

Budgeting in Special Libraries

The Constantly Evolving Service

Most special libraries nowadays have undergone major upheavals and restructuring. Growth curves and five-year plans have long since disappeared. This is an age of substantial organisational change, especially in the corporate sector. A decade of intensive merger and acquisition activity has required many libraries to realign and to revise their objectives. Extensive changes in the user groups and the divisions into which the libraries report have meant that most assumptions for service provision have had to be challenged and reworked, sometimes repeatedly.

The need for Financial Expertise

Although the revision of services should be based on in-depth understanding of the new information needs, all too often it is financial considerations which have the loudest voice. Special librarians are asked to perform amazing feats of budgetary cuts and are penalised if any deficiencies in the service show up as a result. The ability to plan, to re-evaluate and to take firm control of the finances becomes equally as important as the quality of information. Yet, while good researchers and conscientious service providers abound in special libraries, people with sound financial analysis skills are rare. The basics may have been learnt but not the expertise to apply the financial tools with the inventiveness and assiduity demanded.

Special library managers are now required to be accountants. They must spend inordinate amounts of time justifying their services. Traditionally the response is to marshal powerful supporters who value the service. This is a vital part of the process but the response to recessionary pressures is to overemphasise the raw financial figures.

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Contribution to value and impact on decisions are hard to prove in pure monetary terms, save in exceptional cases. The current trend is to look at simple cost and revenue equations. These figures can be so alarming at moments of corporate difficulty that more refined arguments are ignored. To deal with this the librarian must become an expert in analysing and presenting the figures.

It may seem unreasonable to place so much financial pressure on the special library. Most services are relatively modest. Years of constraint have resulted in admirably lean and efficient departments without any hint of waste or conspicuous consumption. Murmurs of discontent in other sectors may ring hollow in the special librarian's ear. It is not a question of making do with the same amount of money as in the previous year. There is little possibility of a modest increase which is a reduction in real terms because it is less than the rate of inflation. Juggling the finances does not even mean selecting a few areas where cuts are damaging but less harmful than other options. All this gives cause for concern but the reality is much worse. Special libraries are subject to a constant succession of absolute cuts. Year-on-year expenditure reductions of 50 per cent or more are not uncommon, and there is little account taken of savings achieved in the preceding period.

Efficient Tracking Methods

To make matters worse, once the librarian has heroically met this requirement and still found resources to sustain the vital services, his or her ability to progress is severely hampered by the need to continue to defend and justify the department even after the budget has been set. Quarterly

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reconciliations and even monthly reports are easy enough to deal with. Organisations which demand up to nine different budget proposals in a year are suffering from a much worse malaise than an inefficient library but, if an unhappy librarian is placed in such a position, then the means must be found to deal with the situation. Unless accounting, analysis and reporting are handled effectively, all the library manager's time will be spent on producing, rethinking and revising the figures. The consequence will be that the services which are already under pressure due to financial constraints will suffer further from the enforced neglect resulting from the librarian's need to deal with the next monetary crisis or restructuring.

Training in Financial Management

The first step is proper training in financial management; individual circumstances will determine the most appropriate process. A professional development course, programmed learning or computer-based training are the simplest options, concentrating on financial planning and analysis for the non-accountant and book-keeping practices. It is the ability to work with figures with confidence which can invoke the insight which may be needed to break an apparent budgetary deadlock. Cost analysis and the treatment of overheads are often more useful than reworking the expenditure splits on information sources or user groups. Because the accountants have become so important at present, it is essential to understand their position and to deal with this authoritatively. Once they recognise that the librarian has a good familiarity with the cost components they may be willing to contribute ideas and to assist with their knowledge of the whole budgetary process. The accountants' broader perspective from looking at the whole financial situation may provide a key to the choice of tactics for the librarian.

Cost Determination

Once facility with numbers has been developed, the key to budgeting is in the proper allocation of resources. In the comparatively small world of the average special library it is possible to establish a good level of detail, so it is clear exactly where the money is being spent. As well as the obvious elements of books, periodicals and computerised information retrieval sources, thought should be given to all the other cost factors which affect the overall expense of the library. Responsibility for and control of these items varies from organisation to organisation. Some libraries have to account additionally just for staff costs; others need to plan for stationery, postage, telecommunications, premises, cleaning, catering and all the other large and small expenses which create the total picture. The more this is directly under the library manager's control the easier it is to juggle the figures, but this is often a cultural matter and there may not be much choice.

In situations where the whole cost structure is at the librarian's fingertips, budgeting becomes surprisingly straightforward.

The extra work required to set out all the costs under the right headings is more than compensated for by the clarity of the overall picture. Librarians often agonise over which reference books or periodicals should be cut in order to save a few pounds. In terms of the total cost of the service, this may be insignificant compared with huge premises or staff overheads. Adjustments in some of the other areas may free up enough money to protect valued resources.

Sometimes costs are deceptive. A labour-intensive filing service may look cheap until the full expense of staff time is taken into consideration. Telecommunication costs for accessing on-line databases form a significant part of the overall expense. Unless the whole situation is examined, there is a danger of making a decision which looks pragmatic in the short term but which in fact is putting a

time-bomb in place. Now that there is so much financial scrutiny, concealed inefficiencies can be the undoing of an information service. It almost seems unfair to blame the librarians who think they are playing by the rules, but the decisions of senior management are full of regrets which they do not hesitate to set aside when they need to show a quick saving in costs.

If the librarian does not have control of the full budget for the service, there will be someone in the organisation who does. It may be split amongst various functional groups, such as the personnel department, the premises manager and the operations department. In this case the overview can be taken when their submissions are brought together in the accounting system.

Alternatively it may be a more senior person in the library's reporting division who has ultimate control. Whoever has the figures it is the whole cost only which is of importance to the management scrutineers. This is the figure which has to be right, both in absolute terms and in comparison with the expense of the other service groups and the revenue generated by the earning departments.

Special librarians whose services have been investigated by management consultants are often surprised by the breadth of their approach. Elements over which the departmental manager has no control may be cited as reasons why the situation is not well run, no matter how efficiently the direct budgetary responsibilities are carried out. The library may appear to occupy the right amount of space or have an appropriate headcount, but if premises and staffing costs become issues of concern to the management these can be points of vulnerability. It will not be enough for the librarian to plead that he or she cannot do anything to influence those particular expenses and it is someone else's fault that the numbers are too big. Parts of the service may still be swept away.

As a consequence, if the librarian does not have specific responsibility for

substantial parts of the budget it is essential to find out what those hidden costs are, at least approximately. This is the only way to make the service genuinely efficient, even if at times it does seem that the only beneficiary is another department. When times are hard any contribution to the team is to the advantage of all the individual members. The direct effect is to defuse any of the time-bombs which may be about to cause significant damage.

Value Assessment

The other part of the budgetary process is to check the allocation of costs against value. If the main users are responsible for the greatest part of the expenditure, and these are people who are important to the organisation as a whole, the balance should be right, provided that there is no cheaper or more cost-effective way to attain a similar result. For a special library to be worth the money spent on it, the librarian must have a clear awareness of how the service impacts on the organisational objectives. A busy unit providing information to a department which is itself a target for criticism or cuts could be in considerable danger. If the greatest revenue-earners make little call on the library's facilities the service may be deemed expendable. Praise from satisfied customers is not enough; it must come from the right quarters. It is important to analyse the expenditure on resources and services in terms of the users and to attend to any imbalance. Otherwise it is all too simple for a pressurised financial controller to strike out any area which does not seem worthwhile. Per capita efficiency and economies of scale will not be enough. In difficult times money must be spent on the right areas or not at all.

Record Keeping

All the work of checking the figures and measuring utility should be streamlined if the library manager is to have time to study

the results and to attend to normal operational matters. The only way to do this is to keep regular records throughout the year and to feed the data into a rolling analytical process. This is a clear candidate for automation. If budgeting or financial analysis software is not available, spreadsheets can be used to set up models to track and chart activity. Productivity ratios, usage of material by type, subject and enquirer/borrower group can give a quick overview of the situation and highlight changing trends. In addition this information can be used to devise the new budget submissions now called for all too frequently during the financial year. If the records are kept carefully and entered systematically there should always be sufficient data to defend an existing position or to support a new proposal. The trick is to make sure that the regular data capture is unobtrusive, requiring just basic details, so that it does not become burdensome. Brief in-depth surveys can be conducted to investigate more complex issues. Depending on the size of library it should only be a matter of up to about four hours a month to collate all the figures and to enter them into the model. If the right report structures are defined initially, the computer will do the rest.

Reporting

The principles for creating a report are similar whether the statistical data is handled automatically or compiled manually. In libraries where there is no access to a computer, a standard format can still be created and filled in by hand. As it takes longer to perform the calculations these may be cut back to the essential, but it will still be necessary to watch the main indicators and warning signals, particularly changing use patterns or productivity anomalies. A full set of alternatives will be time-consuming but a comprehensive quarterly examination of three service levels should keep the librarian familiar with the main positions he or she may need to take at short notice. The current desired service provision should be paralleled

by the lowest level at which the library could be run without the organisation suffering harm. A less rigorous level of cuts between the two can then be used as a practical starting point for negotiation. Keeping these three pictures up to date means that if there is a crisis the librarian can devote all efforts to resolving the situation, rather than hurriedly compiling supporting data.

Budgets in isolation are traditionally greeted with suspicion. It is often felt that there must be padding which should be removed. To help the financial controller or management to understand the figures and to provide evidence that all has been properly evaluated and constructed, it is important to attach a brief report which explains the main points and underlying assumptions. It is then clear to all what the librarian is trying to achieve. Provided that this is well thought out, it will either hold sway or act as a pointer for any adjustment which may be necessary. The library manager thereby retains the ability to influence the final outcome for the budget.

Successful Budget Planning

Budgeting in special libraries requires a high level of financial skill and understanding of all the implications of the service provided and alternatives. The allocation of resources must reflect those elements which provide greatest value to the organisation, and must be in tune with its objectives. In an atmosphere of repeated scrutiny, it is essential to set up simple systems to record costs and usage. The data can reinforce informed proposals and defences. Ensuring that the financial controller and management have a straightforward exposition of the facts whenever they review the figures considerably improves the chances of success. It is important to provide flexible and creative special library services in times of frequent change. Librarians who underpin this with sound financial management should reap the rewards.