

# Budgeting in Real Life

## SOME EXPERIENCES IN LOCAL GOVERNMENT FINANCIAL CONTROL OF PUBLIC LIBRARIES

My experience of 'real-life' budgeting has been gained with five local authorities — albeit fleetingly in some cases — and covers a 23 year period. It also covers administrations of each of the three main political parties; however, I do not intend to identify the political colour associated with any of my experiences since I hope to continue working in local government! Suffice to say that the major influence on budgets and budgeting has been the style and culture of the local authority rather than its ruling political party.

### Historical budgeting

Rawtenstall is a small town in the Lancashire Pennines and in the late 1960s the municipal borough of that name had a population of 30,000. During severe weather the small valley settlements could become very isolated and this made local services particularly important. Consequently the Public Library and Museum Service served as an integrated arts centre and information centre in a way that is now seen as an essential prerequisite for community librarianship.

Budgeting in the Borough was the civilised procedure described by Midwinter and MacVicar [1]: "... a low key affair, as the regular availability of financial growth permitted relatively painless budget decisions". Estimates based on historical principles, i.e. last year's figure plus inflation, were prepared in association with the Borough Treasurer in November and submitted to Council in December, together with the Chief Officers' bids for development and capital funding. The main debate amongst politicians was about the

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level of development or capital to be provided: it was taken as read that the ongoing funding of the service would continue unchallenged.

I do, however, remember one exception to that practice when a thrusting young businessman proposed a reduction of the proposed bookfund from £7,000 to £6,000. This was carried, but the aftermath demonstrated the political nature of the budgeting process. The said councillor was due for re-election the following May. The Chief Librarian, who was a substantial figure in the community, canvassed all his contacts, telling them about the bookfund cut and who was responsible. The councillor lost his seat by a narrow margin.

### Political Accountability

This incident highlights the direct accountability of politicians for their budget. However, several of the budgets in which I have been involved since have been characterised by councillors trying to evade the identification of their budget decisions with actual cuts in service. The most disgraceful example of this less than honest approach which I have experienced took place in the early 1980s, when a cut of £70,000 was imposed on Liverpool's library budget without any identification of what was to be cut. This was to be worked out with the City Treasurer and the only stipulation of the Chair of Finance was that the service must not be cut in any way. This enabled the politician to deny that any cuts had been made, and the opposition only learned of them when they took control the following year.

In this kind of situation the role of the Treasurer becomes particularly important.

This importance has continued in recent years in Liverpool and indeed has been enhanced by the draconian controls on expenditure which the City Council has been forced to introduce. Handy comments that ‘the management of crisis should override committees, rules and procedures’ [2, p. 208] and that ‘money has been known to overrule expertise’ [2, p. 120]. The Treasurer’s direct personal responsibility to the District Auditor for the proper control of the Council’s budgeting and expenditure has resulted in this increase in power being reinforced, since few councillors feel able to challenge his decision and advice. The Chief Librarian has to be at pains to persuade the Treasurer of the value of his plans or he may find that plans and policies with regard to service provision can be negated by short-term accounting decisions taken to prevent overspending.

### Mid-Year Cuts

Reference to measures taken to prevent overspending leads to consideration of the problem that the budget as approved and printed may be very different from the figures actually received. In Liverpool’s case, this had a positive side (even in the grim mid-1980s) in that towards the end of the year an inflation allowance was awarded for consumable items such as books; this was, of course, very welcome, even if it did cause problems in terms of the logistics of spending the windfall wisely. This practice has now ceased, and Liverpool has fallen into line with all the other local authorities I have known.

Far more common in these days of “grant reductions, grant penalties, rate-capping and now the community charge” [1] is the situation where the budget is reduced part-way through the year or even frozen completely. The first time I encountered this panic measure was in Bedfordshire in the summer of 1976, when the County Council decided that it had better heed the Government’s “the party’s over” message

[3] and promptly froze all vacant posts. As a District Librarian, I was not involved in the budgeting process but had to pick up the pieces in terms of attempting to run a service with insufficient staff. My response exemplifies the problems of staff management in times of cutting back, for I discontinued the reservations service at the affected libraries, making it clear to the public why I did so. I am glad to say that the resulting disciplinary investigation vindicated my action!

This panic situation is one that has become all too familiar in Liverpool as the City Council has struggled with the financial crises caused by a combination of fugitive industry, a declining population and tax base, and the Government’s squeeze on local government. Of the ten years I have worked in Liverpool, only two have been free of such problems. The result of this tradition of mid-year cuts is to encourage buying ‘splurges’ at the start of the financial year in order to spend as much of the money as possible: I am sure that the analysis of our book purchasing will show a marked difference in the levels of books bought between those published early in the financial year and those published in the second half of the year. Long-term development and planning of the service is difficult although the practice of taking reports recommending service developments for approval and later retrieval has enabled the service to make progress. In effect ‘garbage-can’ decision making has been elevated into a science [4].

In the revenue budget, the target areas for cuts are inevitably those where control is easy to achieve — the bookfund, building maintenance funds and staffing costs. Thus, stocks of both books and buildings have become run-down through underfunding. Worse is the effect of freezing vacant posts which results in *ad hoc* cancellation of services in a way that has become all too familiar to users of British Rail’s local services. This has familiarised staff, public and councillors with this undesirable but

unavoidable practice and we have all become blasé about these regular service breakdowns.

### **Budgeting Systems: Zero-Base and PPBS**

Zero-base budgeting is the financial buzzword of the 1990s, although Midwinter and MacVicar point out that this is honoured more in the breach than in the observance[1]. I have only once prepared part of a budget starting from the premise that you establish the level of service that is desirable and then cost the resources required to achieve that level — apart, of course, from new services, where this approach is the commonsense norm. In 1973 I was instructed to prepare a budget in respect of bibliographical services and computerisation for 1974/75 for Luton Public Library. This I did using Bourdillon [5] as the standard for book acquisitions. (Bourdillon is, of course, held to be beyond the realms of possibility nowadays — a measure of the failure of public libraries to maintain their basic stock-in-trade at the required level. No wonder library usage as measured by book loans has declined!). This budget was adopted by Luton as its draft budget and, I believe, formed the basis of the new Bedfordshire County Library's allocation of funds for the first year of its life. Of course, Luton's intention in making a zero-base budget was to try to persuade the Department of Education and Science to allow it to run its own libraries under a meaningful agency agreement. This political manoeuvring failed, and the agency granted was virtually meaningless.

Of course, like many library managers, I have used zero-base budgeting as a tool to demonstrate the inadequacy of funding particularly for the bookfund, and have met with some success using a variety of performance measures such as average annual loans per volume and average shelf-life of different types of stock as contrasted with useful lifespan.

The most systematic budgeting procedure

within which I have worked is Planning Programming Budgeting System (PPBS) used by Stockport Borough Council. I do not know whether the original base level was established by zero-base budgeting in relation to the service objectives for, during the three years that I was there, the service base was costed using incrementalism in the ancient formula of last year's level of funding plus inflation. Service developments were established on the basis of a five-year plan, and both revenue and capital allocations were made against this programme. This meant that there was a good chance of expenditure being provided for the identified and approved developments, whereas the 'garbage-can' solution that we have been forced to adopt at Liverpool carries the danger that financial commitment may not be forthcoming to implement politically approved developments. Even with PPBS there was a tendency for the five-year plan to slip behind schedule, and this was ten years ago when the really painful squeeze was only just beginning. The whole process worked very smoothly, beginning with departmental bids to the Borough's Directorate in August and being settled well in advance of the financial year.

### **The Future**

Liverpool, with its financial problems, has lived hand-to-mouth as far as its budgeting is concerned, causing the problems mentioned above. So far, budgeting has been almost invariably historical and incremental in its operation, but I believe that the new corporate style of management being introduced by the present City Council and Chief Executive will mean that all services within the City will have to demonstrate their right to a share of the budget. A zero-base exercise in relation to approved objectives is an essential part of this process — together, of course, with the implementation of the performance measurement necessary to demonstrate

whether targets are being reached. Such a zeroing is, it seems to me, essential on a regular basis — perhaps every five years — with PPBS being used as a tool to maintain and develop this service in the intervening years.

With the present restrictions on local government expenditure likely to continue for years to come, public librarians have to be prepared to canvass support and to justify spending on their services in the same way that our historic forerunners had to justify the establishment of library services in the first place. This will not only require good budgeting and accounting procedures to avoid some of the undesirable results outlined in this article but will also involve an active and ‘political’ commitment by the Chief Librarian to make friends and allies amongst our customers, amongst our bosses (the councillors) and amongst our fellow officers.

## References

1. Midwinter, A. and MacVicar, M. ‘The Public Librarian as Budget Manager’, *Journal of Librarianship and Information Science*, Vol. 23, No. 1, March 1991, pp. 9-20.
2. Handy, C.B., *Understanding Organisations*, 3rd ed., Penguin, London, 1985.
3. ‘Turning off the Town Hall Tap’, *Sunday Times*, 6 June 1976, p. 62.
4. March, J.G. and Weissinger-Baylon, R. ‘Ambiguity and Command: Decision-Making in Military Organisations’, Pitman, London, 1968, pp. 12-35. (‘Garbage Can Models’)
5. *Standards of Public Library Service in England and Wales. Report of the Working Party Appointed by Minister of Education in March 1961*, HMSO, London, 1962. (The Bourdillon Report).