

## Income Generation from Library Buildings: the UK Experience

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### INTRODUCTION

This paper has been prepared to contribute to the financial theme of the Warsaw Conference by considering ways in which library buildings may be used to generate income, drawing on the experience of a number of university libraries in the United Kingdom. Although almost all libraries generate income, it is often difficult to identify income generation activities which are based on buildings as a physical resource and experience here is much more limited.

There are, however, a number of interesting examples which illustrate the potential of library buildings, and this paper attempts to place these in the context of developments in building programmes as well as university funding, and the paper concludes with some observations on potential issues arising from income generation and draws out some tenets of good practice.

### UNIVERSITY LIBRARY BUILDINGS

There has been a substantial programme of university library buildings in the United Kingdom which was initiated by the Follett report on higher education libraries published in 1993.<sup>1</sup> The Review Group had been directed to consider the impact of the expansion of the sector since libraries had visibly been placed under extreme pressure by substantial increases in student numbers.

The survey carried out on behalf of the Review Group by the Library and Information Statistics Unit (LISU) at the University of Loughborough suggested that there was a shortfall of 49,000 seats in higher education institutions at the time of the publication of the report. This translated into a cost of GBP 140 million to build the library study space required by the additional numbers of students. The funding arrangements which were

established to implement this recommendation were based on the principle that 25 percent of the cost of approved projects would be met by government funds, with the remainder being provided by institutions themselves – normally from commercial loans supplemented by the use of cash reserves, income and sponsorship.

This programme has had a major impact on the sector. A substantial number of universities have had library building projects, mostly with support from the so-called Follett funds. The SCONUL database<sup>2</sup> lists over 100 library building projects completed since 1990.

#### FUNDING OF UK UNIVERSITIES

Universities receive government funds primarily through four Higher Education Funding Councils (for England, Scotland, Wales and Northern Ireland) and these are allocated separately for teaching and research. Teaching contracts between the Funding Council and each institution prescribe numbers of students and there are financial penalties for under and over recruitment. The Funding Councils' support for research is based on a Research Assessment Exercise which rates the research activities of institutions, particularly staff publications.

Universities in the UK, in common with other public sector provision, are operating in an increasingly demanding funding régime. Increases in student numbers have been accompanied by a drive for 'efficiency gains' year on year. A recent analysis<sup>3</sup> shows a decline of 10 percent in real terms in higher education funding between 1995/96 and 1999/2000.

Universities are operating in markets which are also becoming more competitive, as institutions strive to recruit students and to win research funding and consultancy contracts. These markets are also becoming increasingly global, with competition coming from higher education institutions and corporate universities based in other countries. The introduction in 1998 of standard tuition fees, paid directly by undergraduate students, is proving to be controversial, with some early indications that mature students are being deterred from applying to study and many research-led universities are keen to set their own fees.

Library funding typically accounts for some 3.5% of institution's expenditure,<sup>4</sup> and, although many universities have tried to give a degree of protection to library budgets, this has not generally been sufficient to offset the impact of

increased demand and the high inflation experienced by books, journals and electronic information services.

#### INCOME GENERATION

Given these pressures, and the adoption of 'single-line' budgets, there is a strong incentive for university librarians to look for opportunities to raise income. Budgetary systems in particular are generally designed to encourage entrepreneurial activities: departmental budgets normally include income targets, and any additional income above the target is normally retained by the department. Conversely, any shortfall in income normally requires corresponding reductions in expenditure.

An account of income generation activities by Ian Winkworth<sup>5</sup> suggested that on average, university libraries in the UK derive 10% of their budgets from income, and this figure is confirmed by more recent SCONUL statistics.

Although financial pressure is a major driver, there are a number of other factors which encourage university librarians to develop an entrepreneurial approach to finances. The development of alternative funding sources reduces their dependence on government funding received through their institutions. This, in turn, is likely to reduce the control exerted by institutions on how funds are deployed and gives librarians more flexibility in how additional income is used. Libraries contain substantial investments in resources, including specialist materials and skills, and it clearly makes sense to exploit these to the full. Successful income generation activities also enhance the reputation of the library, and demonstrate to university colleagues that librarians have the skills to compete in the external environment.

An analysis of income generation in libraries carried out by the author<sup>6</sup> identified five main categories of activity: library services, information services, sales, publishing, and the provision of facilities. The major sources of income continue to be the staple elements of fines and photocopying, but many UK university libraries also receive substantial income from contracted services, often provided to hospitals and health authorities. Project income is also an area which has had an impact on many libraries. For example, much of the work which followed the Follett report was managed through a series of initiatives, such as the Electronic Libraries Programme and the Research Support Libraries Programme which were based on projects carried out by university libraries or consortia of institutions.

In terms of income generation which relates to library buildings, four approaches have been identified which are illustrated by examples from universities: sponsorship, funding from the UK National Lottery, catering and retailing. A number of other potential sources of income from the exploitation of buildings are also noted.

#### SPONSORSHIP

There is less of a tradition of sponsorship in university libraries in the United Kingdom than in the United States. This may reflect the difference in culture, since private and corporate donations to universities are well-established in North America and are encouraged by tax incentives. There may also be a reluctance in the United Kingdom to support provision which is regarded as a state responsibility and funded by a tax system which has higher levels of contribution than in North America.

However, the political climate is changing in the United Kingdom and an environment is emerging which is more hospitable to sponsorship and fundraising. There has been a substantial increase in individual wealth, illustrated by well-publicised cases of millionaires being created from success in new businesses, particularly those based on new technologies, and the impact of the National Lottery. Changes in the tax régime, which became effective in April 2000, also make charitable donations more attractive.<sup>7</sup>

A number of universities, particularly older, research-led institutions, have received funding from charitable trusts and individual benefactors over a long period. More recently there has been a move to develop fundraising activities in almost all institutions, and building projects are often regarded as attractive to sponsors: they can provide tangible and visible evidence of the sponsorship and an association with libraries which have a positive image.

The recent tranche of university library building projects has included a number which have included some sponsorship funding. Although a number of campaigns have had ambitious targets which were not fully met, there have been some notable successes.

The British Library of Political and Economic Science at the London School of Economics has a history of successful fundraising campaigns for library buildings, most recently in its centenary campaign, which raised almost GBP 12 million between 1993 and 1998<sup>8,9</sup>. The University of York has received a benefaction of GBP 2 million towards the total cost of GBP 3 million to build

a research library for the humanities, and the two new Learning Resource Centres at Liverpool John Moores University were also part-funded through sponsorship.

The plaque near the entrance in the Adsetts Centre at Sheffield Hallam University, where the author is based, illustrates the range of benefactors associated with the building. The list includes Sir Norman Adsetts, a prominent Sheffield businessman and former chairman of the Board of Governors, from whom the building takes its name, the Wolfson Foundation, Avesta Sheffield, a major local steel company and Project Furniture, who equipped the building.

#### LOTTERY FUNDING

The National Lottery was established in the UK in 1994 and is based on draws held each Wednesday and Saturday; there are also scratchcards for immediate wins. It is estimated that 71% of the total adult population play in the Saturday draw each week.<sup>10</sup>

A total of GBP 5.5 billion is raised each year; after allowing for prizes and administrative costs, the remaining 28 percent is allocated to six categories of 'Good Causes' which are handled by independent distributing bodies. Although mainstream public sector provision is normally ineligible for Lottery funding, libraries have benefited from funds related to new initiatives, such as staff training and the creation of digital content for new educational networks, as well as a number of other projects, including some buildings.

In the higher education sector, one of the few examples of Lottery project funding is the Ruskin Library at the University of Lancaster.<sup>11</sup> This contains transcripts, papers and books relating to John Ruskin, the nineteenth century writer and social reformer. The building was opened in January 1998 at a total cost of GBP 3.1 million, including a contribution of GBP 2.3 million from Lottery funds.

#### CATERING AND RETAILING

The sale of refreshments, books and stationery is probably the best, and most widespread, example of the use of library premises to generate income and such operations are relatively common in universities. Indeed, the incorporation of retail space into buildings primarily designed for other functions is

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now an accepted convention in the design of buildings such as theatres, cinemas, art galleries, railway stations, airports and hospitals.

The plans for the St George's Science Library at the University of Sheffield incorporated a bookshop from the beginning. The Blackwell's bookshop occupies some 600 square metres of space on two levels adjacent to the street, and carries a stock of up to 31,000 books.

There are clearly major benefits to both partners in this type of arrangement. The campus location offers the bookshop the opportunity to reach students on campus and to establish close links with the academic staff who set reading lists and buy material connected with their teaching and research. There is also clearly an opportunity to become the preferred library supplier! In the case of Blackwell's campus shops, there is often a Joint Bookshop Management Committee to facilitate close working relationships and to develop mutual understanding of issues facing the two organisations.

From the University's perspective, the presence of a bookshop on campus is attractive to students and facilitates the purchase of core reading material for courses as well as boosting university finances.

Libraries contain a captive audience for photocopying and the sale of stationery and computer supplies, and a number of universities have boosted their income by setting up shops with dedicated staff and space. The Adsetts Centre shop at Sheffield Hallam University is a typical example. Located in a prime position just inside the entrance, it sells a range of materials, including gifts carrying the University logo, and incorporates a copy shop for specialist printing and photocopying. Turnover is healthy, since the building receives some 10,000 visits each weekday during Semesters, and is open almost every day of the year.<sup>12</sup>

Competition is clearly a factor which affects the operation of such shops, since there may be competition on campus from booksellers and student unions. There will also be other commercial operations in the neighbourhood. A key issue here is the tension between the need to minimise costs to students and to maximise income for the library.

Students are also an ideal market for the sale of refreshments in libraries, since many visits are for prolonged study and libraries are often a focus for socialising on campus. The Hatfield Campus Learning Resource Centre at the University of Hertfordshire contains a café located in the heart of building which is open for extended hours. The operation, which was originally

operated on a franchised basis, is now run by the University and has a substantial annual turnover.

There are a number of other potential income sources related to library buildings which should be noted. Many buildings have accommodation for hire, such as seminar rooms, lecture theatres and classrooms. These may be particularly attractive to commercial organisations where they have specialist presentational facilities or suites of computers. The provision of technical support to events, such as conferences and seminars, may also be another source of income. Exhibition space may also be attractive to external organisations and an alternative to in-house sales operations might be to offer concessions for retailing or other specialist activities.

#### CONCLUSION

It may be helpful to conclude by drawing out a number of issues and good practice relating to income generation which may be elicited from experience in the UK. First, there is always a risk that developing ideas for raising income may detract from the core library activities of supporting the university's staff and students. These activities often require specialist skills which university library staff may not have, and income generation activities are demanding in terms of time and energy, particularly from senior staff. It is essential to cost and price services accurately, to include 'hidden' costs and to generate an appropriate level of profit. Ironically, prices may need to be raised since some potential customers may only value high-priced services and may associate low prices with low quality!

There are a number of tenets of good practice which should be applied to any income generation venture. It is essential to be clear about the rationale for any activity - is it just to raise money, or is it primarily to provide a facility for students or to raise the profile of the department? Universities contain a wealth of expertise and experience and there are many opportunities to be explored by collaborating with colleagues in other parts of the institution. It is necessary to take firm decisions, particularly when there are difficulties to resolve or when targets are not met. However, it is also important to celebrate success and partnerships - and hopefully, there will be plenty of occasions when this is the case.

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