

# Budgeting in Academic Libraries: The Polytechnic Perspective

The polytechnics, with a few very recent exceptions, were set up in the late 1960s and early 1970s, following the 1966 White Paper *A Plan for Polytechnics and Other Colleges* [1]. The White Paper marked a shift in government policy away from a unitary higher education system, with expansion based on the creation of new universities, to a binary system in which the universities would be complemented by a vocationally orientated group of polytechnics. Since that time, the polytechnics and colleges sector has grown to such an extent that it now represents the larger part of the undergraduate provision in the UK.

The 'average' polytechnic library occupies buildings of nearly 6,000m<sup>2</sup> in total floor area distributed across four sites. The total bookstock is around 350,000 volumes and there are about 2,200 current journal subscriptions. There is seating for 1,000 readers, approximately 10 percent of the institution's student and staff population. Expenditure on books, journals and other library materials amounts to about £350,000 per annum, on library staff to about £650,000 and on other items (online equipment, automated systems, etc) to about another £200,000. All the above figures relate to 1989/90.

Within these averages it has to be recognised that there are enormous differences. Manchester Polytechnic is the largest unitary higher education institution in Europe. Teeside is small and specialist with an emphasis on technology. Portsmouth offers a high proportion of postgraduate work but little part-time provision. It is thus dangerous to try to

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draw simple conclusions about the nature of polytechnics and their libraries.

## **Polytechnics: The Funding Process**

The profound and far reaching organisational changes set in motion by the Education Reform Act of 1988 have not unnaturally had a considerable effect on polytechnic libraries. It is therefore appropriate to begin consideration of budgetary issues with a summary of the effects of corporate status and related changes on the institutions themselves.

Until 31 March 1989, polytechnics were part of local government. They were administered through local education authorities — some, like Middlesex Polytechnic, even suffering the impossible situation of being controlled by a consortium of local authorities of differing political complexions. As might be expected, relationships between polytechnics and their parent authorities were mixed. Some authorities granted a great deal of autonomy to their polytechnics, recognising their national role and maturity and allowing them to manage their affairs within a broad policy framework. Others, unfortunately, seemed unable to recognise any significant difference between a large institution of higher education and a small primary school! At the local level, therefore, there was considerable pressure for change.

Nationally, too, there was recognition that the polytechnics had established their academic credentials beyond question — full accreditation by the Council for National Academic Awards (CNAA) had become the norm. It was also becoming increasingly apparent that if polytechnics were to respond positively to the government's avowed policy to widen access to higher education they needed to be free to innovate and change rapidly. With funding for higher education being channelled through national bodies, the National Advisory Body (NAB) in the case of the polytechnics, and, to be blunt, with the government's antipathy to local government, the stage was set for a major change.

The financial aspects of the new corporate status granted to polytechnics were to be among the most far-reaching aspects of this change. No longer would these institutions be subject to the financial regulations and budgeting procedures of local authorities. Instead they would be controlled by their own governing bodies — with approval on various issues reserved by the Secretary of State — and would operate their own financial regimes.

Of course, alongside this newly won freedom polytechnics managers were well aware that potential difficulties would be encountered. Not least of these was the newly won freedom to go bankrupt! While this is not a serious possibility at the moment, experience in the university sector would suggest that sound financial planning and financial management are of supreme importance to long-term survival, for higher education just as much as for any private sector organisation. The new financial regimes would have to be tight, well-managed, effective and efficient. An interesting report on the polytechnics' requirements for financial management systems was commissioned from Coopers & Lybrand by the Committee of Directors of Polytechnics and the Standing Conference of Principals of Colleges and published in 1988[2].

Alongside these structural changes to the financial regime in which polytechnic libraries operate, various pressures have been brought to bear from the changing educational system and the way it is being funded. The NAB and University Grants Committee (UGC) have been replaced by the Polytechnics and Colleges Funding Council (PCFC) and Universities Funding Council (UFC). This is not the place to go into the detail of the new funding arrangements but it is important to note that the PCFC in particular has introduced a system which involves institutions bidding for student places and hence for funding. The UFC's attempt to follow a similar course through a system of 'guide prices' has recently collapsed, but despite this setback future funding will probably be based on a competitive bidding system extending across all institutions. The White Paper *Higher Education: A New Framework* [3], published in May 1991, announced the Government's intention to merge the two sectors within a new higher education system in which all major institutions will be free to use the title 'university'. Bidding for research as well as teaching funds will be a characteristic of this new system. It is particularly important to note that institutional income will then be dependent on a combination of successful bidding and successful recruitment. One particular issue for institutions is the extent to which this external model of finance driven by student number and research is allowed to drive the internal financial regime. In the polytechnics external research funding has not generally been as significant as in the universities, but in the future success in the bidding process as a whole will be important to institutional survival and development.

### **Library Budgets: Policy Issues**

From the viewpoint of the library manager it is easy to see the problems that the changes outlined bring for financial

management. In the first place, the library's funding is usually 'top-sliced' at a fairly early stage (but see below for alternative models) along with such budgets as teaching and non-teaching staffing, premises costs, computer services, management costs, and so on. The library is highly vulnerable in this process since so many of the other budgets are essentially fixed: nothing can be done about rates or insurance, little about heating and lighting, while staffing costs are difficult to cut back in the short term. While there is nothing new in this picture, institutions are fairly small in corporate terms (typical budgets would be £30-40 million per annum) and the typical £½ million library budget is one of the few to which there is no statutory or legal obligation. Polytechnics do not hold large reserves, unlike some universities, so the budget has to be balanced each year. The temptation for senior management is to impose a 'temporary' cut on the bookfund, but all too easily the reduced level of funding can become the norm.

The new financial regimes in polytechnics have almost without exception led to a process of devolution of budgets to 'budget centres' controlled by senior managers, one of whom is usually the Librarian. (A useful discussion of the concept of cost centres and budget centres has been published by Revill [4]) Typically, the Dean of a Faculty (or equivalent) will be given responsibility for a staffing budget, which may run into several million pounds, an equipment budget and a revenue budget covering consumables of one kind or another. The Faculty may also be seen as a revenue-earner in that it recruits students who each bring in fee income together with the PCFC income for each place. No doubt the Faculty also has a focus on external research, consultancy and other income-generating activities. It is easy to see how, in these circumstances, the idea surfaces that *all* funding should be allocated to the Faculty, with the Faculty determining its own priorities between, let us say, computer

purchases, support staff, staff training and development, and library services. In essence, the Faculty should 'buy in' library services according to its own perception of its needs. Such models are not uncommon in the private sector, where information services, through internal charging, be required to recoup their costs.

A number of polytechnics have gone down this road (Teesside and Wolverhampton are examples) but the experience, not surprisingly, has not been entirely happy. At the micro level it is easy to see why such a system could become unworkable: what happens, for example, if a Faculty — perhaps one hit by reducing student numbers — decides it cannot afford to buy library services in a particular year? The library manager's blunt answer may be that these students do not get to use the library! Hardly a satisfactory scenario, yet at a less extreme level exactly what would happen under such a system.

The 'devoled budget' system also suffers from a more fundamental weakness, for it assumes that library services can be compartmentalised into disciplinary blocks. Yet the library should surely be a cross-disciplinary service, an integrated resource for the use of every member of the institution. It would be ironic if this truly polytechnic resource were to be diminished by the competing demands of partisan interests.

It should not be imagined that there are no pressures to retain library funding as a central issue. One of the most powerful arguments is likely to come from student demand within the credit accumulation and transfer schemes (CATS) now commonly being introduced. CATS move the centre of power from the academic staff in their Departmental and Faculty groupings to the individual student. Because students choose course modules from a wide range, they can 'pick and choose' from across the institution (the 'supermarket' analogy is not really appropriate since there is inevitably and properly limited choice, but it gives an

idea of the power of the new higher education consumer). They no longer 'belong' exclusively to one small subject area: rather they have cross-disciplinary interests and needs. Because they choose which modules to follow, *their* interests (which tend to include good library facilities) will be powerful determinants of funding directions. Used skilfully, this state of affairs could be drawn upon by the library manager.

Over the years many different approaches to the determination of library budgets have been tried, but it is probably safe to say that the current process is similar in all polytechnics. The previous year's budget will provide a major starting-point; the Librarian will make a case for an increased budget based on a number of significant factors, such as:

- inflation in book prices;
- inflation in periodical prices;
- imperative of new technology;
- increasing student numbers;
- increasing volume of publications;
- increased emphasis on student-centred learning;
- need to 'catch-up' on previous year's deficiencies;
- comments made by course validation panels.

Such factors will be considered politely by institutional management, who will take notice to an extent dependent on their aspirations, other pressures on them and the inadequacy of the total funding available. After a period of bartering, a sum — usually regarded by the Librarian as totally inadequate — will appear. Next year's battles then commence!

For the majority of polytechnic libraries the annual bookfund is therefore determined by a process of historical precedent, negotiation and political manoeuvring. None of the polytechnics (to

the author's knowledge) has succeeded in reaching agreement for a fixed percentage of institutional income to be devoted to the library, a model found in some universities. The statistical evidence shows that none has managed to retain the unit of library resource in the face of increasing student numbers.

### Staffing Budgets

Although there is no sign of a lessening of the tight control on the overall staffing budget exercised by all institutions faced, as they are, with staffing costs rising at a faster rate than income, most polytechnics have devolved responsibility for staffing budgets to senior managers. Such budgets may not be based on actual costs: the situation at Lancashire Polytechnic is fairly typical of this trend — each department, including the library, has an agreed 'funded structure' consisting of a number of posts, each on a particular grade. The budget is determined by taking a point (usually the mid-point) of the grade for each post without reference to the actual salary point being paid to the individual member of staff. The manager is required to live within the overall budget but has flexibility in terms of filling posts. Regradings of posts have to be agreed at polytechnic level, although accelerated progression of individuals within agreed grades is, within tight guidelines, a matter for the manager. To add to the pressures, the Polytechnic assumes that there will be a 3 per cent saving on the total budget due to vacancies during the year, and this saving has to be met whether or not vacancies occur!

It will be readily appreciated that difficulties arise for a librarian (or any other manager) because, inevitably, the average member of the library staff is not on the mid-point of the grade but well above it. The net effect, taking Lancashire Polytechnic as an example, is that one or more posts have to be held vacant in order that the budget can be met. The advantages

from the institutional viewpoint are fairly clear: a tight rein is kept on staffing expenditure without senior management having to consider every claim for a regrading or additional post.

## Equipment

Polytechnic libraries have always had a need for equipment funding, not only to allow the purchase of major computer systems but to support the use of a wide range of media. While in the past equipment funding has tended to be earmarked at the institutional level, there is now a greater tendency to provide equipment funding somewhat more flexibly. The PCFC earmarks some funding for this purpose and, while institutional mechanisms vary, polytechnic libraries do seem to be gaining a reasonable share of what is available. With new technological developments such as CD-ROM networks it is, of course, important that this trend continues.

Equipment funding, whether earmarked or not, usually has to be spent within the financial year in which it is allocated: carry forward from one year to the next is not usually permitted. One anomaly is that there is no clear, agreed definition of what constitutes 'equipment'. While individual small items (below, say, £200) will be excluded, there is some possibility that an agglomeration of small items (such as a run of expensive periodical volumes) might be acceptable. Considerable ingenuity is needed to make the most use of the equipment budget.

## Income

It is difficult to generalise about the importance and use of income in polytechnic libraries. There are two major sources of income — fines and photocopying — but not all libraries benefit from both. At least one polytechnic library has an income in excess of £100,000 per annum from these sources, but others may

have no photocopying income (where, for example, photocopying is a central polytechnic responsibility) and income from fines may be modest.

Other sources of income are usually less important in budgetary terms, although such activities as external membership subscriptions, charged information services, thesis binding, and the like, offer a useful source of funds, all the more welcome for not being earmarked. Hatfield Polytechnic Library is, of course, the home of HERTIS, but no other polytechnic library approaches the scale of this information service.

Some polytechnics make a central charge (typically 20-30 per cent) on all income to cover central overhead costs; others levy such charges on externally-derived income only. Most, however, allow the department which raises the income to determine how it should be spent: certainly, at Lancashire Polytechnic, this ability has rescued the staffing budget in recent times.

## Other Budgets

The Librarian may have access to a range of other budgets, and other budget centres may have the right to charge the library for their services. Again it is difficult to generalise. Lancashire Polytechnic's policy on staff development has led it to allocate an earmarked budget for this purpose to each department; in other polytechnics such budgets may be held centrally or may be subsumed within a general revenue budget. The general shift towards budget centres referred to in the introduction is leading to more and more areas being devolved: these range from postage and telephones to hospitality and travel. It is interesting to note the rules which are invented to curtail the entrepreneurial instincts of senior managers, usually by creating artificial internal monopolies. Usually, for example, the polytechnic's own catering department is the sole supplier of sandwiches!

Some budgets are never devolved: most obviously the funds for a major building

programme are held centrally, but minor building works budgets are rarely devolved, and there will be central budgets for such items as public relations, legal fees and the Director's salary (no-one has yet instituted a system of optional buying-in of the last!).

## Use of Funds

Traditionally in academic libraries the bookfund (but not other budgets) has been divided between different departmental interests. This has sometimes led to disputes about who determines what is to be spent , on which items, although the trend towards budget centres should have resolved this issue in the librarian's favour by now. Various methods are used to determine the 'correct' distribution (perhaps 'least incorrect' or 'least unacceptable' might be better terms), although most polytechnic libraries make use of a formula of some kind. (A useful survey of the formula approach by Gary Shirk appeared in 1984[5] and COPOL has published examples of formulae in its Working Papers series [6].) With the shift to the full time equivalent (FTE) student-based formula in other areas of polytechnic finance is to be expected that FTEs will feature more and more prominently in formulae or other methodologies.

In formal terms, control of expenditure lies with the budget centre manager. In practise, a considerable amount of responsibility is devolved, partly to staff in the acquisitions (or equivalent) section of the library and partly to subject specialists. The pattern of decision making on expenditure will undoubtedly vary both between institutions and within any particular library. Perhaps the ideal is where there is close liaison between the subject librarian and academic staff so that book selection is informed by the needs of courses and research, the existing strengths and weaknesses of the library and the availability of suitable materials. Castens[7] has discussed these issues at some length,

and has stressed the possible problems posed by inadequate staff training in financial management.

Although institutions have sophisticated financial control systems in place, polytechnic libraries have found it necessary to invest in their own control systems, at least at the micro level. It is significant that all major library computer systems currently on the market include an acquisitions module which incorporates comprehensive budgetary management capabilities. This is the system on which library staff depend for day-to-day information. The reconciliation of the library systems own information with that of the polytechnic's own financial systems can be problematic, although many institutions are linking different system's across campus networks so that data can be shared.

## Other Issues

The ability to move funding from one budget heading to another is commonly referred to as virement and is a privilege which provides the manager with welcome flexibility.

Although it is rare to find budget managers in polytechnics given total powers of virement, the situation is a good deal freer than it used to be. Staffing and equipment budgets are usually not open to virement outwards (i.e. such funds cannot usually be redirected to other purposes) but most polytechnic librarians are able to exercise virement inwards to these headings and between other budgets. This is certainly likely to be the common pattern in the future.

In the local authority regime it was impossible to carry funds forward from one year to the next. While the situation has been eased in the corporate polytechnics, it is not yet in a stable state. One needs to remember that polytechnics still need to balance their books each year, and a department which underspends with the intention of carrying funds forward can be

vulnerable to a corporate 'raid'. At Lancashire Polytechnic we have agreed to set up a separate 'Library Reserve Fund' to avoid this possibility. Funds representing outstanding commitments are placed in the Reserve Fund at the end of each financial year, to be drawn upon when items are delivered.

A final issue relates to the question of performance measurement. Clearly expenditure is incurred to enable the library to achieve its objectives: books to be made available to students, advice on information sources to be given, the library to be opened for study and so on. The question arises as to whether this expenditure has been worthwhile: is the library operating efficiently and effectively? This is, of course, a large subject which can only be touched on here, but no discussion of budgeting would be complete without reference to performance measurement. The literature on this subject is extensive, although that which refers specifically to polytechnic libraries less so [8,9].

### Conclusion

Polytechnic libraries are passing through a period of rapid change and librarians are coming to terms with a new budgetary regime. While the flexibility afforded by the budget centre concept and by opportunities for virement and carrying forward budgets from one financial year to the next is to be welcomed, it would be wrong to end without stressing one particular problem. The sums available for purchasing even basic library materials are inadequate to meet the needs of the vastly increased numbers of students in the PCFC sector. No amount of juggling with budgets can hide

the fact that our ability to purchase stock and services, including access to other libraries' holdings, is leading to an impoverishment of the learning process.

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