



Report for: ACTION/INFORMATION
Item Number: 15

Contains Confidential or Exempt Information	YES
Title	Library Contract Extension from September 2018 to August 2023
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Author(s)	Carole Stewart Assistant Director Arts Heritage & Libraries
Portfolio(s)	Cllr. Ranjit Dheer
For Consideration By	Cabinet
Date to be Considered	16 January 2018
Implementation Date if Not Called In	29 January 2018
Affected Wards	ALL
Keywords/Index	Libraries Contracts

Purpose of Report:

In 2013 the Council entered into a five year plus five year contract for the operation of its Library Service. In August 2018 the current five year operation comes to an end. This report sets out proposals to continue providing Ealing Libraries Service through a commercial management contract for a further five years from September 2018 to August 2023 (as permitted by the current contract).

1. Recommendation

That Cabinet:

- 1.1 Delegates authority to the Executive Director Environment & Customer Services, following consultation with the Portfolio Holder for Community and Libraries, to extend the current contract for the provision of Libraries Management Services for a further five years from 1st September 2018 to 31st August 2023, to be funded from the existing approved Library contract budget of £2.051m per annum.

2. Reason for Decision and Options Considered

- 2.1 The Council commissioned the management of its Library Services jointly with the London Borough of Harrow and entered into a contract with John Laing Integrated Services Ltd (subsequently Carillion Integrated Services Ltd) for

five years from 1st September 2013 with an option to extend for a further five years (“the Contract”).

- 2.3 Cabinet approved the award of the Contract for the management of Library Services to John Laing Ltd (subsequently Carillion Integrated Services Ltd) in June 2013. A joint procurement exercise on behalf of London Borough of Ealing and London Borough of Harrow Councils was undertaken, and the award of Contract required the approval of both Councils.
- 2.4 The Contract covers day to day management of the following services:
- Thirteen static libraries
 - Service development, outreach and community engagement
 - Libraries back office support services;
 - Home Library Service;
 - Archives and Local Studies Service
- 2.5 The Contract term for libraries was set at five years, with the option to extend for a further five years at the absolute discretion of London Borough of Ealing and London Borough of Harrow Councils. The Library Service is managed by Cultural Community Solutions (CCS), a Not for Profit Distribution Organisation section of Carillion Integrated Services Ltd.
- 2.6 The contract includes key performance indicators for the following:
- increased participation through usage (library throughput, library issues, and library members)
 - increased participation by target groups to ensure accessibility of services for all
 - development of libraries as community hubs to ensure use by non-traditional groups
 - increased external grants and investment
 - improved user satisfaction
 - more word of mouth recommendations
 - higher quality of service assessed through targets for mystery shopping exercises
 - environmental sustainability through reduced utilities consumption and % of waste recycled
 - social sustainability through staff satisfaction and staff/volunteer make-up representative of the ward profiles
 - economic sustainability through apprenticeships, work placements and jobs for borough residents and through the use of local suppliers.
- 2.7 A shared contract management model across London Borough of Ealing and London Borough of Harrow was adopted as the most cost effective method of managing the Contract. The relationship between the two boroughs is detailed in an Inter-Authority agreement. Policy and strategic direction of the service remains with each borough, respectively.

2.8 There have been a number of service improvements since the start of the library contract with Carillion Integrated Services Ltd (CIS) including:

- CCS Libraries has improved the offer of e-books, added e-magazines, and additional online resources through a dedicated library website.
- The delivery of grant funded programmes following successful applications by CIS including a £0.045m funded programme 'Enterprising Libraries' and 'Books Beyond Words/ plus a £0.092m funded programme for adults with learning difficulties.
- Improved marketing including a quarterly 'What's On' guide, and a monthly e-newsletter.

3. Key Implications

Current Situation

- 3.1. The Contract with Carillion Integrated Services Ltd (CIS) started on the 1st September 2013. The first five years of the Contract ends on the 31st August 2018. If London Borough of Ealing and London Borough of Harrow wish to continue the Contract for a further five years each authority must give at least six months prior written notice to CIS. The deadline for informing CIS of the decision to extend the Contract is the 28th February 2018. The end date for the full ten years of the Contract is 31st August 2023.
- 3.2. If the Contract is not extended for the full ten years term, London Borough of Ealing and London Borough of Harrow will be liable, in accordance with the terms of the Contract, for payment of a termination sum. The one-off termination sum payable by London Borough of Ealing would be £0.649m and for London Borough of Harrow it would be £0.485m.
- 3.3 On 18th January 2018 London Borough of Harrow Cabinet will receive a report recommending the extension of the Contract for the full ten years term.

Options considered

Option A: Early termination of the Library Contract with Carillion Integrated Services Ltd (CIS) and re-tendering of the library contract.

The market in the UK for the management of Library Services is currently very small. In London 26 out of the 33 London Authorities are run in-house.

Greenwich Leisure manages multiple Library Services on behalf of local authorities in Greenwich, Wandsworth, Bromley, Dudley, and Lincolnshire. They have management and operational responsibility for 112 libraries. This makes GLL the largest operator of library services in England acquiring new business in the local authority market over the past four years.

Vision Redbridge Culture and Leisure Trust manage Redbridge Libraries on behalf of Redbridge Council.

The market for management of public library services is limited. In addition to the termination sum of £0.649m payable by the Council, to terminate the existing contract and incur costs to retender the service in such an undeveloped market would not provide value for money. Implementing this option would also incur other unknown costs.

This option is not recommended.

Option B: Early termination of the Library Contract with Carillion Integrated Services Ltd (CIS) and return of the service to Council operation.

An analysis of the costs of running the service in-house, based on the costs in 2012-13 prior to the commissioning of the service in September 2013, indicates that the average yearly running costs could be around £5.974m and estimated one-off implementation costs could be £1.729m. This is significantly greater than continuing the current contract with CIS with the contract cost of £2.051m per annum.

The one-off cost includes bringing all of the libraries ICT back onto the Council's Corporate Network.

This option would also incur other unknown costs in addition to the £0.649m termination sum payable to CIS.

This option is not recommended.

Option C: Extension of the Library Contract with Carillion Integrated Services Ltd (CIS) for further five years to full ten year term.

This option would enable London Borough of Ealing to continue to benefit from a cost-efficient delivery of library services with an annual contract cost of £2.051m.

The above two options indicate significantly higher costs than continuing the contract with CIS for further five years.

London Borough of Ealing would benefit from the ten-year price with no termination sum being due to CIS. The performance of the contract to date has been good with CIS contributing to the wider strategic objectives of the Council, as well as working with London Borough of Ealing to deliver on-going efficiencies.

This option is recommended.

4. Implications of the Recommendation

Performance

- 4.1 The contract with CIS includes a range of Key Performance Indicators (KPIs) with Service Credits due for non-performance. Whilst the KPI targets for increasing participation (library visits, stock issues, and new members) have not been met, performance for the first three years of the contract compares favourably with the national trend (national statistics not yet available for 2016-17).
- 4.2 There has been an increase in library visits on average of 0.38% annually in the first four years of the contract as shown in Table 1. Libraries are no longer just about borrowing books, but have developed into a multi-function service. This measure captures any visit – whether to borrow books, internet use, reference use or study purpose etc. However, the number of virtual visits to library e-services has also been steadily growing, having reached 322,512 (2016/17).

Table1

Library Visits				% Change Average	% Change National Trend 2009- 13
2013-14	2014-15	2015-16	2016-17		
1,607,124	1,543,764	1,606,409	1,628,438	0.38%	-3%
	-4.10%	3.90%	1.35%		

- 4.3 The book issues decreased on average annually by 7.75% compared to a national average decrease of 5.5% (the national statistics for 2016/17 are not yet available).
- 4.4 During the first four years of the contract there has been an increase in new members on average annually by 0.72%.

5. Financial Implications

- 5.1 The preferred option C - Extending the Library Service Contract with CIS for a further five years to the full ten year term of the current contract is the best option, as the cost of service would be within the approved revenue budget of £2.051m per annum, unlike option A with the cost incurred through early termination of the current contract and procuring the management service in an uncompetitive market place, or option B bringing the service in house to be

run by the Council. Both Options A and B would require financing costs in excess of an additional £3.000m above the available budget for operating the service.

- 5.2 The approved budget includes the 2017-18 saving target of £0.560m. London Borough of Ealing Council and CIS are working on delivering the target saving in an effective and efficient way.

6. Legal

- 6.1 The Public Libraries and Museums Act 1964 makes it the duty of every library authority to provide a “comprehensive and efficient library service for all persons desiring to make use thereof”. The proposals in this report would support this.
- 6.2 London Borough of Ealing and London Borough of Harrow conducted the original tender process in accordance with principles of transparency, fairness and equal treatment as required by regulation 4 of the Public Contracts Regulations 2006 (as amended) and the EC Treaty. The proposed extension to the Contract is compliant with the Council’s Contract Procedure Rules and the Public Contract Regulations 2015.

7. Value for Money

Option C Extending the Library Service Contract for the full ten years term of the current contract provides value for money, as the cost of service would be within the budget available and delivers the service outcomes.

8. Sustainability Impact Appraisal

This is a contract extension.

9. Risk Management

- 9.1 A risk register is in place for this project. The risk is that Carillion Integrated Services Ltd becomes insolvent and is not able to fulfill its contractual obligations. The mitigation is that a parent company guarantee is in place between Carillion Integrated Services Ltd and Carillion PLC.
- 9.2 Carillion PLC has announced unfavorable financial performance recently and the action it is taking in respect of this. It has reiterated its continuing commitment to deliver its contractual obligations to deliver the service. London Borough of Ealing and London Borough of Harrow have a contingency plan to come into effect, should the situation change to ensure continuity of service.

9.3 Appendix 1 sets out a confidential update on the actions being taken to ensure the continuation of the contract for library services through extension of the library contract with Carillion Integrated Services.

10. Community Safety

None

11. Links to the 6 Priorities for the Borough

11.1 The council's six priorities for the borough are to make Ealing:

- prosperous
- safer
- healthier
- cleaner
- fairer
- accessible

12. Equalities, Human Rights and Community Cohesion

There are no changes to the service provision as a result of the proposed contract extension.

13. Staffing/Workforce and Accommodation implications:

Carillion Integrated Services/CCS Libraries employ 132 staff that equates to 71.5 FTE. If the library service is taken in house by the Council the staff would be TUPE transferred in to the authority.

14. Property and Assets

CCS is a not for profit subsidiary of Carillion Integrated Services. As a charity the library services benefits from charitable rate relief, which is 80% mandatory and 20% discretionary.

15. Consultation

None required.

16. Timetable for Implementation

The contract extension would commence 1 September 2018.

17. Appendices

Appendix 1: Confidential Update on Commercial Discussions.

18. Background Information

Cabinet Report: Award of the Original Contract

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Internal				
Alison Reynolds	Director Customer Services	1/12/17	7/12/17	Throughout
Catherine Taylor	Head of Contracts Legal Services	29/11/17	4/12/17	Throughout
Shabana Kauser & Yalini Gunarajah	Finance Business Partner	29/11/17	7/12/17	Throughout
Ranjit Dheer	Portfolio Holder Libraries	7/12/17		
Rakhee Vyas	Commercial and Procurement	7/12/17	7/12/17	

Report History

Decision type:	Urgency item?
EITHER: Key decision OR Non-key decision OR For information (delete as applicable)	Key Decision
Report no.:	Report author and contact for queries:
	Carole Stewart Assistant Director Arts Heritage & Libraries cstewart@ealing.gov.uk