

# Budgeting in University Libraries

As Geoffrey Ford has pointed out [1], budgeting as a discipline is alien to many university libraries. Even my relatively short career stretches back to a time when the major exercise was the quinquennial estimate — the bid for growth and development over the next five years. Specific developments had to be strongly argued for, of course, sometimes unsuccessfully; but that there should be development was seldom if ever in question. In such a context, strict financial disciplines and cost control were often felt not to justify their own inherent costs; academic departments, themselves engaged first in bidding for a greater share of a growing cake and then attempting to digest it, were in general happy to go along with the theory that the library is a vital part of the university, which must be protected.

*Quanto mutato ab illis diebus!* Those same departments, sometimes the same staff, scrabbling to keep staff reductions to a minimum and retain some funds for materials expenditure, question the need of the library to spend money other than on books. They have, moreover, a clear perception of the amount that needs to be spent on books and periodicals for them and yet find difficulty in accepting the needs of others.

Both these positions are, of course, overstatements and simplifications; but they serve to emphasise that budgeting in a university library has a political context which cannot be ignored. Perhaps the most important and distinctive factor in the politics is the committee structure by which universities are governed. With responsibility for all non-financial matters resting with the Senate, the academic staff of the university can exercise substantial control over the policies and approaches of

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service departments. They will normally expect to be the final arbiters of what is or is not purchased by the library; they will certainly wish to decide on the equity of the distribution of the library allocation.

Although the politics of individual universities differ, there are a number of common threads. One such is the effect of the changes in the funding of universities: the strict relation of funding to numbers and the increasing proportion of funding obtained from student fees, together with the reliance on income from commercial research and devolution of financial control to cost centres (Schools or Departments rather than Faculties), has led to a climate in which allocations to departments are more and more automatic and formula-based, less and less related to real needs or to a perception of the academic shape of the university as a whole. This change to allocation at university level inevitably finds a reflection in the distribution of the library allocation. It also means that the Librarian must keep a wary eye on possible objections to the 'top-slicing' of the library allocation in favour of the purchase of whatever library services are required from a department's funds. This has been tried at Cranfield, where the Vice Chancellor at the time was a certain Lord Chilver.

## Estimates

All universities produce estimates as a means of assessing their financial position and seeing where reductions must be made or (in the case of the fortunate) what scope there is for expansion and development.

However, these are no longer bids to the Government for funds to expand or increase facilities, since university income from Government is basically allocated by formula. There is seldom any 'spare' money, and if there is it can usually be claimed to be the consequence of increased size in a specific department, or of specific contract research; there will usually therefore be strong claims on its use. For this reason, many institutions no longer encourage estimates internally, which would involve some redistribution of funds between departments.

The Librarian may not, therefore, have a formal channel for advancing proposals for development of services; nor does he or she have that avenue to make representations about the level of inflation on library materials. However, semi-formal or informal channels must always be available. A well-informed (or well-tamed!) Library Committee may bring the financial needs of the Library to the attention of Senate or Council — a route denied to many of our academic colleagues, and one of the justifications for allowing them to sit in management over us. As explained later, the presentation of the budget may have a part to play in this. Personal contact with influential figures (not necessarily the holders of important posts) may induce them to raise the question in appropriate quarters, as may detailed explanations to senior heads of departments as to why the library cannot accommodate their very reasonable requests.

The Librarian, too, must stress that any academic developments which *are* sanctioned must be given resources for support services. In this he or she should at least have the support of the successful department (which must by definition be influential to have acquired extra for itself) and perhaps of sister support services such as computing or audiovisual materials. On some committees three co-ordinated voices can indeed sound like a crowd.

Universities frequently leave their financial predictions in the form of estimates, revising them up or down as the pattern of spending

shows sign of changing. However, for the departments the figures given become a budget within which they must live. It should perhaps be noted at this point that the Librarian may have more flexibility than any other department in the institution. In libraries, the ratio staff: materials ranges between 48:52 and 60:40; in academic departments it is normally at least 75:25 and often the staff proportion is in the 80s or 90s. Some academic departments may receive deficit budgets; it is unlikely that a library would ever be in this position in terms of overall allocations. Any cut in allocation will squeeze the non-staff fund, but is unlikely to remove it entirely: equally there is a high proportion of clerical staff in the library, who do not have any form of tenure outside the provisions of the Employment Acts and who often provide a high degree of staff turnover, which can enable savings to be made. However, this position looks less rosy when one considers what has to be paid for.

### Producing a Budget

The first step in producing a budget, or indeed in making an estimate, is to consider what was spent in the previous (or current) year, and increase that sum by the appropriate provision for inflation. That implies an ability to identify the relevant heads of expenditure and the costs associated with them. This may not prove a major problem unless there is virement between staffing and other costs, or unless the staffing budget needs to be trimmed. If this is the case, the Librarian must at least attempt to determine what his staff are spending their time doing, and then prioritise those activities among the whole activity of the library.

This is not as easy as it sounds: few libraries can state with any degree of certainty the cost in staff time of their various activities. It is, however, vital to be able to do this to some extent: to be able to justify for example, the number of staff involved in acquisitions or cataloguing processes, or in staffing issue desks.

Let me draw a distinction here between the justification of the number of staff employed and the unit cost. The unit cost of an acquisition is determined by dividing the number of acquisitions into the cost of staff employed to cope with them. The unit cost of an issue is the number of issues divided into the staff time needed for issues and returns — excluding the time spent on restorations, renewals or telling people how to find the toilets. These figures may be useful in certain circumstances in assessing the *total* library resource spent on any one department.

However, the justification of the number of staff employed has to take in other factors. In the case of acquisitions it must be a number to cope with the peak load bearing in mind that it is not possible to employ on a casual basis extra staff to cope with the peak because of the necessity for training. At non-peak times these staff may cope with other work, e.g. retrospective cataloguing, and this time may therefore be discounted in calculating the unit cost; but it is not possible to say, because retrospective conversion is not a priority we can save  $x$  per cent of an FTE, if that person *as a person* is required for the high priority work of acquisitions. The calculations must therefore, be whether the *delay* caused by reduction in staff is justified in terms of the overall budget. Of course, the budget restrictions may in any case be reducing the numbers of books to be purchased.

Similar considerations may apply to the issue of books. It may be that the levels of issue after 5 pm only justify a single person at the issue desk; but security, good practice and common sense make good arguments for needing two staff on duty. If such staff can be occupied with other tasks, then again the time can be discounted in the calculations of unit cost; if not, then it may be necessary to calculate two unit costs, one for the normal working day and one for evening or weekend working. However, the latter may have to be reduced to take into account the costs of keeping the library open for those who do not actually borrow books. (It may also, of

course, be necessary to count the time spent reshelving material as part of the costs of issue.)

Having worked out, as far as possible, the justification for staffing levels, this must be costed in accordance with the institutional policy. This may be to use real costs of staffing, in which case this remains a potential variable in the budget: someone may leave and be replaced by a member of staff on a lower grade or lower point on the grade, thus effecting some degree of saving. Equally, however, provision must be made both for the likely pay rises and for the increments which will be gained by those at the top of their scale. Alternatively, the policy may be to use the average costs for each grade, or for a group of grades; in such case savings can only be made by abolishing a post, but equally the effect of increments on the salary budget does not have to be considered.

If staffing budgets are given separately, without virement, problems only arise if insufficient allowance is given for the cost to be expected. If that is the case, the Librarian must decide where the saving could be made, and whether the work which is to be neglected is sufficiently vital to justify subsidy from the materials budget. This may, of course, be a useful weapon in arguing for an increase in the staffing budget.

Apart from staffing costs, there are other items which represent an expected commitment of funds. Because it is inconceivable these days that a library would be unable to spend on stock all the money it is likely to be given, it is necessary to make provision in the budget first for the cost of those activities and operations which the Librarian wishes to continue, even if it is suspected that they will have to be removed from it later. As with the initial staffing budget, where virement is possible, initially it is best to start with a 'standstill' budget which assumes everything is to operate at the same level as the current year. Inflation, of course has to be added to the current cost and any known developments or curtailments of

activities built in at this stage. The precise nature of activities will change from library to library, but the following gives some idea of the sort of element to be taken into account.

### **Administrative Costs**

Libraries need stationery, typewriter or printer ribbons, biros and pencils. Photocopying will be need to be done (albeit paid for out of the profits from the public service). As cost centre devolution progresses, telephone bills are often a charge on departmental money; heating and lighting may become so.

### **Computer Services**

Assuming that at least some library operations are computerised, they may need to be paid for. Computers have maintenance costs, as do printers and other peripherals; MARC records acquired from centralised databases will be charged for. Computer centres which run library computers or software may these days make a charge for their services. Software, of course, often has maintenance charges; so do some dedicated data lines. When considering the current year's costs it is important to add not only inflation but also the recurrent costs associated with any equipment purchased during the year.

### **Training**

Few libraries build this in as a sum in the budget, although in these days of appraisal it is becoming respectable to do so. However, whether or not it appears as a separate element, the cost of sending staff on courses — or the Librarian to SCONUL! — has to be allowed for.

### **Binding**

If the Library has its own bindery this may be largely a staff cost, although some allowance must be made for materials. If an external binder is used, or if a library bindery is run as a separate cost centre, a sum will need to be made available for binding. Again, this is a 'soft' figure which, in many libraries, has been the first to suffer.

### **Inter-Library Loans**

If the library funds these centrally, the cost of British Library Document Supply Centre vouchers will have to be budgeted for. Even if the costs are charged to academic cost centres, a supply of vouchers will have to be purchased in advance in one year, with future supplies being funded from the income.

Some (although hopefully only a few) will be required by the library to replace pages from journals damaged, defaced or removed.

### **Online Searching**

This is a similar head — whatever the system of recharging, money is likely to be needed up front. Some will never be recovered: debtors may leave, or searches may have to be given free because of errors by library staff.

### **Reserve**

Some provision must be made for assisting departments with the purchase of unusually expensive items. From the Librarian's point of view, it is helpful if the use of this fund can be subject to as few Committee controls as possible, so that it can be a genuine library influence on stockbuilding; setting the fund at a level large enough to be of use but small enough to cause no disquiet among Committee members is no small achievement.

### **Contingency Reserve**

Some figures in the budget are avowedly based on professional guesses, e.g. the level of periodical inflation. Equally, there may be unexpected physical damage — by flood, fire or students — which is either not covered by insurance or is unlikely to be paid for sufficiently quickly. Vital equipment, such as a CD-ROM player, may need replacement. Money must be put aside to take account of all these possibilities.

This may be combined with the ordinary reserve, but because contingency money will be held onto until the last moment (or even carried forward to form next year's contingency, thus freeing the money from that year's allocation) it is useful to have an upper limit to the amount which can be used

to assist departments. Less respectably, but more practically, it is easier to get approval for two small sums than one large one.

It will have been noticed that a number of the figures mentioned inter-relate with other parts of the budget. Some may be dependent on the amount of money left for spending on stock — the cost of bibliographical records, and perhaps the cost of binding — or on limits which may be set arbitrarily (e.g. a maximum overall number of inter-library loans, or the limits placed on them by only allowing readers a certain number current at any one time). Initially sensible estimates can be put in for these figures to see how the budget shapes; when the general outlines are clear, it is almost inevitable that in this day and age it will need to be modelled using a spreadsheet.

### Bookstock

What remains when these elements have been provided will be the money available for buying books and periodicals. There are distinct differences of approach among university libraries with regard to these two elements. In some libraries, periodicals are bought from a general budget, on the grounds that they are often not specific to a single department. Other places take a similar line but make serials a faculty responsibility, on the grounds that the interdisciplinary is largely restricted to use by a single faculty. In the case of allocations for bookstock, some libraries rely on the professional opinion of the Librarian, or of a group of 'wise men' (some places may use women but I have yet to hear of one!) others make use of a formula, although there are as many of these as there are libraries using them. The funding of the bookstock is the most politically sensitive of all, since every department will be inclined to look not only at the inadequacy of what it is given but at what it may see as the superfluity given to others.

### Serials

Serials should be taken first, because they are

another element which may be an unavoidable commitment. Serial renewals come in August (if you wish to take advantage of early payment discounts) and almost always need to be paid by October to ensure that the following January's issue arrives, if an agent is being used. The agent will normally be prepared to provide an indication of likely inflation for the following year in advance of sending the renewal invoice, thus enabling provision to be made for the retention of all existing titles (if possible). An indication of the movement of periodical prices within subject areas can be found in the Blackwell's information published annually in the *Library Association Record*.

Periodicals may be divided into different categories. Apart from those which serve the academic needs of the various departments, there are those which are important as general reference tools (often annuals, such as *The World of Learning* or *Whitaker*, but perhaps including items such as *Dissertation Abstracts*); those which are necessary for the operation of the library, such as (for some libraries) the updates to *Library of Congress Subject Headings* or *BNB*; and those which are purchased to enable library staff to keep up-to-date, which will be a selection of professional journals. These latter may be difficult to justify, and it may be necessary to restrict the amount spent in some way to reflect the constraints on academic departments. Professional material for other administrative areas of the university, e.g. the Finance Office or the Computer Centre, may have to be financed from the library budget; although an astute librarian ought at least to be able to persuade the Bursar to pay for professional accountancy material! Some of the professional periodicals come as part of a membership package, and therefore subscriptions to the Library Association or Aslib may have to be taken into account here. (They will need to be taken into account somewhere if the library is to retain its memberships; the same applies to other memberships, such as the more contentious,

and more expensive, membership of SCONUL.) Finally, newspapers may be purchased at the behest of a specific department, or they may be acquired as part of a general service (as may well be the case with a daily paper, or with the *Times Higher Education Supplement*).

These categories may have to be dealt with first if there is any form of allocation of money to departments or faculties; if the whole serials list is looked at as an entity, these will be reviewed at the same time as the rest. The danger with the single review, or indeed with the faculty review, is that there are numerous opportunities for the approach: 'I know savings have got to be made, but all my journals are essential: why don't you cancel the unnecessary titles the French (or Mathematics, or Greek, or Chemistry, or Sociology) Department is taking?' In some cases librarians attempt to prevent serials swallowing the whole budget by introducing an arbitrary ratio of serials spending to book spending — perhaps 60:40, or 70:30 in the case of scientific departments. If this is applied at a university or faculty level, it is unlikely to give rise to perceived injustice: the proportion of stock expenditure allocated to serials by individual departments in Bangor, where the decision is left up to them, ranges from about 85 per cent to about 30 per cent, and departments at each end of the spectrum would not take kindly to being forced into a middle way.

An answer to this is to allocate the entire bookfund to departments, and to leave to them the question of the mix. One danger with this, in the context of universities in which book selection is left almost entirely to the academic staff, is that the serials (which in general serve research interests) may be protected at the expense of multiple copies of books needed by undergraduates. A second problem is the allocation of the bookfund hits directly at the research interests of the staff, and becomes an even more fraught political matter.

### Book Allocations

Gone are the heady days in which I began my

career, when allocations to departments at Manchester were unknown because there was always enough money to go round. If the library is not to end the year overspent (or at least grossly overcommitted), some restraint on spending has to be exercised, and in order that this does not favour the more active departments, or those for which a greater proportion of relevant material is published in the early stages of the financial year, individual departmental targets must be set.

These may be based on historical precedent, or on a modified version of it which looks at patterns of spending during the past year, and which may therefore at least redistribute money from the departments which are not spending up their budget — if there are any such in this day and age. However, the tendency, if one is not careful, is towards the biblical position of 'from him who hath not shall be taken away even that which he hath', and in the political in-fighting which is almost certain to result there is little the Librarian can point to in order to justify his or her decisions. These are, of course, based on an explicit, almost instinctive appreciation of the various factors which have to be taken into account; but it may be easier if some of this is made explicit in a way in which it can be understood by the mere consumers. It is at this point that the search for a formula begins.

The comments of a former librarian of Stirling University [2] may be helpful in setting the whole exercise in context:

"Formula" is perhaps an unfortunate choice of word since it implies a precision that in practice is not attainable. No allocation formula will produce a result that will be seen by all interested parties to be clearly and incontrovertibly "correct". All that can be hoped for is that it will be regarded as reasonably fair.

The main value of a formula is that it forces those responsible for making the allocation to think systematically about what they do. It does not obviate the need for subjective judgement, but allows subjective judgement to operate within limits that are open to inspection.

It cannot be too strongly emphasised that formulae applied without reference to common sense may produce absurd results. This is partly because it is difficult to construct a formula that adequately represents reality; and partly because the data used in the formula are often hazy and unreliable.

In virtually all formulae the subjective element is recognised, either by the adjustment of the figures produced or by the allocation of a sum to be used by the Librarian in cases of 'hardship'. This sum (the reserve fund mentioned earlier) appears in practice to vary from 5 to 8 per cent of the book and serials budget.

There are a number of factors of which a formula might try to take into account; they have been listed by the Librarian of Edinburgh University[3]:

- Undergraduate student numbers
- Postgraduate student numbers
- Lecturing staff
- Research staff
- Location of teaching and research (affecting duplication)
- Teaching methods (demands made on library)
- New academic developments
- Discontinued activities and courses
- New opportunities (e.g. CHEST/ISI initiative)
- Research rating
- Teaching rating
- Charging policies
- Cost of materials
- Rate of publication
- Availability of new publications
- Adequacy of existing collections
- Condition of existing collections
- Availability of other collections elsewhere
- Impact of new media
- Proportion of purchases requiring binding

Many of these do not lend themselves to quantitative expression; others which might be nevertheless impossible to discover. It may be seen from this that any formula is no more than an approximation to the 'ideal'.

Of the elements in this list, all institutions using a formula make use of the size of the departments as expressed in staff/student FTEs. Most use average book and/or periodicals prices. Only one or two make use of the volume of publications: they use it only in respect of periodicals and are unhappy about its reliability.

Many operate on a simple  $n$  books per departmental number, while others weight the staff/student numbers in some way. In Durham, the interesting concept of a 'bibliographical unit' is used: this consists of either a book or a single issue of a periodical.

Investigations seem to show that the *relative* cost of books and single periodical issues between subject areas are very similar.

While some formulae allocate the whole of the money available on a single basis, many involve a two-stage process either making an initial across-the-board grant to departments or assuming a minimum level of undergraduates and giving reduced weighting to any numbers beyond that. Both methods give some protection to small departments; conversely, both can be seen as penalising the 'good recruiters'. Some institutions give differential weighting to non-laboratory and laboratory based subjects to take account of the 'the library is our laboratory' theory; in one case this is deliberately the inverse of the weighting used in equipment grant allocation.

One institution is making use of figures on the use of the library *and its photocopiers* by the various departments, but accepts that the figures are very suspect, and biased by the historical adequacy (or inadequacy) of the collections. (The same library also attempts to analyse the *non-use* of material which is bought, but as yet this is only to redirect selection, rather than to reduce allocations.) None of the formulae I have seen makes any attempt to assess what is needed for the teaching of a subject: all presumably believe that the funds available are inadequate to make proper provision.

Only one other method of allocation has been used and that is one which is very attractive for those who have the appropriate technology. This is the analysis of collection use to indicate areas which require additional resources, and areas which are if anything over-provided. It has been described very fully by Peasgood[4]. It would still provide a political problem in most universities, however, since it predicates a greater than

usual involvement of library staff in book-selection; moreover, I suspect that many departments would react against a 'league table' which implied that no-one used their books!

### Presenting the Budget

Whatever method has been used to determine the allocations to departments, there is now a draft budget which in all probability will allow everything to go on at the same level as the current year with the exception of book and possibly serial purchase.

This is the stage at which the Librarian must decide whether to ask departments to cut back on serials and/or book purchase, whether to cut back on some heads — binding is frequently the first to go, with training a close second — or whether to go to the Committee with a budget which may make plain the need for more money. Timing has some part to play in this decision: if the Librarian is in a position to present a draft budget to the Committee before departmental allocations for the following year are finalised, there is some point in painting a black picture; if the allocations are irrevocably settled, then the budget has to be one which can be accommodated politically as well as practically.

In presenting the budget, the Librarian must be as sure as possible of his or her ground. The basis for estimates of inflation must be known: Committees will, however, normally trust an estimate from a supplier rather than taking issue with it. In case there is any debate, facts to hand on the trend of inflation in that area over a number of years can be helpful; in desperation, the vagaries of the foreign exchange may be advanced as reason for figures which do not quite fit the pattern! If average book prices are used, the Librarian must be sure that they are the latest ones<sup>[5]</sup> and that she or he can explain the basis on which they are calculated.

Justification must be ready for any spending on library operations, and assistance here can often be found from judicious use of

SCONUL statistics or those from the *Universities' Statistical Review*, which enable comparisons to be drawn with proportions of allocation spent on central operations elsewhere. The trick, of course, is to pick the appropriate 'equivalent' universities (the Finance Office may already have a group that it uses similarly); it is also important to be aware of what such a comparison would show, in order to avoid using it in the wrong circumstances, and to have an answer ready should any member of the Committee have consulted the figures.

It is very important that the Librarian shows that alternatives have been studied, and is clear as to what will be cut if the Committee insists on cuts being made on the library side of the budget. It must be remembered that the library is a *service* department, and ultimately answerable to its academic masters. The Librarian's right is not to insist on what should be done, but to explain clearly the consequences of doing anything else: ultimately it is the university which must accept or refuse those consequences.

### Living within the Budget

It will be clearly understood that the contingency fund is an important element of living within the budget. It may mop up any slight underestimate of periodical inflation, or allow the odd purchase of a small piece of equipment. Politically, the reserve fund may be more important, for it is from this that the Librarian may help departments which have been severely hit, or which require an expensive item.

Clearly it is also important for the library to operate some form of commitment accounting, so that departments can be continually advised of how much is left to spend. Towards the end of the year, at least, a certain amount of over-commitment must be allowed, to provide for titles which will not be received in that financial year (or at all!) The library may operate a policy under which committed balances may be carried forward,

but uncommitted balances at the end of the year are clawed back for redistribution.

Periodicals commitments provide significant difficulties, since when invoices are received early in the session the commitment will be wiped out; however, there is a tendency for many agents to issue supplementary invoices much later in the year. Some money must be held back, but how much has to be the decision of an experienced serials librarian. There is also a tendency for book prices to rise between advertisement and sale, but this can usually be offset by entering full price commitments even where invoices are expected to show a discount.

One element which has not been mentioned may play an important part in allowing the library to provide adequate service and yet keep to the budget: that is, library income. This may come from several sources: fines, photocopying revenue, membership fees for non-members of the university, sales of postcards, admission fees for exhibitions — the list can be endless, depending on time and inclination to indulge in income generation. How much of this is shown in the budget as expected income will vary from library to library; but to my mind the Librarian should always underestimate the likely amount or overestimate the extent of its commitment. Thus if fines are used to cover replacement of lost books, judicious purchase of a few new titles will pass unnoticed at the end of the year and help to reinforce the feeling that fines income only just about covers the necessary purchases. Similarly, photocopying invoices are seldom analysed by a committee to see if they really are for paper or toner rather than for a new microfiche reader.

Financial procedures in universities are, alas, becoming tighter (perhaps properly so), and the chances of this sort of sleight of hand are reducing. More than ever, it becomes necessary for the Librarian to tackle head-on the question of whether *all* purchases should be at the direction of academic staff, or whether the library should be allowed

some leeway to influence and help. The success of such a bid will depend very much on how well the Librarian has used such funds in the past, both in the purchase of items which are recognised by all as of value to the library, and in the giving of assistance to suitable departments. Those who feel that they have been winners under a system are likely to support its continuation; the Librarian's task is to ensure that there are more people who feel like winners than losers. In doing so, it may appear that he or she needs the sophistry of a Jesuit and the political skills and morals of a Machiavelli. It is important that above all the Librarian remains true to his or her professional commitment to providing, insofar as it is humanly possible, the information needed by the users.

### Notes and References

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