

4. Finance and Budgeting

Introduction

Establishing, improving, developing and maintaining a local documentation service costs money. The amount of money needed to set up and run a small local documentation service is not large, but adequate amounts must be provided on a regular basis, for the service to achieve its aims. This money may come from:

- the parent institution
- the users of the service
- external sources

Overall responsibility for the service's finances normally rests with the service's parent institution, which should take steps to:

- create a separate budget item for the service in its overall budget estimates
- make adequate budgetary provision for both capital and recurrent expenditure on the service, including, where necessary, a foreign exchange component for buying documents, equipment and supplies from other countries
- support the advisory committee and staff of the service in preparing plans and proposals for the development of the service
- incorporate such plans and proposals in the overall plans of the institution and in any requests for funding

The amounts of money required will vary, depending on such factors as:

- objectives of the service
- geographical location
- the size of document collections and the expected growth rate
- the relative proportions of local and foreign documents in the collections
- how much the service is used
- what kinds of information products and services it provides
- the number and qualifications of staff

See also: Healthlink Worldwide Resource Centre Manual

- 2.3 Financial planning
- 2.3.1 How to establish financial needs
- 2.3.2 How to identify sources of income
- 2.3.3 How to draw up a budget

Budgeting

Proper estimates of revenue and expenditure should be prepared for the documentation service. This helps to ensure that the development and operation of the service is properly controlled and provides a basis for evaluating its activities in terms of their cost-effectiveness. The budget estimates should cover:

- recurrent costs
- capital costs (including the costs of any special projects)
- projected income

Recurrent costs

Recurrent costs may include:

- staff salaries and associated costs (pensions, health insurance, etc.)
- costs of purchasing and subscribing to documents and information services, including an adequate foreign exchange component
- costs of producing and distributing information products and services
- costs of publicising the service
- costs of maintaining and upgrading equipment
- costs of supplies, including stationery, cleaning materials, etc.
- running costs, including electricity, water, telephone and postal charges
- general maintenance and upkeep of the service

Capital costs

Capital costs may include:

- preparation, repair and renovation of accommodation
- initial charges for service connections (electricity, water, telephone, etc.)
- purchase and installation of furniture and equipment
- replacement of worn-out, damaged or obsolete furniture and equipment
- purchase and processing of documents to create or develop the initial collection
- specific costs associated with special projects, e.g. organising a training course for local documentation workers

Projected income

Sources of income may include:

- budget allocations made by the parent institution
- charges to users
- external contributions
- special fundraising activities

See also: Healthlink Worldwide Resource Centre Manual

- 2.4 Fundraising and income generation
- 2.4.1 Generating funds
- 2.4.2 Applying for grants
- 2.4.3 How to find out about funders
- 2.4.4 How to apply for grants
- 2.4.5 How to prepare a funding proposal

User charges, external contributions and fundraising will never be enough to cover the costs of developing and maintaining the service. The main source of income will always be budget allocations from the parent institution.

User charges

In many developing countries, individual users of a local documentation service will not be able to afford to pay an economic price for information products and services. Charging an economic rate may discourage people from using the service and so defeat its objective. However, if information products and services are provided free of charge, users may abuse them, for example, by asking for more resources than they need or can use.

One way of dealing with these problems is to allow users to use documents inside the service free of charge, but to make a nominal charge for borrowing them and increasingly higher charges for increasingly higher levels of service. For example, the subscription to a regular list of documents newly acquired by the service, which is relatively easy to prepare, could be lower than that for a newsletter, which takes more time to compile. The cost of a newsletter could in turn be lower than that of a selective dissemination of information service, which requires much more time and effort. Another approach is to provide products and services free to regular users, but to ask external users to pay for them.

The service should always charge for making photocopies of documents in response to users' requests. Such charges might be designed to recover only the costs of the paper and toner, rather than the full costs including electricity, staff time and photocopier depreciation.

Decisions about charging for the use of the service and its information products and services should be made by the management of its parent institution in consultation with the staff and the advisory committee. This applies also to

- the question of whether or not to impose fines and other penalties for the misuse of the service (for example, payments to be made for lost or damaged documents)
- what kinds of contributions, if any, other local institutions should make to the service in return for any services they may receive from it

Income from external contributions

- Apart from income from sales of information products and services to external users, income from external sources may come in the form of:
- contributions from other institutions which co-operate with the service
- grants from national or international donor agencies
- other donations.

Institutions which co-operate with the service, for example, in an information network, may be invited to make one-off contributions, e.g. to the cost of acquiring specialised database software for the network, or regular contributions, e.g. to the costs of maintaining the database.

Income from donor agencies may come either:

- indirectly, within the framework of grants for the development of the parent institution as a whole
- directly, in the form of grants aimed specifically at the development of the documentation service

Donors often impose specific conditions on how their grants should be spent and accounted for, and require grant applications to be made in specific formats.

Other donations, e.g. from local charities or individuals, may be in kind as well as in cash; e.g. in the form of items of furniture and equipment, or documents.

Fundraising activities

The documentation service may be able to raise small amounts of money through special fundraising activities such as the sale of pens and T-shirts, social events and entertainments, etc.