied for this analysis is 6% which is generally to reflect the cost of funds (the time-value of money).

This NPV analysis shows that the project has an estimated Net Present Value of -$12.607 million (assessed over 5 years).

11.4 Summary

The above analysis indicates:

- The total cost of implementing all Victorian Library project components is estimated to be approximately $20.495 million over a 4 year implementation period.
- These costs are offset by savings (to be realised by individual library services) of an estimated $8.797 million over the 4 year implementation period.
- The net impact is estimated to be a project cost of $11.698 million over 4 years.
- The net ongoing cost of the project (after implementation) is estimated to $2.481 million annually from year 5 onwards (expressed in 2013 terms).
- This amounts to an ongoing annual investment in public libraries is equivalent to about $0.45c for every Victorian for substantially increased collection quality and access and standards of public library service.
12.0 Structure and Governance

Recommendation:
The governance structure for initiatives implemented as part of the Victorian Library project should recognise and reflect the roles of local government as library owners and operators and the State as funder and enabler.
Irrespective of the legal entity that auspices the project, a sector representative ‘board’, with peak body membership (working through a number of sector-led working groups), should be formed to lead the implementation process and manage it in the future.
The final determination as to which entity auspices such a ‘board’ should be resolved with regard to the question of project funding. This is a matter for the State Government.

12.1 Why Governance is Important
The successful planning, implementation and ongoing management of the initiatives that form part of the ‘Victorian Library’ concept will require the establishment of an appropriate governance and administrative structure.

The governance and administrative structure that would apply to the proposed ‘Victorian Library’ will be a critical aspect in terms of achieving successful outcomes from the project. The structure will also have implications for the total cost of the project (both in terms of initial implementation and ongoing policy oversight/management).

Importantly, the governance model that is implemented for the Victorian Library will be a critical driver of the response and the level of ‘buy-in’ to the project (or projects) from within the local government and public library sector. This level of sector ‘buy-in’ will, in turn, be a driver of success.

As noted earlier in this report, public libraries throughout Victoria (excluding the State Library of Victoria) are owned and operated by local governments (either directly or indirectly through regional library corporations). However, libraries receive significant operational funding from the Victorian Government and the Victorian Library project is being led (from a State-wide perspective) by the State Government. The governance for the project needs to be considered in this light.

12.2 Governance Outcomes - Principles
It is proposed that the governance arrangements for the Victorian Library need to be developed to achieve the following outcomes:

- Well-defined and transparent lines of accountability and responsibility.
- Efficient project planning and delivery/implementing structure/framework.
- A framework for the ongoing management and oversight of contracts and arrangements implemented as part of the Victorian library.
• A framework for the development and ongoing review/oversight of policy issues throughout the public library sector that flow from Victorian Library projects/initiatives.

• Mechanisms and structures that will enable professional leadership of and input to projects and initiatives by library and other professionals with experience in front-line service delivery.

• A structure with the necessary legal capacity to enter into the necessary contracts and transact (with suppliers/vendors and with individual public libraries) in relation to Victorian Library projects and initiatives.

• Broad-based 'buy-in' across the public library and local government sector.

• Appropriate levels of representation of the various partners, within a structure that is generally reflective of and proportionate to their contributions to the projects (in financial and policy/management terms, level of accountability and risk exposure) including local government/RLCs, the State Government, the State Library of Victoria and sector peak bodies.

In considering the most appropriate governance structure for the Victorian Library concept, consideration must also be given to the current sources of funding for public libraries and any changes that may be proposed.

12.3 Governance - Scope of Responsibility

In the context of this Business Case, it is assumed that responsibility for overall governance (and management) of libraries generally will not be impacted by the Victorian Library proposal. This reflects the intent of the Stage 1 Report: that envisages an integrated network of public libraries in Victoria that continue to be the operational responsibility of those local governments and regional library corporations that own and operate them presently.

Governance, in the context of this Business Case, relates to oversight, management and implementation of any package of State-wide projects and initiatives that might form part of the Victorian Library proposal. Depending on the preferred structure, governance in this context includes:

• scoping, specification and procurement of all components of the Victorian Library package.

• development of policy parameters to apply to the various components of the Victorian Library projects.

• oversight of implementation of projects and initiatives.

• execution of contracts/license arrangements/service agreements with suppliers and vendors (initial and ongoing).

• execution of contracts/license arrangements/service agreements with public libraries (initial and ongoing).

• oversight, monitoring, reporting and accountability for all projects/initiatives to the State Government, local governments and other project funders/stakeholders.

• leadership of the State-wide change process that will be required to support any reform package.

• work closely with project partners in leadership of the marketing and communications process that will necessarily accompany/be part of projects implemented.

Any package of projects/initiatives is, of course, subject to consideration by Government as part of the budget process.
Illustration 1 below shows the 5 core governance options that have been identified and are considered as part of this Business Case:

The above illustration shows a spectrum of governance 'control' over delivery, implementation and responsibility for the Victorian Library under the different options. At each end of this spectrum (options 1 and 5), the options are State leadership/control or local government leadership/control. Options 2, 3 and 4 could be described as more collaborative models under which representation and control is shared by the stakeholders/partners.

It should be noted that there are also potentially numerous other variants within each of the models described above that may be considered.

12.4 Option 1: Council/RLC Project 'Auspice' Model

The project auspice model would involve delivery of the 'Victorian Library' projects by 'auspicing' them with one (or a number of) local governments/RLCs. This model envisages the auspice local government/s effectively acting as agent/s for the entire library sector in the implementation of the Victorian Library under overall direction of a State-wide Implementation Committee.

The model under this option is illustrated below:
Under this model:

- A separate sector-level implementation committee (or equivalent body) with cross-sectoral/stakeholder representation would be established to maintain high-level oversight/management of all sub-component projects (delivery/implementation and ongoing management) as part of the Victorian Library implementation.

- The 'Victorian Library' would be broken down into (say 4 to 6) individual sub-component projects (possibly along the definitional lines of this Business Case or other as deemed appropriate), each of which would be 'packaged up', specified in detail and allocated to an agreed/chosen auspice council/RLC (the auspice entity). The 'auspice' entity would lead and implement it on the whole State's behalf under policy direction from the implementation committee.

- Each auspice entity would be funded specifically by funding authorities (through the working group) to deliver the specific component project within the defined specification and guidelines, reporting to the implementation committee.

- Working groups would be set up for each project component (appointed by and responsible to the implementation committee) to oversee and work closely with the auspice entity for each project.

- Funding to auspice councils/RLCs would be based on an agreed formula with funding provided to cover both direct and indirect (attributable overhead) costs. Any risk of financial loss to an individual auspice entity would need to be mitigated.

- Legal and contracting capacity would be provided by the auspicing local government/RLC on the whole State's behalf with suppliers and contractors and with all other end-user library services throughout the State.

In other words, this model would involve an agreed/chosen individual library service contracting for and delivering a specific project component on behalf of all libraries in the State. The council/RLC would contract with relevant suppliers and vendors and then enter into separate 'on-sell' contracts for the delivery of those same products/services to all other libraries. The method of selection/choosing of the auspicing councils/RLCs would need to be considered, possibly involving an expression of interest process.

The implementation committee would establish a number of sector-based working groups (reporting to it) to oversee project delivery and policy development in relation to specific aspects of the Victorian Library project (ie; collection management and lending policy, IT and systems, marketing and communications, data and reporting etc.).

**Advantages/Benefits:**

The advantages of this 'auspice' model are:

- It would deliver maximum and direct sector control and ownership of the 'Victorian Library' projects/initiatives.

- It involves the delivery of projects/initiatives directly by those organisations that ultimately have to implement and 'live with' them - the public library sector itself.

- It recognises and reflects the current ownership of Victorian public libraries by local government/RLCs.

- It is the model with the highest level of direct sector involvement in delivery and accountability for the outcomes.

- It recognises the State Government's current role in public libraries (excluding SLV) at the high-level policy, enablement, capacity building and funding level with a limited role in direct service and project delivery.
**Risks/Disadvantages:**

The disadvantages and risks of this 'auspice' model are:

- This option substantially disaggregates responsibility for (at the delivery/implementation end) the Victorian Library concept as a package (assuming multiple auspice councils/RLCs are employed). This is despite the fact that projects would be oversighted at a high level by the sector-wide implementation committee.

- The sub-component projects under the Victorian library are highly interrelated, connected and interdependent. The project components are not 'mutually exclusive' in terms of the benefits they would generate and have (to greater and lesser extents) significant interdependencies in order to have the desired effect. Under this model, this inter-project seamlessness and connectivity is potentially put at risk.

- The quality of delivery outcomes is likely to vary under this model. Similarly, the quality of outcomes will ultimately reflect the skills, capability and resources at the disposal of the auspice entity.

- The method of selecting and choosing 'auspice' councils/RLCs may become politicised and divisive. The means of selection may involve an expression of interest process to test/ascertain levels of interest in playing auspice roles and final responsibility for selecting auspice entities would need consideration.

- A single council/RLC taking on and delivering a State-wide project (irrespective of its type or scope) on the entire sector’s behalf necessarily involves a very substantial risk profile for that auspice council/RLC. This includes financial risk, governance, legal and political risk as well as operational and other risks. This level of risk is, by definition, disproportionate to the legal service delivery responsibility of an individual council/RLC.

- The appetite of councils/RLCs for accepting any such sector-wide risk profile is untested.

- The nature of such contractual relationships would necessarily come within the scope of the entrepreneurial provisions (s193) of the Local Government Act. This would also require individual councils to undertake their own risk assessments of entering into any such contractual arrangements and risk exposure (on the whole State's behalf) through their own council/RLC.

- Irrespective of the appetite of individual councils/RLCs for such risk (and the levels of mitigation that would necessarily need to be applied through some centrally facilitated means to offset such risks), and irrespective of the level of sector-wide benefit that is likely to flow from a project or initiative, the advisability of taking on such a risk (purely from the individual council/RLCs viewpoint) may be highly questionable.

- This option does not protect/quarantine the auspice councils from the risk of loss or legal liability arising from future operations undertaken as part of the Victorian Library.

- This model is considered most at risk of suffering from divergence/differences between the sector-level preferences and intent (as defined by the sector-level management committee reflecting greater good for public libraries overall) and the auspicing council/RLC individual preferences and intent (as defined by the council based on local service needs and desires).

**Summary:**

This option is considered very risky. Whilst a devolved delivery model by public library owning entities through auspice councils/RLCs may be attractive in principle, the level of disaggregation it would likely cause for the suite of 'Victorian Library' projects puts the outcomes at risk.
A higher level of centralised control is considered necessary. The ability of the public library sector (including councils and RLCs) to make, implement and enforce the necessary policy decisions that will necessarily accompany and result from the Victorian Library is questionable without a more centralised and robust delivery vehicle/entity.

12.5 Option 2: Autonomous 'Board' (under existing entity auspice)

This model would involve delivery of the 'Victorian Library' suite of projects through a shared services model established within (or under the auspices of) an existing non-Government, sector-specific legal entity. This may be similar to the governance arrangements that are currently in place for the SWIFT Consortium libraries for a common library management system.

The model under this option is illustrated below:

Under this model:
- A separate and largely autonomous sector-level 'board' (or management committee or equivalent body) with cross-sectoral/stakeholder representation would be established to maintain high-level oversight/management of all sub-component projects (delivery/implementation and ongoing management).
- The 'board' would be responsible and accountable for all aspects relating to the planning, management, oversight, delivery/implementation and ongoing management of all Victorian Library projects and initiatives. From a legal viewpoint, the chosen auspice entity would be ultimately responsible and accountable.
- The implementation 'board' would not be a separate legal entity (the term 'board' is used only to indicate an intended level of autonomy within the chosen auspice entity context). All contractual, transactional and other activities (requiring an incorporated legal entity) would be undertaken through the auspice entity as an agency.
- The auspice entity would be funded for all Victorian Library projects and initiatives according to agreed parameters and defined specification and guidelines. The auspice entity may charge an administrative/overhead fee for playing this role on behalf of member organisations/stakeholders.
- The 'board' would have an independent chair appointed by the Minister for Local Government in consultation with key project partners/stakeholders. Precise terms of appointment would need to be defined.
• 'Board' membership would include a balance of:
  - local government/RLC nominated positions
  - State Government nominated positions
  - other stakeholder representation as appropriate (peak bodies, SLV etc.)
  The 'board' may also include a number (to be defined) of appointed skills-based positions to be recruited through a defined 'arms-length' process.
• The balance of 'Board' membership and control would be defined based on factors including the relative funding contributions made by project partners to the overall cost of projects, responsibility for service delivery and the risk exposure of partners.
• 'Terms of Reference' would be prepared for the 'board' to define all governance, membership, accountability, reporting, procedural and dispute resolution processes.

In other words, this model would involve a separate and largely autonomous 'board' with cross-sectoral representation delivering all projects/initiatives through an existing auspice entity on behalf of all libraries in the State. The 'board' (through the auspice entity) would deal and contract with relevant suppliers and vendors and then enter into separate 'on-sell' contracts for the delivery of those same products/services to all public libraries.

The 'board' would establish a number of sector-based working groups (reporting to it) to oversee project delivery and policy development in relation to specific aspects of the Victorian Library project (i.e.; collection management and lending policy, IT and systems, marketing and communications, data and reporting etc.).

**Advantages/Benefits:**

The advantages of this model are:

• This model delivers a high level of sector control and ownership of the 'Victorian Library' projects/initiatives (potentially through the sector body, as legal joint venture vehicle).
• It involves the delivery of projects/initiatives by the peak body of the organisations that ultimately have to implement and 'live with' them - the public library sector itself.
• It recognises and reflects the current ownership of Victorian public libraries by local government/RLCs.
• It recognises the State Government's current role in public libraries (excluding SLV) at the high-level policy, enablement, capacity building and funding level with a limited role in direct service and project delivery.
• This option maintains the cohesion, seamlessness and integration across components of the Victorian Library concept as a package. It recognises the significant inter-dependencies between the different components/aspects.
• There is already precedent for this model working successfully - the local government peak body is already involved in the delivery of several sector-level shared services initiatives including the SWIFT Consortium, procurement activities and insurances.
• The SWIFT Consortium experience suggests that a local government peak body may be prepared to act as a contracting 'agent' for projects that are for the benefit of members where appropriate cost neutral contractual arrangements can be agreed. Further, this experience suggests that a peak body may be prepared to enter into such arrangements whilst allowing the specific project to proceed and be managed under the governance 'control' of an arms-length 'board' operating with considerable autonomy.
• This model presents the opportunity to establish specialist working groups to develop policy/oversee specific aspects/components of the Victorian library under the high-level oversight/guidance of the implementation 'board'.
The costs of this model would be optimised by utilising the existing administrative and executive structures, resources, expertise and facilities available through the auspice entity.

The nature of the contractual relationships would not come within the scope of the entrepreneurial provisions (s193) of the Local Government Act.

**Risks/Disadvantages:**

The disadvantages and risks of this model are:

- Depending on the auspice entity chosen, there may be potential for (or at least a perception of) politicisation of such an initiative or project in the wider context of the auspice entity's role. The role of IT system contracting may not be consistent with broader advocacy activities/roles of peak bodies.

- Any appropriate auspice entity would need to be acceptable in the eyes of the local government public library sector. The preparedness of an existing organisation would depend on the precise terms of the proposed arrangement, the proposed governance structure for it and the associated funding arrangements that are proposed as part of it.

**Summary:**

In general terms, this option (conceptually) would offer an efficient, cost effective and legally capable delivery model for the Victorian Library. Other issues that would need to be considered include the way in which this project may be positioned and/or perceived within the wider local government sector.

As stated previously, the level of sector 'buy-in' under this model is difficult to determine. It is dependent on the auspice organisation chosen. This has not been specifically gauged as part of the process of developing this Business Case.

Subject to the choice of project auspice entity, it would be necessary to sufficiently 'quarantine' the policy choices and directions of the implementation board in relation to the Victorian Library implementation from the wider advocacy role and decision-making processes of that entity more generally.

### 12.6 Option 3: Incorporate a Dedicated 3rd Party Entity

This model would involve delivery of the 'Victorian Library' suite of projects through a separate (and legally autonomous) entity established exclusively for the purposes of implementing the Victorian Library projects. (This may be similar to or along the general lines of the separate entity governance model established to implement the Community Chef project- see below).

The model under this option is illustrated below:
Under this model:

- A separate and legally autonomous entity would be incorporated with cross-sectoral/stakeholder membership to implement and deliver the Victorian Library projects. It would oversee and be exclusively responsible for management of all sub-component projects (delivery/implementation and ongoing management).

- Membership of the entity would be defined by the constitution/rules and would be agreed by project partners/stakeholders. There are a range of ways the entity could be set up. Membership is likely to be drawn from the State Government, local governments/RLCs. Local government/RLC membership could take the form of direct membership. Alternatively, peak organisations (subject to legal capacity issues) may become the sector representative members. Membership structure and entitlements would be a matter to be resolved as part of the final negotiations, risk exposure and funding arrangements should this option be preferred.

- The entity would be governed by a board of directors appointed according to the entity constitution/rules. The board would be responsible and accountable to its members within the relevant legal context and framework of it incorporation (ie; its constitution/rules and the statute under which it is formed). Subject to the final structure, an associated partner agreement (potentially a shareholder agreement) may also be necessary in relation to funding of the entity.

- The board would be responsible for all aspects relating to the planning, management, oversight, delivery/implementation and ongoing management of all Victorian Library projects and initiatives.

- All contractual, transactional and other activities (requiring an incorporated legal entity) would be undertaken and executed directly by the entity within the confines of its legal capacity.

- The entity board would be funded for all Victorian Library projects and initiatives according to agreed parameters and defined specification and guidelines.

- As a separate single-purpose entity, the funds provided would need to include sufficient provision/allowance to meet administrative/overhead costs incurred by the entity (both direct and indirect) in the delivery of projects.

- Subject to the entity’s constitution, the board would have an independent chair appointed through a process defined in the entity constitution. This may be appointment by the board or through a defined process that involves consultation with the Minister for Local Government and other project partners/stakeholders. The precise terms of directorship and chairperson appointment would need to be defined in the constitution.

- Subject to the above, board membership would include a balance of:
  - member-nominated positions (local government/RLCs/State Government)
  - other stakeholder representation as appropriate and as defined in the constitution.

- The entity board may also include a number (to be defined) of appointed skills-based positions to be recruited through a defined ‘arms-length’ process.

- The balance of board membership and control would be defined based on factors including the relative funding contributions made by project partners to the overall cost of projects, responsibility for service delivery and the risk exposure of partners.

- The constitution (and legislation under which the entity is incorporated) would define all governance, membership, accountability, reporting, procedural and dispute resolution processes. Entity membership categories and rights attaching to each membership category would be defined.

As an entity that will be required to enter into significant contracts and transactions as part of Victorian Library project delivery, this option is considered most likely to involve a company incorporated under the Corporations Act 2001. In this case, a company limited by guarantee is likely to be most appropriate (subject to detailed advice). Such a structure
has the effect of limiting the liability of members. Other options such as an incorporated association (incorporated under the Associations Incorporation Act) or other avenues of incorporation may also potentially be considered but these are less likely to be appropriate.

The appropriate legal incorporation vehicle and structure would be a matter to be determined based on detailed legal advice once a preferred model has been identified.

The board would establish a number of sector-based working groups (reporting to it as under other options) to oversee project delivery and policy development in relation to specific aspects of the Victorian Library project (ie; collection management and lending policy, IT and systems, marketing and communications, data and reporting etc.).

**Advantages/Benefits:**

The advantages of this model are:

- This model delivers the most direct form of member control over the governance structures for the Victorian Library concept. It creates a governance structure that is genuinely ‘arms-length’ and autonomous from project partners (members).
- That autonomy is reflected in and secured through the independent legal status of the entity (through its constitution). It is politically neutral from the broader political and relationship issues that exist in a broader sense within and between the various stakeholders that would have an interest (financial or otherwise) in the project.
- There is capacity to define membership entitlements and rights in a range of ways to reflect the project goals and intent (ie; financial equity and/or other forms of equity through a company limited by guarantee).
- This model recognises the State Government’s current role in public libraries (excluding SLV) at the high-level policy, enablement, capacity building and funding level with a limited role in direct service and project delivery.
- This option maintains the cohesion, seamlessness and integration across components of the Victorian Library concept as a package. It recognises the significant inter-dependencies between the different components/aspects.
- There is precedent for this model working successfully for major collaborations/project investments in local government (the Community Chef model incorporated through a dual-entity structure under the Corporations Act).
- This model presents the opportunity to establish specialist working groups to develop policy/oversee specific aspects/components of the Victorian library under the high-level oversight/guidance of the board.
- This model creates clear legal separation of the operations of the entity and operations of members. It limits the potential legal liability of members in relation to any future loss or liability incurred as a result of the operations of the entity.
- This model creates a highly focused organisation that (in theory) has the capacity to attract the best expertise and resources to deliver a quality outcome.

**Risks/Disadvantages:**

The disadvantages and risks of this model are:

- This would be the highest cost governance option. By establishing a separate dedicated entity for the implementation of the Victorian Library, significant overhead, administrative and entity-level (initial and ongoing) costs would be incurred.
- This model (as a fully incorporated autonomous entity) is considered likely to be perceived as the most complex, most onerous and carrying the highest level of contractual risk. It could be regarded that the cost of creating a separate and dedicated organisation is an 'over the top' option compared to implementation options through existing entities and organisations.
- The preparedness of local governments to enter into the necessary legal structures (depending on how it is set up) under this model is uncertain. The more complex and/or legally onerous the proposed structure, the greater the chance there is of individual councils/RLCs demurring at the proposed structure. The appetite of councils/RLCs for accepting any risk is untested.
- The nature of the contractual relationships envisaged under this option may come within the scope of the entrepreneurial provisions (s193) of the Local Government Act. (This depends on whether individual councils/RLCs would be the members of the entity or a peak organisation becomes the member on their behalf). Therefore, depending on the scale and scope, this may require individual councils to undertake their own risk assessments of entering into any such joint venture arrangements and risk exposure through the joint venture entity established.
- The potential for a continuing policy oversight role by the State Government (through the MAC) is limited.

**Community Chef Model:**

The Community Chef project is a relatively recent and innovative example of local government collaboration for a service and community benefit. It is a high profile example of what a multi-local government collaboration (over 20 councils around metropolitan Melbourne) on a large scale investment can achieve.

The Community Chef project is a state-of-the-art commercial kitchen facility located in Altona in Melbourne’s south-western suburbs. It was established in 2010 as a collaborative joint venture between councils in Melbourne with Federal Government funding. The project was co-funded through equity contributions on the issue of shares to the initial member councils.

Community Chef operates as a separate arms-length business entity. It contracts to member councils to deliver quality cook-chill meals ready for use by the needy in the community. The councils that are the members of the trading company are also the customers of the enterprise buying wholesale meals for delivery as 'meals-on-wheels' to their respective local communities.

The governance structure had to be developed to deliver the following outcomes:

- Confidence on the part of member councils that their investment is secure and protected.
- Separation of ownership of the assets and facilities of the Community Chef project from operation of the commercial kitchen business (and the risks implicit therein).
- A business-oriented structure to enable independent operation as an arms-length joint venture, separate from the political context of owner councils.
- Separation of the ‘ownership’ rights, obligations and relationship of member councils from their individual contractual relationships with the business for the procurement and supply of meals.
- Mechanisms for entry/exit of members, dealing with disputes and for ongoing engagement with a diverse range of member councils.
- Members to retain ultimate control over the entity and the assets embodied therein.

The governance structure for the Community Chef project needed to separate the ownership of the assets that were acquired and built as part of the initial investment (by a lesser number of members) from ownership of the operating company (for which additional councils were subsequently included as members) that trades with councils (who are also members). Hence, a dual-entity structure was established.

Within this structure, the following roles are played:
RFK Pty Ltd. is a company incorporated under the Corporations Act 2001. It is a proprietary company (limited by shares) that runs the business and leases the facility from the owner, Regional Kitchen Pty Ltd. Regional Kitchen Pty Ltd. is also a company (limited by shares) incorporated under the Corporations Act 2001. It is a separate legal entity to RFK Pty. Ltd.

The core principles that dictated the need for the dual-entity governance structure that was established were:

- The need for asset protection on behalf of members.
- The need to ensure that the investment made by the initial member councils in the assets (primarily the property and the Community Chef Kitchen that was purpose-built in Altona) is separated from the operations and trading of the business itself (which has a different membership).
- The need to separate rights and responsibilities of councils as members of the two entities from the rights and responsibilities as customers of the trading business.

**Summary:**

A key feature of this option is that (if incorporated under the Corporations Act 2001), the members of the entity established will hold ultimate power (ie; that can ultimately be exercised on the floor of a general meeting or special meeting of members). Of course, the State Government would likely be a member (along with councils/RLCs or a peak body on their behalf) and the rights attaching to such membership would be as ascribed through the entity constitution.

The role of the State in this scenario is arguably marginalised with the collective role of members being paramount if set up under the Corporations Act. (NB: this issue is not necessarily noted as an advantage or disadvantage and can be addressed through the creation of a 'golden share' structure in favour of the State if such was deemed necessary).

Of course the State Government can be a member and the constitution can be drafted in such a way as to reflect a balance of rights and powers as required by the partners (within the legal parameters and framework of its incorporation). This will be a matter for negotiation in conjunction with associated funding issues.

By establishing a separate dedicated entity for the implementation of the Victorian Library, significant overhead, administrative and entity-level (initial and ongoing) costs would necessarily be incurred. Whilst many of the direct service-related costs will also be incurred under other options, the administrative overheads will be considerably higher under this option. This includes the costs of an appropriate executive structure, office space (and outgoings), accounting, audit, compliance and legal fees. These costs (ie; those additional to direct project, governance and project management costs that would be incurred under all options) are estimated to be in the vicinity of $300,000 to $400,000 per annum to set up a dedicated entity (indicatively, depending on the structure developed).

What is needed for the delivery/implementation of the Victoria Library are:

- A multi-stakeholder forum/decision-making body that can operate autonomously.
- A structure that can oversee, resource and monitor a number of specialist sector working groups tasked with implementation of Victorian Library projects.
- An entity/ vehicle with legal contracting and transactional capability.

Whilst ownership of financial and legal assets may result under the Victorian Library (and hence an entity to own such assets will be required), the project will not involve a significant investment in property and related physical assets. The nature of financial transactions will likely take the form of contracts, agreements, licenses and supply agreements with vendors/suppliers and with councils and RLCs. Whether or not some of these transactions are ultimately deemed to be capitalised (ie; such as a financial lease) and treated as assets is considered immaterial in the context of this discussion.
In general terms, this option (conceptually) would offer a strong and autonomous governance structure for the Victorian Library implementation. However, it would be the highest cost option. The need to establish a fully incorporated, autonomous joint venture arrangement to deliver the Victorian Library is questionable.

**12.7 Option 4: Autonomous 'Board' (with State Government as auspice entity)**

This model is very similar to option 2 except with a different 'auspice' legal entity (ie; a State Government department or agency). It would involve delivery of the 'Victorian Library' suite of projects through a shared services model established within (or under the auspices of) the State Government. The State Government legal entity to 'auspice' the 'board' under this option would most likely be the Department of Transport, Planning and Local Infrastructure.

The model under this option is illustrated below:

Under this model:
- A separate and largely autonomous sector-level 'board' (or equivalent body) with cross-sectoral/stakeholder representation would be established to maintain high-level oversight/management of all sub-component projects (delivery/implementation and ongoing management) as part of the Victorian Library implementation.
- The implementation 'board' would be responsible and accountable for all day-to-day aspects relating to the planning, management, oversight, delivery/implementation and ongoing management of all Victorian Library projects and initiatives. From a legal viewpoint, the auspicing State Government department/entity would be ultimately responsible and accountable.
- The implementation 'board' itself would not be a separate legal entity. All contractual, transactional and other activities (requiring an incorporated legal entity) would be undertaken through the nominated State department/entity as an agency.
- The 'board' (through the State department or agency) would be funded for all Victorian Library projects and initiatives according to agreed parameters and defined specification and guidelines and as part of the Department budget. The State department or agency would need to be funded sufficiently to cover all indirect administrative/overhead costs for playing this role on behalf of member organisations/stakeholders (as well as direct costs).
- The 'board' would have an independent chair appointed by the Minister for Local Government in consultation with other partners/stakeholders. Precise terms of appointment would need to be defined.
- 'Board' membership would include a balance of:
  - local government/RLC nominated positions
  - State Government nominated positions
  - other stakeholder representation as appropriate.
The 'board' may also include a number (to be defined) of appointed skills-based positions to be recruited through a defined 'arms-length' process.

- The balance of 'Board' membership and control would be defined based on factors including the relative funding contributions made by project partners to the overall cost of projects, responsibility for service delivery and the risk exposure of partners.
- 'Terms of Reference' would be prepared for the 'board' to define all governance, membership, accountability, reporting, procedural and dispute resolution processes.

This model would involve a separate and largely autonomous 'board' with cross-sectoral representation delivering all projects/initiatives through the nominated State entity on behalf of all libraries in the State.

The 'board' (through the auspice entity) would deal and contract with relevant suppliers and vendors and then enter into separate 'on-sell' contracts for the delivery of those same products/services to all public libraries.

The 'board' would establish a number of sector-based working groups (reporting to it) to oversee project delivery and policy development in relation to specific aspects of the Victorian Library project (ie; collection management and lending policy, IT and systems, marketing and communications, data and reporting etc.).

**Advantages/Benefits:**

The advantages of this model are:

- This model delivers a high level of sector control and ownership of the 'Victorian Library' projects/initiatives, using an existing State Government department or agency, a legal joint venture vehicle.
- It involves the delivery of projects/initiatives under an autonomous structure where policy development is driven and controlled by the organisations that ultimately have to implement and 'live with' them - the public library sector itself.
- It recognises and reflects the current ownership of Victorian public libraries by local government/RLCs.
- It recognises the State Government's current role in public libraries (excluding SLV) at the high-level policy, enablement, capacity building and funding level with a limited role in direct service and project delivery.
- This option maintains the cohesion, seamlessness and integration across components of the Victorian Library concept as a package. It recognises the significant interdependencies between the different components/aspects.
- There is already precedent for this model working successfully through projects initiated by the MAC.
- The State Government, through the MAC, is likely to be prepared to take on the risks implicit in this role (subject to normal Government budgetary and risk assessment processes).
- This model presents the opportunity to establish specialist working groups to develop policy/oversee specific aspects/components of the Victorian library under the high-level oversight/guidance of the implementation 'board'.
- The costs of this model would be optimised by utilising the existing administrative and executive structures, resources, expertise and facilities available through the State Government (or agency).
- There is less risk of politicisation of the project delivery process under this model.
- The nature of the contractual relationships would not come within the scope of the entrepreneurial provisions (s193) of the Local Government Act.

**Risks/Disadvantages:**

The disadvantages and risks of this model are:
- This model may be perceived by some in the local government/RLC sector part of a trend towards 'centrism' of public library policy (along the lines of public libraries in South Australia) and a threat to the autonomy of council/RLC public library autonomy.
- As stated, the attitude of other potential State agencies to an option directly involving them is unknown.

Summary:
In general terms, this option would offer an efficient, cost effective and legally capable delivery model for the Victorian Library. To achieve the necessary 'buy-in' from the local government/RLC sector, it would be necessary to negotiate an acceptable balance of board membership, representation and control across all partners. This will be related to negotiations regarding funding arrangements.

Under this option (as with others), it would be necessary to sufficiently 'quarantine' the policy choices and directions of the implementation board in relation to the Victorian Library implementation from the wider issues of the auspice entity with public libraries.

12.8 Option 5: Direct State Government Implementation

This model involves direct State Government implementation as an 'inner-budget' program. It would involve delivery of the 'Victorian Library' suite of projects through a unit established (or expanded) within an existing State Government department (probably the Department of Transport, Planning and Local Infrastructure).

The model under this option is illustrated below:

- Under this model:
  - Implementation of the Victorian Library projects would be undertaken through DTPLI. An advisory committee (with cross-sectoral/stakeholder representation) may also be established to provide high-level input to policy issues as part of implementation.
  - The advisory committee would operate under a 'Terms of Reference'. From a legal and administrative viewpoint, the State Government would be directly responsible and accountable.
  - The Government would directly fund all Victorian Library projects and initiatives within relevant department budget allocations. The responsible department would need to be funded sufficiently to cover all indirect administrative/overhead costs for playing this role on behalf of member organisations/stakeholders (as well as direct costs).
Advisory committee membership would be drawn from:
- local government/RLC
- State Government/LBV
- other stakeholders as appropriate.

The MAC continues to play a significant policy oversight role for public libraries.

'Terms of Reference' would be prepared for the advisory committee to define its role, and responsibilities.

This model essentially involves delivering all Victorian Library projects/initiatives through DTPLI on behalf of all libraries in the State.

DTPLI would deal and contract with relevant suppliers and vendors and then enter into separate 'on-sell' contracts for the delivery of those same products/services to all public libraries.

DTPLI may establish an advisory committee and/or a number of sector-based working groups (reporting to it) to oversee project delivery and policy development in relation to specific aspects of the Victorian Library project (ie; collection management and lending policy, IT and systems, marketing and communications, data and reporting etc.).

**Advantages/Benefits:**

The advantages of this model are:

- This option maintains the cohesion, seamlessness and integration across components of the Victorian Library concept as a package. It recognises the significant inter-dependencies between the different components/aspects.
- This model still presents the opportunity to establish an advisory committee and/or specialist working groups to develop policy/oversee specific aspects/components of the Victorian library through DTPLI.
- The costs of this model would be optimised by utilising the existing administrative and executive structures, resources, expertise and facilities available through the State Government.
- It would be easier for the State to make direct connection between and 'wrap up' the Victorian Library project and State operating grants to local government as a single package (administrative advantage to the State Government).
- The nature of the contractual relationships would not come within the scope of the entrepreneurial provisions (s193) of the Local Government Act.

**Risks/Disadvantages:**

The disadvantages and risks of this model are:

- This model does not deliver significant sector control and ownership of the 'Victorian Library' projects/initiatives. The delivery of projects/initiatives is by the State, rather than the organisations that ultimately have to implement and 'live with' them - the public library sector itself.
- It does not recognise and reflect the current ownership of Victorian public libraries by local government/RLCs.
- It creates a situation where the State Government, for the first time, is directly involved in a functional/operational role in relation to public libraries. It does not recognise and reflect the State Government's current role in public libraries (excluding SLV) at the high-level policy, enablement, capacity building and funding level with a limited role in direct service and project delivery.
- The capacity of the State to deliver a project of this scale in the public library sector is questionable. Irrespective of technical capacity and resources, the State's capability to
directly implement a broad multi-partner IT platform project will be called into question and the confidence level by key stakeholders is likely to be low.

- On this basis, there is a high risk of politicisation of the project delivery process under this model.
- This model is likely to be widely perceived in the local government/RLC sector as part of a trend towards 'centrism' of public library policy (along the lines of public libraries in South Australia) and a threat to the autonomy of council/RLC public library autonomy. This will be seen as an inappropriate role for the State Government in relation to a service that is the clear domain of the local government sector.

**Summary:**

As a significant funder of public libraries in Victoria, the State Government clearly has a significant and legitimate interest in public library policy development and strategic directions. This role is presently played through the MAC and through inter-governmental dialogues with the local government sector. In this context (and in the absence of any stated intent to substantially change the State's policy position in relation to public libraries), the wisdom of the State pursuing a large scale IT-related project across the library sector (ie; directly within its departmental budget structure), in which it does not currently have a direct operational/service delivery role, is highly questionable.

In summary, this option is unlikely to achieve the necessary level of 'buy-in' from the local government/RLC sector in order for it to be perceived as a genuine collaboration and to succeed.

**12.9 PREFERRED OPTION: Autonomous 'Board' (with State Government as auspice entity)**

The rationale for Victorian Library concept lies in the concept of collaboration between the State Government and the local government sector. Indeed, the role of the MAC over the past decade has signified and demonstrated a genuine cross-sectoral and non-partisan approach to developing policy and implementing improvements across Victoria's public library sector. In this context, one of the three collaborative governance options are considered the most appropriate for projects and initiatives under the Victorian Library.

The option (option 3) involving the incorporation of a separate dedicated entity (company or otherwise) to implement the Victorian library would be appropriate and offer a viable delivery path. Subject to the mode of incorporation, the membership structure and the constitution developed, it would also offer the potential to deliver an appropriate balance of rights, responsibilities and representation across and among project partners.

However, whilst effective, it is considered to be too costly for the purposes required. It would, in effect, amount to an 'over-engineering' of the governance structure and solution in order to deliver the outcomes required.

Options 2 and 4 both involve an autonomous 'board' established as part of a multi-party agreement (including 'Terms of Reference') working under the auspices of a 'host' organisation as the legal entity (this could be a peak organisation, a State Government Department or another entity). Under each of these options, subsidiary working groups would be convened to oversee specific project components and deal with the raft of inevitable policy issues associated with the implementation process.
Both of these options are considered to be acceptable, workable and capable of delivering a successful outcome. In the opinion of the consultant, these options differ in terms of:

- The technical aspects of the auspicing legal entity and the associated risk/financial implications attaching thereto for that entity.
- Which collaboration ‘partner’ maintains ultimate control over project directions and implementation (which in the case of a truly autonomous ‘board’ is only likely to become relevant in the event of conflict or decision impasse).
- The manner in which the Victorian Library will be perceived in the public library sector.

The choice of preferred option should be determined based on the balance of new funding contributions towards the Victorian Library concept.

The preferred option is option 4 - establish an autonomous multi-stakeholder ‘Board’ (with the State Government acting as the legal entity).

12.10 Governance Costs

The table below provides a summary of the net financial impact of the proposed governance structure for the Victorian Library (based on the preferred model detailed in this Business Case).

<table>
<thead>
<tr>
<th>Victorian Library Component:</th>
<th>Year 1 ($'000)</th>
<th>Year 2 ($'000)</th>
<th>Year 3 ($'000)</th>
<th>Year 4 ($'000)</th>
<th>Years 1 to 4 ($'000)</th>
<th>Ongoing p.a. ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Governance / Project Management</td>
<td>Costs: $600</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
<td>$2,400</td>
<td>$600</td>
</tr>
<tr>
<td>Savings</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>TOTAL COST/(SAVINGS):</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
<td>$2,400</td>
<td>$600</td>
</tr>
</tbody>
</table>

NB: Governance, procurement and contract management costs provided by DTPLI.

(NB: These costs estimates are indicative only and have been prepared by DTPLI for a governance model auspiced within the Department).
13.0 Implementation

13.1 Change Management Context

The various project components that form the basis of this Business Case, if implemented, would comprise a major structural and systemic change for public libraries. Change inevitably brings with it uncertainty and fear on the part of those people who are involved in it and affected by it.

In particular, this includes over 1,700 staff employed in public libraries throughout the State and over 2.0 million Victorians who are members or users of public libraries throughout the State.

Successful management of major changes such as are proposed requires development of a carefully considered change and transition plan. Such a plan needs to include significant engagement with stakeholders to ensure their needs are met. It also needs to recognise that people will react and respond in a range of different ways.

Many of the proposed changes (such as the common State-wide LMS and RFID) are focused on internal library systems and procedures. The main focus in these areas will be on staff training and management of the transition process so as to assist staff to make the changes work to the benefit of library users. Other initiatives will involve the introduction of new or expanded services and service improvements (such as enhanced discovery, smart phone ‘apps’, a ‘floating LOTE collection, e-books and expanded ILL access). In these cases, staff training and communication will be critical, as will communication with library users in relation to new and expanded services.

Other changes such as the single State-wide library card will impact on every library member throughout the State. The changes proposed will involve choices for library members. Processes and structures will therefore need to be put in place to, firstly, inform library users of the changes and the implications of these and, secondly, to make these choices easy to understand and make. Each library member will need to be communicated with and arrangements put in place for the collection of new library cards through a carefully planned, communicated and phased roll-out process.

Staff will need to be clear on how the proposed new system will work so they can explain the proposed changes to library users.

A key governance role is to oversee all Victorian Library projects. It will need to develop:

- A detailed staged implementation plan.
- A change management strategy.
- A marketing and communications plan.

13.2 Project Inter-Dependencies

As stated earlier, the Victorian Library concept is multi-dimensional. It includes a number of separate proposed projects and initiatives that are designed to deliver benefit to Victorians through an increased level of integration, access and seamlessness of information and resources across Victoria's public library network.
These project components are not mutually exclusive: on the contrary, they have a significant level of inter-dependency. Some inter-dependencies are critical (ie; the absence of one would substantially erode the potential for benefits or substantially increase costs of other project components). For others, the level of inter-dependencies could be regarded as less critical, marginal or non-critical (ie; its absence may reduce likely benefits in other areas or increase costs but not critically so).

The following is an illustration of the project component inter-dependencies:

Consideration of these project component inter-dependencies needs to be given in the context of decisions regarding the funding and potential staging of any projects/initiatives implemented.

13.3 Implementation Plan - Project Staging

The following is a conceptual (high-level) illustration of the proposed staged implementation plan for the Victorian Library based on the model described in this Business Case. This project implementation plan is based on phased roll-out of the common LMS over a 3 year period. It also recognises the component inter-dependencies that exist. For example, the RFID component (which is significant to the ability to efficiently enable increased access to ILLs), is scheduled to commence in the first year.

This implementation plan is indicative only. It embodies a challenging two year roll-out plan for a common State-wide LMS over years 2 and 3 of the plan. The extent to which this roll-out period is achievable depends on a range of factors. These include the model to be implemented, the scoping and specification process, the contract terms finally agreed with the vendor/provider(s) and the process/requirements (for libraries in advance of being brought onto the State-wide LMS) for database audit and compliance testing that is established. In the event of the Victorian Library project being funded and proceeding, a detailed, phased implementation plan would need to be developed (with broad sectoral input) through the governance structure established to oversee project delivery.
It is noted that this implementation plan designates a full year to project planning and the establishment of the governance structure. This is consistent with the views expressed as part of the consultation process that a robust and sectoral-inclusive governance structure is critical to project success.

13.4 Transition - Policy Issues

There are many policy issues that have been identified throughout this Business Case that will need to be addressed as part of the project. Ultimately, such policy issues will need to be addressed, with sector input, through the governance structure that is established to oversee Victorian Library implementation. These policy issues are addressed below.

**Collection Access/Lending Policy:**

Libraries are responsible for management and collection policy within their own collections. Some libraries in Victoria (quite reasonably) want to facilitate and protect priority of access to their own collection for their own local users and community. Some therefore put barriers in place to inter-library lending (reservation fees, ILL bans etc.) to ensure such priority access. Others see wear and tear of collection materials as an issue with inter-library lending and so discourage it through lending policies. In other cases, the library collection is perceived (politically and by the community) as being of high quality and representing a significant local investment of resources and therefore, to be preserved for priority local use first. All such attitudes have merit and, though arguable, are not assessed in this Business Case.

In South Australia, where a collaborative State-wide library collection was introduced in 2010, individual libraries retain individual ownership of all collection items they acquire. However, collection acquisitions and procurement are managed centrally and substantially funded (through a partially tied State grants program) through the State Library of South Australia. The State Library, in turn, has an agreement with local governments regarding State-wide collection access and inter-library lending. Under this agreement, libraries are required to make their whole collection (with certain agreed exceptions), including items purchased centrally by the State Library as well as items purchased directly by the Library service itself, available for State-wide access through inter-library lending.

This agreement is part of the broader library funding agreement between local government and the State Government. In essence, this agreement creates a genuine State-wide
public library collection (even though items remain individually owned by libraries from a legal viewpoint).

Hence, this Business Case needs to consider the rights of ownership that are retained by individual libraries (councils and RLCs) for their collections. Similarly, any viable Victorian Library model needs to accommodate the inevitable variations in attitudes that currently exist and will continue to exist across libraries to the notion of inter-library lending and its potential implications for local lending policy autonomy.

It is proposed, as an underlying assumption for this Business Case, that the Victorian Library model needs to protect a minimum level of individual policy autonomy for the 'owning' libraries as well facilitate easier State-wide access.

**Inter-Library Loans (ILLS):**

Decisions about whether (and if so, to what extent) community access to ILLs should be limited or restricted are essentially matters of policy and philosophy. In addition to these policy issues, the budget available to fund such a service needs to be considered.

Decisions relating to the limitation of ILLs (or otherwise) is treated in this Business Case as a matter of policy to be determined through the governance structure put in place to oversee the Victorian Library (see section 12.0).

The evidence cited above (South Australia and SWIFT) suggests that in an unrestricted access environment ILLs are likely to reach approximately 7-8% of total loans. Therefore, subject to budgetary and policy considerations, a target level for ILLs of 4-5% of total loans would seem achievable and reasonable (ie; assuming such a limited level be deemed necessary for budgetary reasons).

Whether, and if so which (and what mix of) 'controlling levers' ought be applied is a matter of policy to be determined through the Victorian Library governance structure. This needs to be considered in an overall budgetary context.

**Inter-Library Loan Fees and Charges:**

Under the ALIA standard for ILLs, ILL hold fees are permitted to be applied to cover both handling and delivery costs. Evidence from library data suggests that ILL fees are very effective at stopping ILL use by borrowers at fees well within the levels permitted under the ALIA standard. In some cases in Victoria, libraries charge approximately $10.00 for an ILL hold (which is well within the ALIA standard) and, as a consequence, have minimum take-up rates for ILLs (It has been suggested that a fee level at or above $2.00 per loan defines the ILL take-up resistance point).

**Library Membership/Card:**

Consultation undertaken under Stage 1 of this review has indicated that the concept of a State-wide card is generally widely supported within the library sector, as long as:

- Local libraries retain control/local autonomy over lending policy, terms and conditions.
- Local libraries retain the majority of local branding for local design/library logo etc.
- Privacy issues are appropriately addressed.

A stated, many Victorians are members of more than one library. Many find it convenient to be a member based on where they work as well as where they live.

It is proposed, as part of the Victorian Library proposal, to continue to offer Victorians choice in terms of which library they want to be a member of. However, with the proposed introduction of membership reciprocity, Victorians will only be able to be a member of one public library. Eligibility to make that choice will remain based on simple (non-onerous) evidence of identity (as is current widely applied). However, this implies that people who are currently members of multiple public libraries will need to choose between them.

The process for rolling out State-wide single library card will need to be carefully planned and executed. It is assumed that a progressive roll-out program will be implemented.
Subject to more detailed project planning, this is likely to include preliminary letters of advice of the new library membership arrangements (and choices available) to library members followed by staged personal library card collection and activation at library branches.

It is noted that a key outcome of a single library card and membership will be an initial decline in the number of library members State-wide. However, the quality and accuracy of library membership data will be vastly improved and the level of active library members is expected to increase.

**Lending Terms and Conditions:**

There are numerous policy issues that need to be considered with the single library card proposal. Firstly, with the introduction of a single State-wide library card a key question to be addressed is how the single card can operate and function with the existence of varying sets of differing terms and conditions across different libraries in the State.

A single State-wide card will create a number of new scenarios that need to be addressed. These scenarios are shown in the table below:

<table>
<thead>
<tr>
<th>LOAN LOCATION /SITUATION:</th>
<th>ITEM OWNED BY:</th>
<th>TERMS &amp; CONDITIONS APPLIED:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Loan transacted at a Home library branch</td>
<td>Home library</td>
<td>Home library terms &amp; conditions apply</td>
</tr>
<tr>
<td>2. Loan transacted at a Home library branch</td>
<td>Other library</td>
<td>Home library terms &amp; conditions apply</td>
</tr>
<tr>
<td>3. Loan transacted on-line</td>
<td>Home library</td>
<td>Home library terms &amp; conditions apply</td>
</tr>
<tr>
<td>4. Loan transacted on-line</td>
<td>Other library</td>
<td>Home library terms &amp; conditions apply</td>
</tr>
<tr>
<td>5. Loan transacted at another library service</td>
<td>Other library</td>
<td>Other library terms &amp; conditions apply</td>
</tr>
<tr>
<td>6. Loan transacted at another library service</td>
<td>Home library</td>
<td>Other library terms &amp; conditions apply</td>
</tr>
</tbody>
</table>

Under this structure, it would involve application of members' home library terms and conditions, in the first instance, where a loan transaction is executed at a home library branch or on-line, irrespective of which library owns the item being borrowed or where it is located. The terms and conditions of the 'owner library' (i.e.; the library that owns the item being borrowed) would apply where a loan transaction is executed by a member in person at another (non-home) library.

Under this structure, ILL transactions are treated, effectively, as a loan by the library service owning the item to the member's 'home' library service and, hence, local home library terms and conditions continue to apply (even where the item is owned by a library that has different terms and conditions). In essence, the 'owner' library, in agreeing to be part of the inter-library lending arrangement, would be agreeing to lend its items to other libraries, and for that library to on-lend it to its members under its own terms and conditions. An exception to this that will need to be considered is for policies relating to fines for lost items (where owner library terms would apply).

Concern has been expressed by some libraries that total standardisation of lending terms and conditions (including fees and fines policy) across all libraries may be deemed necessary as part of a common State-wide library card.

From a library user viewpoint, an increased level of standardisation of library lending terms and conditions across the State would appear to be desirable. From a strategic marketing and sectoral viewpoint, **seamlessness and consistency** in the **modern product 'offering'** of public libraries would also appear to be a significant marketing advantage in a rapidly changing digital world characterised by user convenience.

However, standardisation of all library lending terms and conditions (including lending periods and fees/fines policy) is complex and, historically, has proven difficult. Despite this, it is not considered to be a necessary pre-condition for the implementation of a single State-wide library card.
On this basis, it is proposed that, with a single State-wide library card, each individual library would retain control/autonomy over their own local lending terms and conditions. It is proposed that increased policy standardisation, led by the sector itself, should be pursued as part of the project, but without the State-wide library model being made contingent upon it.

With a State-wide library card, library members, in becoming a member, would still need to expressly agree/sign up to local library service policies, terms and conditions (including fees and fines etc.) as they currently do (through whatever is deemed locally as an appropriate means of execution).

Under this model with increased membership portability, however, a borrower may execute a transaction at a non-local library (ie; where they work or are visiting). In these cases, the lending (and ‘owning’) library terms and conditions would apply to the transaction. For such circumstances, under a single State-wide library card structure, members, in signing up and agreeing to ‘home’ library terms and conditions, would need to expressly acknowledge and agree to be bound by terms and conditions of other libraries (as well as their ‘home’ terms and conditions) in situations where reciprocal borrowing rights are executed by the member.

It will also be necessary, in loan situations where non-local terms and conditions apply, for the lending library to be alerted to the fact (through an appropriate system screen prompt) that they are lending to an eligible visiting borrower and to alert the borrower to the local terms and conditions that will apply to the loan transaction (ie; terms and conditions that differ to the user’s normal home library conditions and may include fees/fines). This requirement will be stipulated in the specification for the State-wide LMS.

Clearly, a State-wide card will necessitate the negotiation and agreement across the sector of a standard basic card template (within the broad parameters stated above).

Despite it being not a critical project dependency, negotiation and agreement of common State-wide lending periods should also be pursued. A standard approach in this respect seems a realistic possibility. In relation to fees and fines, this is related substantially to library budgetary issues, as well as collection management policy considerations, and hence, a State-wide standard may be more complex to resolve.

13.5 Transition - Carry-over Contractual Issues

One of the issues that will need to be carefully considered as part of implementation planning is the potential for carry-over contractual obligations libraries have to existing LMS vendors for systems and services. There are in place a range of contractual arrangements across the State for LMS contracts and related contracts for other system components. Each is at various stages in its term.

For the purposes of this Business Case, it is assumed that a majority of existing LMS (and related) contracts will progressively expire over the coming two to four years (during which the roll-out of the State-wide LMS is proposed). These expiry dates will be taken into account in the development of the State-wide roll-out/phasing for the introduction of the State-wide LMS. Similarly, existing contractual obligations for other aspects covered by the Victorian Library project will need to be considered and factored in.

13.6 Transition - Data Integrity and Migration

This Business Case identifies that the establishment of a common State-wide bibliographic database/catalogue for public libraries necessarily involves the merging of over 30 existing catalogue databases, the formats of which will vary. As identified, the experience in undertaking this task in South Australia over the past two years has resulted in a State-wide database with significant duplication issues and problems that are being addressed concurrently with the roll-out.
As part of the Victorian Library project, it is proposed, through the transition process, that a thorough database preparation process be conducted by libraries (including undertaking an audit of catalogue/data compliance and duplication) in advance of being brought online to the Victorian Library data base.

Under this approach, the schedule of library services to be brought onto the new system would be developed taking account of factors including the contractual status of the library with their existing LMS vendor and the state of preparedness on the library catalogue/data base.

Allowance has been made in the cost estimates in this Business Case for database compliance auditing and data migration from existing LMS vendors.

13.7 Transition - Inter-Library Loans

Arrangements will need to be set in place to ensure that an avenue for continuation of State-wide ILLs is available during the transition phase (ie; in years two and three) while all libraries are being brought on-line to the common LMS. It is proposed that the common LMS specification and implementation process be structured so as to enable a full State-wide ILL capability after year two of the implementation period. This will require a partial/limited LMS implementation to be undertaken in all libraries in the first year of the roll-out (year two) to enable a basic library service level ILL capability (through an interim arrangement) in every library service across the State. This approach will enable the current LibraryLink service to be phased out earlier than would otherwise be the case.

13.8 Participation/Take-Up Thresholds

This Business Case assumes 100% take-up/participation by Victorian Libraries in all components described in this Business Case.

It has not been possible to accurately define a specific percentage participation threshold of the Victorian population that is required to be reached in order for the project to be viable or successful.

However, it goes without saying that for a project that presents and is marketed as being the 'Victorian Library' (implying full State-wide coverage), any libraries or communities that choose not to participate effectively undermine the State-wide comprehensiveness of the project.

Despite this, library participation levels at less than 100% of all libraries do not necessarily undermine project viability. It is likely that in the event that a significant number of libraries (or libraries with significant population catchments) choose not to participate in the Victorian Library, the extent to which savings will result from the project will be progressively undermined by marginally reduced levels of price competitiveness through the State-wide procurement process.

As an example of how sub-100% participation can potentially undermine the effectiveness of the project, consider inter-library loans and returns. The proposed Victorian Library concept of ‘borrow anywhere – return anywhere’ is significantly undermined if it becomes ‘borrow almost anywhere – return to most only’.

Similarly, the proposed floating LOTE collection, made accessible through the common LMS, discovery layer and State-wide ILLs, will only be available to services who choose to participate in the ‘Victorian Library’. In the event that a public library with a high concentration of non-English speaking people chooses not to participate, this would present a significant challenge.

Conceivably, services choosing not to participate in the ‘Victorian Library’ could still benefit from the proposed State-wide e-book procurement if these components were made separate (depending on project participation eligibility terms that form part of it). However,
these services would need to enhance their existing LMS / discovery layer to communicate with contracted e-book aggregators.

A fee for this would likely be charged by their LMS / discovery layer vendor.

Taking into account the above factors, 100% State-wide participation is highly desirable to deliver a truly seamless and State-wide service. It would avert a number of project inter-dependency problems that would otherwise occur. A very high participation level of the State’s total population would be required in order for the project to be a genuine State-wide library project.

Below is an analysis of the two sub-optimal scenarios with less than 100% library service take-up/participation:

<table>
<thead>
<tr>
<th></th>
<th>Full Participation</th>
<th>80% Participation</th>
<th>50% Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Years 1 to 4</td>
<td>Ongoing p.a.</td>
<td>Years 1 to 4</td>
</tr>
<tr>
<td>Central Costs</td>
<td>$20,495</td>
<td>$5,813</td>
<td>$17,016</td>
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<tr>
<td>Library Service Costs / (Savings)</td>
<td>-$8,797</td>
<td>-$3,332</td>
<td>-$7,038</td>
</tr>
<tr>
<td>TOTAL COST/(SAVINGS):</td>
<td>$11,698</td>
<td>$2,481</td>
<td>$9,979</td>
</tr>
</tbody>
</table>

**50% Participation Scenario:**

This scenario would result in a 4 year net cost of $7.4 million. This would clearly be unsatisfactory in terms of the Victorian Library being a State-wide solution. The level of savings achieved (to offset service improvement investments) is substantially eroded with only a 50% State-wide library take-up level.

**80% Participation Scenario:**

This scenario would result in a 4 year net cost of $9.979 million. This scenario would (arguably) be a satisfactory outcome (in terms of the Victorian Library being a substantially State-wide solution) though less than ideal. The level of savings achieved (to offset service improvement investments) are marginally eroded at an 80% State-wide library take-up level. It would still, however, deliver significant benefit to a majority of Victorians.

(NB: This analysis assumes that the rate/level of savings predicted to be achieved through a State-wide LMS procurement project would be progressively eroded at participation levels of less than 100% State-wide participation. Savings and cost impacts that result would depend on which libraries chose not to participate in the Victorian Library project.)
14.0 Conclusion

14.1 A 21st Century Foundation

In summary, the public library movement in 2013 is on the cusp of significant change. Most of that change is being brought about by the increasing accessibility of information and literary resources direct to the community through digital means.

In terms of community access to information and resources, this is a good thing. In terms of the role of public libraries, it also a good thing.

But it is also the case that unless libraries respond to and embrace these changes, they risk a decline in relevance in the eyes of the community and, in time, use.

The looming growth of e-books as a source of community information and reading choice fundamentally changes the role played by libraries. Other technological changes impacting on libraries include increased automation through the introduction of RFID technology and faster broadband speeds enabling new multi-media capability.

What the future holds in respect of e-books and other electronic data and information services is still unfolding and difficult to predict. What is known, is that people want access to e-books and they want to get them through libraries. But at the moment, libraries are struggling to gain access to a sufficient range and quality (on reasonable terms) to meet that community demand.

What appears clear is that the nature of libraries as a physical place will change. They will continue the emergent trend over recent years to becoming more vibrant and active places. Places where people come together for a range of leisure, educative and literary pursuits. They are likely to become more like community ‘lounge rooms’ and technology hubs and less focused on the traditional transactional/lending role.

The content collections of libraries will also change. Collections of physical books and items will remain as the collection core in the short to medium term. However, over the next 5-10 years, library collections will become much more focused on highly portable and transmittable digital resources. The role of libraries will become more focused on community programs and activities, as a facilitator of community access to information and resources and (potentially) grass-roots community-level story-telling and publishing.

The Victorian Library project, as set out in this Business Case, will enable libraries to engage and respond proactively with these challenges. The Victorian Library proposals will:

- Provide libraries with a common State-wide LMS foundation from which a range of other initiatives and service improvement can be launched, leading to significant ICT savings State-wide.
- Make the intellectual resources of the existing State-wide collection more seamlessly and easily accessible to people in all areas across the State.
- Vastly improve the benefits of being a library member by introducing a single State-wide library card with full membership portability and reciprocity.
- Significantly improve the State-wide service level in all library services throughout the State.
- Vastly improve the quality and accessibility of LOTE resources to the people who need them most and in the places they are needed most.
- Significantly improve library user access to e-books and e-resources.

The Victoria Library proposal will enable public libraries to remain relevant and vital in the eyes of the community well into the 21st Century.
## Appendix A: Detailed Financial Analysis

### CENTRALLY INCURRED COSTS/SAVINGS

<table>
<thead>
<tr>
<th>Note</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Items</td>
<td>Cost</td>
<td>Items</td>
<td>Cost</td>
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</tr>
<tr>
<td></td>
<td>($'000)</td>
<td>($'000)</td>
<td>($'000)</td>
<td>($'000)</td>
<td>($'000)</td>
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<tr>
<td><strong>Services converted:</strong></td>
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<td></td>
<td>0%</td>
<td>40%</td>
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<tr>
<td><strong>CENTRALLY INCURRED COSTS:</strong></td>
<td></td>
<td></td>
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<tr>
<td>LMS:</td>
<td></td>
<td></td>
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<tr>
<td>LMS supply / fees</td>
<td>1</td>
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<td>$ 1,177</td>
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<td>3</td>
<td>$ -</td>
<td>$ 14</td>
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<td>$ 35</td>
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<td>$ 25</td>
<td>$ 62</td>
<td>$ 62</td>
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<td>Training - attendee time</td>
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<td>0</td>
<td>$ -</td>
<td>0</td>
<td>0</td>
</tr>
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<td>$ 658</td>
<td>$ 23,164</td>
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<td>Data conversion</td>
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<td>$ 889</td>
<td>$ 1,693</td>
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<td>ILLs:</td>
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<td>$ -</td>
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<td>$ 255</td>
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<td>To sorting depot</td>
<td>11</td>
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<td>$ -</td>
<td>$ 122</td>
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<td>Return to sort depot</td>
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<td>Return to owner service</td>
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<td>0</td>
<td>$ -</td>
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<td>Homers return to depot</td>
<td>14</td>
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<td>$ 4,412</td>
<td>$ 18</td>
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<td>Homers sort</td>
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<td>Homers to owner service</td>
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<td>Crate purchase</td>
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<td>$ 839</td>
<td>$ 2,013</td>
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<td>RFID:</td>
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<td></td>
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<tr>
<td>Chips for books</td>
<td>28</td>
<td>4,738,924</td>
<td>$ 853</td>
<td>1,234,663</td>
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<td>Chips for A/V</td>
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<td>692,232</td>
<td>$ 374</td>
<td>241,494</td>
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<td>Pad readers</td>
<td>29</td>
<td>298</td>
<td>$ 447</td>
<td>60</td>
<td>60</td>
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<tr>
<td>Tagging station hire</td>
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<td>48</td>
<td>$ 48</td>
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<td>Tag converter cost</td>
<td>31</td>
<td>20</td>
<td>$ 20</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Tag data model conv</td>
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<td>$ 91</td>
<td>0</td>
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<td>$ 2,722</td>
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<td>Other:</td>
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<td>LTE</td>
<td>35</td>
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<td>Access to E-Resources</td>
<td>36</td>
<td>$ -</td>
<td>$ 500</td>
<td>$ 1,000</td>
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<tr>
<td></td>
<td>$ -</td>
<td>$ 1,000</td>
<td>$ 1,500</td>
<td>$ 1,500</td>
<td>$ 1,500</td>
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<td>Gov:</td>
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<td></td>
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<tr>
<td>Governance / Proj Mgmnt</td>
<td>37</td>
<td>$ 600</td>
<td>$ 600</td>
<td>$ 600</td>
<td>$ 600</td>
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<td></td>
<td>$ 600</td>
<td>$ 600</td>
<td>$ 600</td>
<td>$ 600</td>
<td>$ 600</td>
</tr>
</tbody>
</table>

**Total Centrally Incurred Costs:**

$ 3,322 $ 4,802 $ 7,310 $ 6,213 $ 6,213

**CENTRALLY INCURRED SAVINGS:**

| ILLs: | | | | | |
| Existing DX annual fee | 17 | $ - | $ 32 | $ 80 | $ 80 | $ 80 |
| Library link | 18 | $ - | $ 320 | $ 320 | $ 320 | $ 320 |
| | $ - | $ 352 | $ 400 | $ 400 | $ 400 | |

**Total Centrally Incurred Savings:**

$ - $ 352 $ 400 $ 400 $ 400

**Net Centrally Incurred Costs:**

$ 3,322 $ 4,450 $ 6,910 $ 5,813 $ 5,813

Department of Transport, Planning & Local Infrastructure

The Victorian Library – Business Case

Mach 2 Consulting

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30 September 2013
### Appendix A:

**Detailed Financial Analysis**

#### LIBRARY INCURRED COSTS/SAVINGS

<table>
<thead>
<tr>
<th>Note</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
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<tbody>
<tr>
<td></td>
<td>Items</td>
<td>Cost</td>
<td>Items</td>
<td>Cost</td>
<td>Items</td>
</tr>
<tr>
<td></td>
<td>(’000)</td>
<td>(’000)</td>
<td>(’000)</td>
<td>(’000)</td>
<td>(’000)</td>
</tr>
<tr>
<td><strong>LIBRARY INCURRED COSTS:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LMS:</td>
<td>Indirect LMS costs</td>
<td>2</td>
<td>$ -</td>
<td>$ 12</td>
<td>$ 29</td>
</tr>
<tr>
<td></td>
<td>Training - attendee time</td>
<td>5</td>
<td>$ -</td>
<td>675</td>
<td>94</td>
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<td>Data preparation</td>
<td>6</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Toll 15kg Labels</td>
<td></td>
<td>$ -</td>
<td>$ 106</td>
<td>$ 171</td>
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<tr>
<td></td>
<td>Tags for books</td>
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<td>$ -</td>
<td>$ 196</td>
<td>$ 489</td>
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<td>Printing (labour)</td>
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<td>325,525</td>
<td>$ 7</td>
<td>325,525</td>
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<td>Postage</td>
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<td>$ -</td>
<td>$ 0</td>
<td>$ -</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EL:</td>
<td>Labour - crate processing</td>
<td>15</td>
<td>$ -</td>
<td>$ 196</td>
<td>$ 489</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RFID:</td>
<td>Tags for books</td>
<td>32</td>
<td>$ -</td>
<td>$ 0</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Tags for A/V</td>
<td>32</td>
<td>$ -</td>
<td>$ 0</td>
<td>$ -</td>
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<td></td>
<td>Tag installation</td>
<td>33</td>
<td>$ -</td>
<td>1,476,157</td>
<td>242</td>
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<td></td>
<td>Tag data model conv</td>
<td>31</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Replacement readers</td>
<td>32</td>
<td>$ -</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Library Incurred Costs:</td>
<td></td>
<td>$ 7</td>
<td>$ 550</td>
<td>$ 908</td>
</tr>
</tbody>
</table>

| **LIBRARY INCURRED SAVINGS:** | | | | | | | | | | |
| LMS: | Existing licence fees | 8 | $ - | 1,051 | 2,626 | 2,626 | 2,626 | |
| | Curr Indirect LMS costs | 9 | $ - | 69 | 172 | 172 | 172 | |
| | Toll 15kg Labels | 19 | $ - | 82 | 204 | 204 | 204 | |
| | Labour - crate processing | 20 | $ - | 13,692 | 328 | 328 | 328 | |
| | | | | | | | | | |
| | Total Library Incurred Savings: | | $ 7 | $ 550 | $ 908 | $ 767 | $ 767 | |

| RFID: | Tags for books | 34 | 856,380 | $ 197 | 893,233 | 205 | 909,491 | 209 | 909,491 | 209 |
| | Tags for A/V | 34 | 174,340 | $ 119 | 180,882 | 123 | 183,769 | 125 | 183,769 | 125 |
| | Tag installation | 169 | $ 169 | 176 | 179 | 179 | 179 | |
| | Replacement readers | 32 | $ 50 | $ 50 | $ 50 | $ 50 | $ 50 | |
| | | | | | | | | | |
| | Total Library Incurred Savings: | | $ 740 | $ 2,092 | $ 4,089 | $ 4,099 | $ 4,099 | |

| Net Library Incurred Costs: | $ -731 | $ -1,542 | $ 3,190 | $ 3,332 | $ 3,332 |
### Appendix B:

#### Financial Assumptions

Below are the core assumptions that have been applied to the financial analysis. All costs and savings identified reflect net financial impacts. The analysis includes both direct and indirect costs including costs borne centrally and those incurred by library services.

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Note No</th>
<th>Core Assumptions Applied</th>
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<tbody>
<tr>
<td>Common LMS</td>
<td>1</td>
<td>Includes central procurement of State-wide LMS with 100% library participation and progressive phase-in/implementation over three years.</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Allowance for administration of State-wide LMS, at 2.5% of LMS supply cost.</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Integrated digital archive to be delivered by LMS vendor and linked to discovery layer. Provision made at 3% of LMS supply cost.</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Includes training provision at 5% of LMS supply cost.</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Includes provision for release of staff to receive tuition 4 hours/EFT.</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Includes allowance for checking (35 hours per service) and conversion ($3,000 per service) of existing data.</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Includes establishment and operation of 'level 1' support centre – three full-time staff.</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Reflects existing LMS license fees and related costs (68% provided, remainder estimated).</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Current LMS operating infrastructure, backup and administration. Assumes costs of 10% of current LMS licence fees for services not using a managed service.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Any impact of existing LMS contract exit has not been included, assume services will move to State-wide LMS on existing contract completion.</td>
</tr>
<tr>
<td>Expanded ILL Access</td>
<td>10</td>
<td>Annual courier subscription for week day delivery to 150 branches State-wide.</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Assumes ILLs set at 4% of total loans (through ILL policy 'levels').</td>
</tr>
<tr>
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<td></td>
<td>Assumes $4.16 delivery fee for any crate between library service and sorting centre. This is $5.20 discounted by 20%.</td>
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<tr>
<td></td>
<td>12</td>
<td>Assumes centralised sorting at $2.40 per crate.</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>Assumes entire State-wide collection RFID tagged.</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>Assumes 15% of ILLs will be delivered directly to next hold location (ie; not returned to owner library).</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>Assumes 15% returns to non-owner service ('borrow anywhere, return anywhere').</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>Represents time taken to process crates at library service, at eight crates per hour.</td>
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<tr>
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<td>17</td>
<td>Assumes 600 crates purchased over years two to four.</td>
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<tr>
<td></td>
<td>18</td>
<td>Current annual courier subscription fee.</td>
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<td></td>
<td>19</td>
<td>Discontinuation of interim 'LibraryLink' service.</td>
</tr>
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<td></td>
<td>20</td>
<td>Savings from library staff time associated with handling and sorting.</td>
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<tr>
<td>One State-wide Library Card</td>
<td>21</td>
<td>Includes costs of cards and printing. Cards will include magnetic strip, bar code and signature panel. Quoted supply price of $3.25 per card.</td>
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<tr>
<td></td>
<td></td>
<td>Also includes ongoing purchase of membership cards and elimination of library membership duplication State-wide.</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Includes initial mail-out of leaflet to current library members. Quoted 7c per leaflet including folding in to DL.</td>
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<tr>
<td></td>
<td>23</td>
<td>Includes marketing campaign in years two and three.</td>
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<td>24</td>
<td>Library card printing will no longer be done by library services.</td>
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<tr>
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<td>25</td>
<td>Allows for time taken in preparing card for new members.</td>
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<tr>
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<td>26</td>
<td>Cards are presented to members in person, not posted.</td>
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<tr>
<td></td>
<td>27</td>
<td>Savings identified reflect estimate of existing library card-related costs.</td>
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<tr>
<td>RFID of State-wide Collection</td>
<td>28</td>
<td>Includes initial acquisition of tags at 18c / 54c per tag (book / AV).</td>
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<tr>
<td></td>
<td></td>
<td>Also includes ongoing purchase of RFID tags.</td>
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<tr>
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<td>29</td>
<td>Supply of one RFID reader to every branch / mobile.</td>
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<tr>
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<td>30</td>
<td>Ongoing replacement of pad readers at five years of age.</td>
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<tr>
<td></td>
<td>31</td>
<td>Includes tagging of entire collection. Tagging stations hired at $1,000 per month. Assumes two people can tag 250 items per hour.</td>
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<tr>
<td></td>
<td>32</td>
<td>Assumes ISO compliance testing of existing tags/data models. 60% assumed not to comply.</td>
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<tr>
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<td>33</td>
<td>On-going purchase of RFID tags and replacement readers (at one per branch / mobile) will no longer be done by library services.</td>
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<tr>
<td></td>
<td>34</td>
<td>Additional readers may be purchased by services at their expense.</td>
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<td>35</td>
<td>Installation of RFID tags will remain services' responsibility.</td>
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<td>36</td>
<td>Includes savings from ongoing provision of tags at 23c / 68c per tag (book / AV).</td>
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<tr>
<td>“Floating” State-wide LOTE Collection</td>
<td>37</td>
<td>Acquisition and management of 'floating collection' and/or provision of tied LOTE funding to 'centre of excellence' libraries.</td>
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<td>E-Resources</td>
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<td>Annual budget for central procurement of e-books/e-resources under a zone/block structure.</td>
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<tr>
<td>Governance / Project Management</td>
<td>37</td>
<td>Governance, procurement and contract management costs provided by DTPLI.</td>
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</table>