

BUDGETING

Introduction:

- ◉ A budget is an estimate of revenue and expenditure for the coming year.
- ◉ Estimate of possible income and expenditure of future year/ years are reckoned and proper means for providing the requisite amounts are tapped.
- ◉ In general a library budget is an estimate of expected income and expenditure of the library for the coming year. As a budget is an estimate, therefore it can be altered, if the circumstances change.

- ◎ It needs to be flexible enough to meet the changing needs.
- ◎ However, any alteration should be carried out very carefully.
- ◎ Budgeting in libraries is usually done on yearly basis on the other hand an annual financial report or statement tells us as to what was achieved as well as what could not be done last year.

Definitions:

- According to Random House Dictionary of the English Languages Budget is defined as “an estimate, often itemized, of expected income and expense, or operating results, for a given period in the future.”
- In other words of Wight Edwards A. “The dual purposes of a budget are to limit expenditures to income and to assure wisely planed spending.”

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- ◎ In other words, a proper plan is prepared in advance and many factors, which are likely to affect the economy in future, are taken into consideration and new proposal based on previous experiences are incorporated in the budget proposals

Purposes:

- ◉ Library is able to limit its expenditure to income.
- ◉ When a proper plan is prepared, the available resources are put to best use, otherwise all the money is frittered away without any good results.
- ◉ Planning is essential because the economic resources are scarce and limited.
- ◉ A proper choice of priorities is to be made if maximum usability is sought.

Tips for successful Budget Making:

1. A general budget files should be maintained.
2. Each section should be asked to maintain budget file.
3. These records should be based on 'object classification'.
4. All the departmental reports should be incorporated in a general budget form.

5. The accounts assistant should carefully do the cumulation work, and then we get exact idea about the amount required.
6. Similarly, the cumulation should be done for the sources of income so that it becomes easy to know the probable income.
7. Information about differences between the estimated expenditure and income.
8. The budget estimate should be framed carefully.
9. Ways and means should be suggested for procuring additional revenue to meet the deficit.

Importance of Finance:

- ◎ Finance is the motive power. It is essential for running the government machinery properly. Funds are required to establish these. Once a library has established then funds would be required on recurring basis to maintain in proper order and shape.
- 1. Finance is essential for running government machinery without which it can't be operated properly.

2. The important function of the finance is to assure acquisition of reading materials and to provide comforts to the reading public.
3. The library as an information dissemination centre is considered as an essential ingredient in the socio-economic development of any nation or a state.
4. Here the observation made by C. G. Viswanathan is worth quoting. He has stated that, "All institutions need stable and adequate financial support and guarantee from the authorities creating them. In fact, it is the full responsibility of the parent body to maintain all its institutions, in such a way as to expect satisfactory service from them to the community served."

The Two Important Types of Budgets for Libraries

1. Line Budget

2. PPBS

◎ **Line Budget:**

- ◎ The line budget is most common and has two basic categories:
- ◎ The OE (Operating Expense) and the CE (Capital Outlay). When Librarians discuss about budgets they are usually talking and about their OE. This budget covers the following items:

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- ◉ Books and Materials : 20-30%
- ◉ Salaries : 60-70%
- ◉ Utilities : 1-2% (if included)
- ◉ Maintenance : 4-5% (if included)
- ◉ Travel : 1-2 %
- ◉ Insurance : 1-2% (if included)
- ◉ The percentage given are varying from library to library.

- ◎ The OE represents the major elements in most library budgets; and also note that Salaries and materials are the two biggest categories of expenditure.
- ◎ Almost 90% of the budget is tried up in salaries and materials.
- ◎ Thus personnel works and acquisition work becomes two major foci of financial control for most library managers.

The capital out-lay Consist of the Following Items:

- ◉ Equipments (Computers, Printers, Scanner, File cabinets, Book shelters, Chairs, Tables, Circulation Desk, etc.)
- ◉ Improvements or Remodeling: Such as an putting in new partitions, or adding a door etc.
- ◉ Major new Construction: Such as an addition to the existing building, renovation of the library interior or a new building.

PPBS (Programme, Planning, Budgeting System)

- ◉ The performance budget is one of highly discussed tools for fiscal control and becoming an increasingly important form of budgeting, in both public and academic libraries.
- ◉ Another label of program budget is the programme, Planning, Budgeting System (PPBS).
- ◉ PPBS involves the introduction of three major operational concepts:

1. The development of an analytical ability for examining in depth both agency objectives and the various programmes to meet these objectives.
2. The formation of a 5 year – plan programming process combined with a sophisticated management information system.
3. The creation of an improved budgeting mechanism that can take broad programme decisions, translate them into refined budgetary decisions and present these results for action.

- ◎ Broad goals are reduced to specific operational programmes.
- ◎ Most economical methods of carrying them out are identified.

Following major steps are used to accomplish this task:

- ⦿ Identifying library goals and objectives.
- ⦿ Relating broad goals to specific programmes.
- ⦿ Relating resource inputs to budget repees.
- ⦿ These steps provide a very quick overview of how the PPBS works.
- ⦿ Indicates the importance of materials and how interrelated with all management activities.

PPBS Based on Functions, Activities and Projects:

- ◎ It is interpreted in terms of the services and activities.
- ◎ It is systematically planned, prepared and analyzed.
- ◎ There is an emphasis on process purpose and achievement.

It is easy to see how this theory of budgeting can be applied to library situation

- ◉ The main objective of a library is to provide services.
- ◉ The profit of a library is measured on the basis of services are used and the satisfaction derived by the patron.
- ◉ PPBS is arranged according to programmes and activities that correlated appropriations with programmes and programme costs, relate cost to work performed and explain how the requested budget would accomplish specific purposes. This is the theory behind the performance budget.

Important steps in application of PPBS in Libraries:

- ⦿ The general determination of goals and objectives.
- ⦿ Necessary for any type of budgeting but critical for PPBS.
- ⦿ To formulate workable plans for the attainment of these objectives.
- ⦿ Final step is to select the plan that appear to have the best chance of success.

- ◎ The next step is the actual formulation of budget which consists of determining work programs.
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- ◎ This helps in identifying the basis for the estimation of each programs financial requirements.

The Budget Includes:

- ◉ Each unit(work) a programme justification, which consists of a units' general objectives and scope of its activities.
- ◉ The statement covers the work to be done, performance anticipated, comparative statistics on the work and cost.
- ◉ Income and expenses (Table).
- ◉ Finally it is necessary to set up an allotment system by work programmes so that funds can be redirected if the work programme changes.

PPBS Mainly Depends on:

- ◉ Work Programmes, work units and the measurement of work.
- ◉ To determine the cost of each division
- ◉ It is necessary to make use of the techniques known as work measurement and it indicates required Time and Money.
- ◉ Theoretically, any activity within the library can be assigned a time factor and cost-factor.
Ex: Man-Hour.

- ◎ To determine personnel needs and costs, the number of man hours per-unit of work is multiplied by the number of units of work and the product is then divided by the number of hours one person works in a year. This gives the number of persons required.
- ◎ To determine the total cost for each major programmes the man- hours cost and material cost.

There are however some problems involved in this quantitative emphasis.

- The determination of the work units measurements (Ex.: Issue and Receive of Books; Cataloguing the number of tiles catalogued or by volumes processed? There should be any one. Application of standard to measure results).
- It is very difficult, if not impossible, to measure quantitatively the quality of public service activities. (it has high social value but small measurable results).

- ◉ A **Hamill(1965)** suggests that, the performance budget is nothing more than numbers game that cannot accurately measure the true profits with which the library concerned?
- ◉ The unique value of PPBS is that it is based on activities and not on items.
- ◉ Finally, work measurement programmes usually operate best, when there is employee participation at all states and when reporting is done by each individual employee rather than by the supervision.

- ◎ But instructions for the programme must be written and distributed.
 - > Through Cost Accounting
 - > Standards Cost
 - > Function, Programmes Activities-Sub-activities.
- ◎ Control is necessary in any budgeting plan, but the method of organization that the responsibility of control faster and easier.

Advantages:

1. PPBS allows the service purpose of the library to be reflected explicitly in the budget.
2. The appropriate agency can then see why money is being requested and what for used.
3. It allows sensible budget cuts.
4. The PPBS is also useful because of its organization, as a means of budgetary controls, and as a planning device.

Dis-advantages:

1. PPBS emphasis more on the quantitative aspect, the attempt to measure things that can not be measured in the library.
2. It does not itself solve the problems of comparative evaluation of projects, functions of activities.
3. The determination of work unit cost is difficult.
4. The great difficulty in implementing PPBS in small libraries where staff perform several non-repetitive tasks.
5. It emphasis on quantitative data in what may be essentially qualitative situations.

- ◎ PPBS is not the solution to all problems.
- ◎ But, the individual Managers should be flexible and innovative, working with what is available, remembering to keep the ultimate philosophy and objectives of PPBS in mind.

Summary:

- ◎ It may be well to identify a few things that PPBS is not:
 1. It is not a revolutionary concept, except in its arrangement.
 2. It is not substitute for good judgments, opinion, experience, or working knowledge.
 3. It is not an attempt to computerize decision-making.
 4. It is not just another way to save money and cut expenditures.
 5. It is not the answer to every problem involving every financial issue.

- ◎ It is nothing more than a method to force budget managers to think very carefully about the situation.
- ◎ The Services
- ◎ The Priorities, and
- ◎ The Expenditures.