Changing the Financial Model for Libraries

Frederick J. Friend

Paper given at the UKSG seminar Consortia and Site Licensing: so far so good - but where is it leading?, London, January 1999

The case for increased funding continues to be made, but much new funding is directed towards specific non-recurrent projects. Many difficulties exist with the financial model libraries work to. Neither centralised nor devolved budget models enable the most effective use of resources. The availability of networked information resources provides the opportunity for a new financial model to develop. The positive benefit from all the changes in the financial model is that a wider range of publications should be made available to users for the same expenditure.

Frederick J. Friend, Director Scholarly Communication, University College London, Gower Street, London WC1E 6BT

E-mail: ucylfjf@ucl.ac.uk

I would like to take a radical approach to a financial model for university libraries. I believe that the traditional models we have used are becoming irrelevant as electronic information becomes more important, and that the growth in electronic publication provides an opportunity for a new approach to library budgeting which will meet the needs of users more effectively than the traditional approach. The approach I would like to propose may not be popular with anybody in this audience, as it will result in less control by librarians and less income for publishers and subscription agents, but I do believe that it will result in a better service to users and better value for universities from their expenditure on information.

Let me begin with the changes in the financial models of universities. First there is the fact, well-established now, that teaching and research are funded through two different streams. Secondly there is the fact that research funding in particular is geared to quality, or perhaps some would prefer to say geared to the RAE view of quality. The effect of the Research Assessment Exercise upon the funding of individual universities has been dramatic, with millions of pounds being added to the grants to some universities and millions of pounds taken away from others. These facts of financial life have had a knock-on effect upon the funding of university libraries. For many university libraries it has led to less money being available, and even the most persuasive librarian will find it difficult to persuade a vice-chancellor to give more money to the library when the vice-chancellor is having to close whole academic departments. That is not to say that librarians have given up on the search for additional funding. In fact I would say that librarians are paying more attention to fund-raising than they ever have done, particularly external fund-raising. Any such funds raised, however, are generally for one-off projects, not for recurrent expenditure. It is too early to discover how external funding is changing patterns of income and expenditure in university libraries but if it is beginning to have a significant effect, it is not going to help the problem we face in paying for books and journals. The changes in university funding are also having an effect upon the way in which money is distributed within a university. If funding increasingly comes directed towards specific departments for specific numbers of students or specific research programmes, it is natural for a vice-chancellor to ask the librarian: what value are you contributing to the teaching or research of department x or y? In some cases this approach has been taken to the extent of academic departments deciding how much of their income to contribute to the university library, but I shall argue later in this paper that this model gives a university no better value than a centralised model.

In order to illustrate the inadequacies in the present financial model, let me present to you a description of the budgeting process in a typical university library, and as I no longer have responsibility for the library budget at UCL you can be absolutely certain that my illustration is not based upon the UCL Library budget. In the University of Poppleton therefore, the Librarian is preparing in January the budget for the next academic year, including the journal subscriptions which will not commence until a full year after the first estimates are prepared. One feature of the financial model for academic libraries today is that estimates have to be prepared very early while decisions about how much money the library actually receives are made very late, sometimes after the financial year has begun and sometimes after the library is already committed to the renewal of journal subscriptions. This process may lead to several versions of the library budget being prepared as the university's own financial situation becomes clearer - clearer and generally gloomier! To continue with my fictional illustration, the Vice-Chancellor of the University of Poppleton asks the Librarian to break the estimates down by academic department and by teaching and research. This creates some headaches for the Librarian, particularly in cross-disciplinary areas and for journals which are used by both students and academics, but figures are produced.which look convincing even if the Librarian knows that they will not stand up to close examination. The Vice-Chancellor points out to the Librarian that Department X has lost half its staff, so could the Librarian consider halving the Library budget for that Department and reduce his request for funding accordingly. There is generally an unanswerable logic to requests from vice-chancellors and any librarian attempting to explain that the remaining half of the staff probably need just as many books and journals as the original number of staff will soon tie herself or himself in knots. After some months the library budget for the University of Poppleton is announced, the new academic year begins, and the University fails to recruit as many students as it has estimated. There is a crisis meeting of the University Finance Committee and all parts of the University have to cut their staff budget by 15%, staff being the major area of expenditure in any university. The Librarian, however, decides that a staffing cut of 15% cannot be achieved without closing the Library one day a week and wishes to spread the cut across all areas of expenditure, even though the date for renewal of journal subscriptions has already passed. The Vice-Chancellor accepts the Librarian's revised budget but suggests, again with unanswerable logic, that the journal subscriptions that have to be cut should be those costing over £500 which are held by another university close by.

Now it is clear that the kind of financial model I have described for this fictional university is not satisfactory for any of the parties involved. The staff and students of the university have less books and journals to use, the publishers and subscription agents lose business at short notice, and the library staff are demoralised. Some people might blame the university authorities for this situation; but that is not fair when they are dealing with an impossible situation. Some people might be inclined to blame the Government, but that is not fair when the quality of teaching and research is in the hands of universities themselves, and good management in some universities has enabled them to avoid major cuts. Some people might be inclined to blame the publishers for raising prices when they know that universities cannot afford large increases, but again perhaps that is not always fair. In fact, rather than blaming anybody, I would rather look for a financial model for academic libraries which avoided some of the bad effects of the current system. There must be a better way.

The traditional financial model for a university library begins with hoped-for expenditure rather than with confirmed income. The Librarian estimates expenditure for the coming year and then asks the university authorities for income to match that expenditure. When the Librarian finally knows the definitive income figure, that is after the 15% cut in the illustration I gave, expenditure is trimmed to match income. The first challenge in any new financial model is to stop using hoped-for expenditure as the driver for the library budget. There has been a political reason why librarians have begun their budget with hoped-for expenditure rather than a realistic estimate of income, and that is that they always hope to obtain more income by showing how high their expenditure should be to meet the demands made upon the library. Sometimes this argument has worked but it works less and less frequently. My view is that the financial regime under which libraries operate would be more stable if libraries used an anticipated minimum income figure to work to, even if that figure is less than might emerge by waiting until a later stage in the financial cycle. Even if that minimum income figure resulted in cuts in journal subscriptions, working from such a figure would allow more time for cuts to be planned in consultation with users and with other libraries in the area, rather than having to rush through lists of cancellations with inadequate consultation.

I would also like to suggest a radical approach to the expenditure side of the financial model. In the context of a UKSG meeting I shall confine my remarks to the materials expenditure within a library budget. For too long - and I have been as guilty of this as any librarian - we have regarded the library budget as being ring-fenced, within our control and separate from any other expenditure that departments or individuals within a university may make to purchase books or journals. The library budget has been 'ours'; what departments spend has been 'theirs' and nothing to do with us. I do not believe that approach is sustainable in respect of networked information, which can and should flow throughout a university network irrespective of which part of a university has made the purchase. I think the 'ours' and 'theirs' approach has led to a waste of expenditure on multiple subscriptions within one institution, and even if it can be argued that multiple copies of a paper journal were justified to save users time in walking to a library, that argument falls in a networked environment. Librarians cannot be blamed for ring-fencing their budget. Every university department does the same, particularly if it is doing well in recruiting students or in attracting research grants, but my thesis is that users do not benefit from such a territorial approach. Indeed even the Library loses out as territorial battles develop over funding, and I would argue that it is in the interests of librarians to press for a total institutional view of expenditure on information resources, even if not all of that expenditure is under the control of the Librarian or flows through the Library. Let me make it clear that in arguing for this total institutional view I am talking about more than merging libraries with other information providers within a university, as such mergers only shift the level of control one stage higher rather than dealing with the root of the problem. Equally this approach requires a willingness by academic departments to make their information resources available to the institution as a whole. Too often in the past a departmental subscription to a journal has been placed on a shelf in the departmental office, unknown to other departments in the same university who might have been glad to have access to it. As with library subscriptions, the networking of electronic journals offers a new opportunity to make departmental purchases accessible to more users.

The opportunities provided by the networking of information, therefore, provide opportunities for a new approach to institutional information budgeting. 'Our budget' has to be thought of as the total institutional budget for information rather than as 'the Library's' or 'the Department's' budget. It is an approach that puts <u>use</u> of a budget rather than <u>control</u> of a budget at the centre of thinking within a university. I may be accused of being unrealistic, of flying in the face of human nature, because we all like the feeling of power that comes from control, but my thesis is that the old approach to information budgets leads to poor value for money for users of information. Some departmental subscriptions to journals are under-used while some library subscriptions receive such heavy use that the volumes fall apart. Conversely some library subscriptions to journals are under-used because staff and students find it easier to use the departmental copy. Librarians talk a great deal about resource-sharing in the context of other libraries, but there is still much to be achieved in terms of resource-sharing within any university. The present trend towards 'devolved budgets' may in fact damage such resource-sharing because it will perpetuate the 'ours' and 'theirs' approach. What I am calling for is neither a centralised nor a devolved approach to budgetting, but a common approach.

Another weakness in the present financial model is that the bulk of any academic library budget is allocated to purchase rather than to access. Even librarians that have stressed the importance of access rather than holdings still place most of their budget with holdings. I am not criticising them for doing so, because the competitive element within universities and between universities leads to that conclusion. We have needed books and journals on the shelves to convince our own academics and external quality assessors that we are doing a good job in providing information. Ironically in these days of quality assessment, it is a philosophy of "never mind the quality, feel the width". Even to quality assessors, the size of a collection seems more important than its quality. Consequently resource-sharing between libraries has only affected library budgets at the margins. Inter-library loan only accounts for a small percentage of all information provision. Co-operative purchasing only accounts for a small percentage of any library budget. Visits by staff and students of other universities only account for a small percentage of total use of any academic library.

The availability of networked information enables us, indeed requires us, to take a fresh look at resource-sharing and its impact upon library budgets. Networked information can be as visible on a computer terminal as books and journals are visible on library shelves, but the difference is that their visibility is not tied to a particular space. The networked information may come from a server on the other side of the world, but to the user - or to the quality assessor - it looks as though it is on a server in the same building as the computer terminal she or he is using. The question of 'holdings versus access' becomes a non-question in the electronic era. I do not believe that we have come to terms with the implications of the new media for the library budget. It is not only a question of having a heading in the budget for 'electronic information'. The implications strike at the heart of the traditional approach to library budgeting, which has been based mainly upon format - such as books, journals or electronic information - with relatively small sums devoted to resource-sharing in the form of inter-library loan or document delivery. The result has been that library resources have become less important to departments which do not rely upon traditional books and journals as sources of information. Such departments have had a very traditional perception of libraries as archives of printed information, and librarians cannot blame them for that perception because that is often how the library presents itself, even in these days of libraries with rows of computer terminals. An alternative approach to an information budget for the whole institution would enable all departments to feel that they were part of the information provision as well as the information use. For some departments, particularly in the humanities, this information provision and use would still take the form of archived printed resources, but other departments might provide and use information on an ephemeral basis, with no long-term holding of information either in the library or in the department.

My vision therefore is of a financial model which includes not only library resources but also departmental resources available for the purchase of information and which is driven not by anticipated expenditure but by anticipated resources. The starting-point would be to ask what each financial unit could contribute towards the overall information provision in the coming year. The 'control' over the financial model would be at an institutional level, not in the sense of determining that the library or any department should spend at a certain level in any particular way, but in the sense of monitoring the effect of expenditure in meeting the needs of the institution. It would be 'control' in the sense of 'auditing', 'listening' rather than 'telling'. It would be information provision based upon resource-sharing and co-operation rather than upon territory and competition. You may say that I am being idealistic to the point of being unrealistic, but I do not think you will deny that the model I have described is one which is suited to the networked environment. In that environment it will not matter nor will it be obvious whether the library or an academic department has purchased a particular information resource. Nor do I think you will deny that the present financial model is full of weaknesses. My approach may be idealistic but I believe that we do need to think radically in order to move away from a financial model which is not good for any of the people involved. The model I have described is one in which control by librarians is weaker, but traditional control may be replaced by greater influence in a broad-based information strategy. It is also a model which is likely to result in fewer subscriptions, as universities look towards one electronic subscription serving the whole university, whether a library or a departmental subscription, but on the other hand it is a model which could lead to more stability for publishers and subscription agents and avoid rushed cancellations. I offer it as a model which I believe is better for students and staff of universities than the present combination of over-stretched resources in some areas and under-used resources in others.

Finally let me frighten everybody even more by taking a brief look at the implications of purchasing within a consortium. Publishers are well aware of the dangers of one electronic subscription being used by users in many libraries. I do not believe that will happen on an international basis, nor within large countries, because financial arrangements within very large consortia are difficult to handle. The role of ICOLC, the International Coalition of Library Consortia, is not to act as a world-wide purchasing consortium but to assist consortia to achive the best price and the best service in their own situation. Any financial model which depended upon one university library receiving income from hundreds of other universities for the provision of services would soon collapse. But I can see that model being adopted for consortia up to a certain size, for example on a regional basis. Indeed it is already happening in some regions, particularly in the United States. It is a natural extension of the financial model I have described for information provision within a single university, considering the total resources available within a region rather than looking upon some subscriptions as being 'ours' and others as being 'theirs'. Again, as within individual institutions, the existence of networks will bring about radical changes in the financial model, with resource-sharing becoming a much more significant element in budgets than traditional inter-library loan has been. Librarians within a consortia will have to get used to losing some control in the traditional sense and see their value in what they offer to the wider community. Publishers and subscription agents will lose some subscriptions because of regional consortia, but I would urge you to approach that problem positively, as it provides an opportunity for wider dissemination of the content of your publications. As with changes that may come about within individual universities, the people who gain most from networked consortial purchases will be the users, who will have access to a wider range of publications.

My conclusion is that the financial model under which university libraries work will change and indeed should change. It is very difficult to predict the full effect of the technological changes we are experiencing, but it is clear that those technological changes will impact upon the financial model in a radical way. By thinking about these changes as they are beginning to happen we may be able to ensure that any new financial model is better than the one under which most academic libraries now operate.