

# **THE COSTS OF THE JOINT PROVISION OF SERVICES IN RURAL COMMUNITIES**

**A Report for the Countryside Agency**

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# 1. SUMMARY

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## SUMMARY OF CONCLUSIONS

1. Joint provision often comes about because a service provider, wanting to provide its service locally, seeks a point of delivery and finds another organisation with existing accommodation that is willing to assist. This is a *host/guest model* of joint provision, with the organisation with accommodation being the *host*, and the incoming service provider the *guest*.
2. For joint provision to make sense, it has to be attractive to both the host and the guest.

### ***From the Host's Perspective***

3. Where a local service provider has some spare resources, it is frequently financially advantageous to allow another service provider their use (i.e. for it to become a host).
4. Joint provision is generally an attractive option for community centres and the like.

### ***From the Guest's Perspective***

5. The remit of joint provision is usually to provide a service at a more local level than would otherwise be financially possible.
6. In most cases, the joint provision necessarily has to have low overall costs because of the small catchment population.
7. Jointly provided local services are usually (but not always) cheaper than the equivalent standalone provision, because joint provision entails a more efficient use of resources.
8. Mobile provision can be cost-effective if the priority is to deliver a minimal level of service, but it is not if the intention is for a service to operate for more than a few hours a week.
9. Currently, local, joint provision is usually a supplement to existing central provision. The main alternative is not to have the local service at all, depending on whether the additional costs are worth the benefits to the local population and manageable to the service provider.
10. Local, joint provision can, however, potentially also substitute for existing central provision, if implemented on large scale. In such cases, the main alternative is to keep all of the service centralised and the basic financial issue is the comparative costs.
11. Capital costs are usually less of an issue for long-term viability of joint provision in that they typically depend on the availability or otherwise of a pot of *external* money.

### ***Service-by-Service Analysis From The Guest's Perspective***

12. Libraries: shop libraries and one-day-a-week libraries can potentially be provided as supplements to existing central library provision without undue problems. Furthermore, there are no obvious financial reasons to stop library services from providing more local services at the expense of less central provision.
13. Medical services: outreach medical services need to be low cost, because they use existing staff and only require availability of a room. However, because they are likely to reduce the amount of professional time available for the current centralised service, GP outreach services are only likely to be practical on a small scale, where the population justifies them.
14. Council centres and advice services: where joint provision can be provided at low overall cost, it has attractions as a supplement to the existing centralised service.

## INTRODUCTION

This report sets out the findings of an initial study undertaken by the New Policy Institute on behalf of the Countryside Agency into the costs of the 'joint provision of services' in rural areas. The term 'joint provision of services' is used to cover any situation where two or more services are delivered from a single location, such as a building or a vehicle.

The objective of the study has been to identify the basic economic arguments for joint provision by detailing some of the financial issues that need to be considered when deciding whether or not to proceed with a particular joint provision opportunity. As such, it aims to complement other research undertaken by the Countryside Agency into the origins, scale, nature and quality of joint provision.

The study's scope has been limited to case studies on 13 sites, chosen to include at least one 'public' or 'community' service. In each case, key individuals were interviewed and all available financial data collated and analysed.

<b>Location</b>	<b>Description</b>
Aspatia, Cumbria	A council centre, public access ICTs and a variety of services (police, housing association, trades hall and accountancy surgeries) delivered from the offices of a charity.
Aylesham, Kent	A multi-purpose community facility that is home to a library, a regeneration project and an ICT suite providing training and public access PCs, as well as start-up business units, a café, hairdresser and meeting rooms for hire.
Bilsthorpe, Notts	A centre providing resources for jobseekers, public access ICTs and community education and training.
Broadland district, Norfolk	A mobile district council information service which is also used to deliver Inland Revenue, Race Equality Council and Citizens' Advice Bureaux Services.
Collingham, Notts	A medical centre and part time library.
Coniston, Cumbria	A large community centre which is home to a local museum, a district nurses' office, a part time library and voluntary and community sector services and activities.
Horning, Norfolk	A community centre which hosts voluntary and community sector services and activities and from where a GP and a chiropodist conduct consultations.
Headcorn, Kent	A small library which is the location for a police office.
Kirkby Stephen, Cumbria	A small library, which is the base for a community and council office which provides information and services for local government and others, supports community organisations, and hosts advice or training sessions from the youth service, careers service and others.
Mundford, Norfolk	A community centre which is the base for voluntary and community sector services and activities and is home to a fully equipped GPs' surgery.
Orgill, Cumbria	A school which is host to a community development centre delivering ICT training and other services.
Sedbergh, Cumbria	A National Park information centre which is the base for a Citizens' Advice Bureaux and a community office which provides public access ICTs, district and county council information and services, and rooms for hire.
Syderstone and Southery, Norfolk	Two village shops (a village shop with post office and a larger general store) which deliver a library service.

## HOW JOINT PROVISION WORKS

In almost all the case studies, joint provision came about because a particular service provider, wanting to provide its service locally, sought a point of delivery and found another organisation with existing accommodation that was willing to provide assistance. We term this a **host/guest model** of joint provision, with the organisation with accommodation being the **host**, and the incoming service provider the **guest**. These host/guest models in turn divide into two distinct categories:

- Where the host is also a service provider in its own right.
- Where the host is not itself a service provider, but provides accommodation and other facilities to others.

Within this, the role of the host may vary from the simple provision of physical space to the guest through to the actual delivery of the service on the guest's behalf. In a few cases, the host and guest work in partnership to deliver the service.

In the rest of this summary, we analyse the costs of joint provision separately from the perspectives of hosts and guests. The reason for this is that **for joint provision to make sense, it has to be attractive to both the host and the guest organisation - but the costs issues that they need to address are different:**

- For hosts, accommodating guest services is usually only a small part of their overall activity and costs. It is financially attractive to them if it at least breaks even, that is to say if the charges levied at least outweigh the additional costs incurred.
- For guests, the issue of the costs of joint provision is more fundamental as they form the entirety of their costs. The financial attractiveness of joint provision, therefore, depends on its overall financial viability and cost-effectiveness.

In this context, the basic financial equations are:

Host's net surplus/deficit	<u>equals</u> <u>less</u>	Income from the guest service provider(s) additional costs that result from being a host
Guest service's net costs	<u>equals</u> <u>plus</u> <u>less</u>	charges levied by the host other costs incurred in providing the service any income from clients etc

The difference between host and guest has an impact on the comparators that it is appropriate to use for assessing whether joint provision is a cost effective option.

- For the host, the comparator is simply the financial circumstances that it would face were it not a host.
- From the guest's perspective, the key issue is whether the net costs incurred are both lower than those of alternative forms of provision and worth it in terms of the value of the services provided.

## COSTS FROM THE HOSTS' PERSPECTIVE

### *Where the Host is Itself a Service Provider*

A summary of the net revenue costs to the host organisation in each of the case studies is provided in the table below.

Case study	A: Net surplus / deficit from hosting services (as a % of host's turnover)	B: Additional costs incurred from hosting services (as a % of host's turnover)	C: Income from guest services	D: Value of resources made available to guest services
Aspatria	about £5,000 (3%)	about £500 (< 1%)	£5-6,000	About £7,000
Bilsthorpe,	(£3-4,000) (5%)	£3-4,000 (5%)	None	About £19,000
Broadland	None	None	None	£3,000
Collingham	£1,300 (<1%)	£3000 (< 1%)	£4,300	£3,000
Headcorn	None	£120 (<1%)	£120	£300
Kirkby Stephen (1)	None	£600 (2%)	£600	£3,400
Kirkby Stephen (2)	£300 (4%)	None	£300	At least £300
Orgill, Cumbria	£1,000 (estimated) <1%	£1,000 (estimated) <1%	None	Not known
Sedbergh (1)	£500 (3%)	None	£500	£2-4,000
Sedbergh (2)	£1,000 (10%)	Minimal	£1,000	£1,000
Syderstone and Southery	£1,700 (about 10% of profits)	Minimal	£1,700	£800-£4,000

As the table illustrates, the prices that the hosts are charging their guests (Column C) are usually at least as much as they are incurring in additional costs (Column B). In other words, in most cases, the move to joint provision has been at least financially neutral to the host organisation (Column A). This is, perhaps, not surprising: where the service provider has spare physical space or other resources, they 'might as well' let it be used by other service providers: the full costs of the resources are largely 'sunk' already, so hosting costs them very little, and they receive some additional income. We conclude that, *where a local service provider has some spare resources, it is frequently financially advantageous to allow another service provider their use.*

As the table also illustrates, the actual value of the resources made available to guest service providers (Column D) are usually significantly greater than the net additional costs to the host organisation (Column B). This difference is effectively an efficiency saving from sharing facilities. It can be of benefit to host, guest or both, depending the host's charging policy.

Finally, both the additional costs and the net income are, in most cases, only a small part of the total costs of the host organisation. We conclude that, in the case studies at least, *host services do not secure their future simply by entering into joint provision. Rather, a viable host service seems to be a pre-requisite for joint provision.*

### **Where the Host is not a Service Provider**

This situation is mainly concerned with community centres or equivalent, where the basic *raison d'être* of the centre is to be a place which other people and organisations can rent for defined periods of time. Such facilities are clearly only suitable for certain types of service provision - in the case studies, these included 'complicated' services, such as GPs' consultations and libraries.

The basic financial equation here is simple: it is in the centre's interest to maximise utilisation, as this raises income for little or no additional cost. If the centre can charge the same (or more) to service providers as they can to others, then it is clearly in its interest to host such organisations. In most of the case studies, this was in fact the case and we therefore conclude that *joint provision is generally an attractive option for community centres and the like*. This is particularly true given that the service provider usually represents business which is both predictable and regular.

It is worth noting that, in all of the case studies, the income raised from service providers represents a minority of the total income. The table below illustrates.

<b>Case study</b>	<b>Nature of host organisation</b>	<b>Income from service providers</b>	<b>Income from other users</b>	<b>% of total income from service providers</b>
Aylesham	Large multi-purpose community facility	£16,000 (expected to rise to £28,000 over 2000)	£51,000	30%
Coniston	Large community centre	£1,500	£7,700	15%
Horning	Community centre	£1,000	£7,000	15%
Mundford	Community Centre	£1,300	£8,500	15%

### **COSTS FROM THE GUEST'S PERSPECTIVE**

The table below lists all the service providers from the case studies, together with an estimate of the net revenue costs of their services.

<b>Case study</b>	<b>Guest service</b>	<b>Net cost of service</b>	<b>Payments made to host organisation (% of net costs)</b>
Aspatia	Community and council centre	£5-6,000	£5-6,000 (100%)
Aspatia	Accountant, trades hall, police and housing association surgeries	None or very low (rent; travel)	None or very low
Aylesham	Library	£25-30,000	£7,500 (25-30%)
Aylesham	Neighbourhood project	£30,000	£3,000 (10%)
Bilsthorpe	FE college	£40,000 (NPI estimate)	none
Broadland	Inland Revenue surgery	none	none
Broadland	CAB	£4-5,000	none
Collingham	Library	£16,000	£2,000 (12%)
Coniston	Library	£4,000	£440 (10%)
Coniston, Cumbria	Nurses' office	£1,600	£1,000 (60%)
Horning, Norfolk	Chiropodist	£500	£500 (100%)

Case study	Guest service	Net cost of service	Payments made to host organisation (% of net costs)
Horning, Norfolk	GP	£500	£500 (100%)
Headcorn, Kent	Police office	£200	£120 (60%)
Kirkby Stephen, Cumbria	Community and council centre	£7,500	£600 (8%)
Kirkby Stephen, Cumbria	Youth service and other organisations' surgeries	low (no information)	£300
Mundford, Norfolk	GP	£6,000	£1,300 (20%)
Orgill, Cumbria	Community development centre	around £18,000	none
Sedbergh, Cumbria	Community office	£7,500	£500
Sedbergh	CAB	£19,000	£1,000
Syderstone and Southery	Library	£1,650	£1,650 (100%)

In almost all of the case studies, *the remit of the joint provision was to provide a service at a more local level than would otherwise be financially possible*. In analysing the costs of joint provision, this means it is necessary to answer two separate questions:

- Is the provision the most cost effective way of delivering more local service? (comparators: competing forms of joint provision; standalone local provision; mobile provision).
- Is the provision of the more local service financially viable? (comparators: more centralised examples of provision).

### **Joint, Local Provision Versus Other Forms of Local Provision**

Our impression is that the cost of local services which are jointly provided is usually less than the cost of equivalent standalone provision, because joint provision entails a more efficient use of resources. In part, this is because host organisations can make available their excess resources to guests and may choose to charge at a rate below the value of the resources provided. In part, it is also because guests can often negotiate access to the specific level of resources that they need to provide a service, thus avoiding or limiting the extent to which their facilities go under-utilised. Examples include renting small amounts of space; renting space part time; and commissioning service delivery by an agent.

In some cases, our impression is that renting, buying or building standalone accommodation would be prohibitively expensive, or impossible. In other words, joint provision can be the only practical option for a small community.

There are, however, some exceptions to this, relating both to the availability of accommodation and to the hours of service required:

- If a service provider *owns a standalone site* that is suited to the level of service it wishes to deliver, it is often cheaper to use this than to pay rent to someone else.
- *Mobile, standalone provision* also tends to be less expensive, per community visited, than static provision. This is because mobile services only visit communities for at most a few hours a week. If the priority is to deliver a minimal level of service to a community, mobile provision may be more cost effective than joint provision. But, if the intention is for a service to operate for more than a few hours a week, mobile services are generally not cost effective, as they have high hourly costs.

## Joint, Local Provision Versus More Centralised Provision

Service provision in local communities can be divided into two broad categories, for which there are different issues:

- ***A supplementary service provided at a more local level.*** Examples include a GPs' branch surgery in a village hall and a council one stop shop that is remote from council offices. In both of these cases, the local service is supplementing an existing, more centralised service. In these cases, the main alternative is not to have the local service at all and the basic financial issue is whether the additional net costs of the supplementary service are both worth the benefits to the local population and manageable to the service provider.
- ***Parts of an existing service being moved to a more local level.*** Examples potentially include libraries, advice services and community education. Although these sorts of service are currently usually supplementary to centralised delivery, there is no intrinsic reason why local delivery should not (in part) replace central delivery. In these cases, the main alternative is to keep all of the service centralised and the basic financial issue is the comparative costs of the fully centralised option compared to the partially decentralised option.

Establishing a more local form of service provision usually requires that the provision only involves low, overall costs. This is partly because the low catchment populations mean that high levels of spending cannot be justified and partly because provision in small communities means provision in more communities, so each individual service must be inexpensive. In this context, the alternative to joint provision may be no provision at all.

A related issue is 'how local is local'. Although there is a risk of generalising too much from the limited number of case studies, it appears that 'local' sometimes means 'small village' and sometimes means 'market town or large village'. The table below illustrates.

Service	Larger centre	Market town / big village	Small village
'One stop' shops for council services	—————→		
Community education	—————→		
Advisory services - static	—————→		
Advice services - mobile		—————→	
Library services		—————→	
Primary care services		—————→	

### Capital Costs

Analysis of the case studies suggests that the capital costs are usually much less of an issue for the long term viability of joint provision than the *on-going* costs. This is because the main issue influencing whether guests proceed with the capital spending is the availability or otherwise of a pot of *external* money that can pay for the set up of joint provision. Thus, capital and revenue costs typically come from different sources and can be considered separately. Chapter 7 provides more details.

## THE POTENTIAL FOR JOINT PROVISION: SERVICE-BY-SERVICE

### **Library Services**

In the case studies, there are three distinct models of guest-based library service:

- Village shop libraries, available full-time, with shop owners acting as library agents.
- A one-day-a-week library, delivered from a small room in a larger building.
- Two to four-day-a-week libraries, delivered from a room in a larger building.

The shop library and one-day-a-week library options both appear to have very low overall costs compared to other static libraries. Our impression is that they could be provided, in isolated cases, as supplements to existing library provision, without undue problems.

These options also seem to have costs, per book issued, that are of the same order of magnitude as those found across other library services. This means that allocating the same level of resources to more of these libraries, rather than fewer high-cost, standalone libraries, should result in similar levels of library use. This is interesting, because such an allocation of resources might result in the delivery of library services in many more communities. Our impression is, therefore, that there are no obvious financial reasons to stop library services 'hollowing-out' their provision by providing more local services at the expense of less central provision.

The two to four-day-a-week libraries appear to be comparable, in cost and level of service, to standalone libraries of a similar scale. This suggests that library services would normally need to substitute an existing static library for a new guest library. Our impression is that the choice between the two models of provision is likely to depend on local circumstances, such as the availability of accommodation.

### **Medical Services**

The medical services considered in the case studies were two GP outreach surgeries, a community nursing office and a chiropodist's clinic.

In all cases, the employment costs of health professionals were not considered as costs of delivering the guest service, as they would provide services elsewhere if the guest locations were withdrawn. Any time spent by a health professional in the outreach location means that (s)he has less time available to spend at other locations (either a central medical centre or on home visits).

Because the community nurses and the chiropodist provided their service via home visits, the central/local decisions do not affect the geographic distribution of their services. Rather, the key issue is that the room is available at low cost. For the chiropodist, it is also important that sufficient bookings can be secured using the community centre compared to home visits.

For GPs, the issue is not mainly about costs, as the additional costs of premises at outreach locations are small compared to practice budgets. Rather, the issue is of the net impact on levels of primary care, because outreach sets up a tension between the interests of the local population (who presumably value the outreach service) and those of the population elsewhere (who will suffer a diminution of service) and perhaps the GPs themselves (who will have to spend more time travelling). This situation is analogous to that of urban GPs, where there is a similar tension between home visits and catering for more patients at the surgery itself. We conclude that GP outreach services are only likely to be practical on a small scale, where the particular pocket of population justifies them. They are also only likely to be attractive when, in some sense, the GP is not already over-loaded and can therefore 'afford' the time to undertake the outreach.

## **Council Centres**

The case studies involving joint provision of council services use three different models, none of which directly involved local government officers:

- A full time service delivered by an agent organisation commissioned by local government.
- A part time service delivered by employees.
- A part time service delivered by a mainly volunteer-based community organisation.

All these services were low cost, relative to council budgets. Our impression is that this was a necessary requirement, as these centres are outreach services, which necessarily supplement council offices in central locations. In each case, a major reason why the services are low cost is the model of guest service provision adopted: the agent model is efficient, because it involves paying only for the time a service is used rather than available; and the use of community provision is low cost, because community services are delivered as a package of services, funded from several sources, so the costs of any one of these services is reduced. In addition, where community organisations use volunteers, further savings are delivered.

In terms of overall costs, however, none of the three guest services, was as cheap as a mobile council service. Our conclusion is that mobile provision is the cheapest way of providing *any* service, but that static services are less expensive as soon as there is a need or desire to deliver services for a day a week or more.

## **Community Education**

There were three different models of community education in the case studies:

- Facilities rented to a variety of guest tuition providers, by the session.
- Facilities made available to a single provider, as part of a community education programme.
- Facilities and tuition both provided by the guest (with facilities available for use by the host).

Community education appears to be an example of a service where there are potential financial tensions between hosts and guests. In one of the case studies, the guest training provider is clearly financially viable, but it is also being provided with a free package of services from a host whose sustainability is dependent on extensive grant funding. In another example, the host makes a clear surplus on providing facilities, but there is no guarantee that individual guests are sustainable. In the case where the tuition and facilities are managed by the same organisation, these conflicts do not exist and the service currently breaks even. It is not clear, however, whether its business model is viable in the long term.

## **Advice Services and Similar**

The research only looked in detail at a few of the many guest organisations who provide advice surgeries or equivalent. In particular, two outreach CABx were considered:

- A partially self-managing CAB, open for nine hours a week, based in a community office.
- A mobile CAB, based on an information bus, providing services in three communities for two to three hours a week.

Our impression was that both these services were relatively low cost, in both absolute terms and in terms of costs per user. In both cases, the services could not replace central provision, because this provides a specialist referrals service. The case studies do, however, suggest that advice providers might be able to explore the possibilities of a partial 'hollowing-out' of existing central provision with a network of local services feeding into a specialist support service at the centre.

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## 2. INTRODUCTION

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### THE PURPOSE OF THE STUDY

In this report, the joint provision of services is taken to mean the delivery of two or more services from a single location, such as a building or a vehicle.<sup>1</sup> The potential benefits of such joint provision include the possibility of improved co-operation between service providers, the reduction in the number separate trips that service users need to make and as a means of providing services locally at lower costs than would otherwise be possible.

The Countryside Agency, and before it the Rural Development Commission, has had an on-going interest in exploring how the quality and quantity of services can be enhanced in rural communities, while avoiding unaffordable rises in expenditure. Joint provision is one possible means for achieving this goal and it has been the subject of considerable Countryside Agency work.

In this context, the Countryside Agency commissioned the New Policy Institute to carry out a specifically financial analysis of joint provision. The objective of the study has been to identify the basic economic arguments for joint provision, by detailing some of the financial issues that need to be considered when deciding whether or not to proceed with a particular joint provision opportunity. It has also analysed the scale of the costs of joint provision and compared them with alternative methods of providing the services. The overall intention has been to provide a preliminary assessment of the potential significance of joint provision as a means of improving rural services. As such, it aims to complement other research undertaken by the Countryside Agency into the origins, scale, nature and quality of joint provision.

### A CASE STUDY APPROACH

The study has focused on the analysis of the costs of 13 case studies of joint provision.<sup>2</sup> These are summarised in Table 2.1 (on the last page of this chapter). In each case study, there are at least two organisations on site and often more. All of these organisations are either service providers or organisations that are hosting service providers; organisations such as community groups or businesses which do not provide services to the public are not included in the scope.

The benefit of using this small number of case studies was that it was viable to interview the key individuals and to analyse all available financial data. The small sample does, however, mean that there is no way of guaranteeing that the information presented is representative of all joint provision. As a consequence, the conclusions in this report should be seen as indicative rather than definitive. In other words, the report raise issues for consideration rather than provides definite answers.

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<sup>1</sup> Services delivered in this way can be sometimes referred to as ‘tandem services’. This phrase is used simply to avoid reference to ‘joint-services’ which can be understood to mean single services delivered by a multi-agency partnerships.

<sup>2</sup> The study actually looks at 14 examples of joint provision. Two of these examples, Syderstone and Southery in Norfolk, are both shop libraries and are part of a single policy initiative; they are therefore treated as a single case study throughout this report.

## **The Selection of the Case Studies**

The case studies were jointly selected by the New Policy Institute and the Countryside Agency. The selection criteria used were as follows. First, since the Countryside Agency's main responsibility is to advise and influence the public sector, each case study has some element of public sector involvement. Second, each case study includes the interaction of more than one organisation, as well as the provision of more than one service. Finally, post offices were excluded, as there is already extensive research and policy work underway on the future of rural post offices.

6 of the 13 case studies have been the subject of previous research commissioned by the Countryside Agency (both in 1996 and 1999-2000). In these cases, therefore, there is already contextual and historical information available, alongside which the analysis of costs may be placed.

The remaining 7 case studies were identified from a Countryside Agency 'census' of joint provision, across 5 rural counties. The benefit of using these examples is that it was possible to choose types of case study which seemed broadly representative of the different forms of provision revealed in the census as a whole.

## **THE SCOPE OF THE STUDY**

### **Public and Community Services**

The focus of the research has been organisations' activities which involve direct services to the general public. By this we mean the provision of goods and services including: material goods; education and training; health and social care; cultural and leisure services; information, advice and counselling; and security. We have interpreted the term 'service' broadly, but not so broadly that it includes either 'back-office' administration or provision by clubs and societies to their members. We have also excluded services which do not cater for the general public, such as services for businesses (such as vets or business advisers).

Our focus has been the delivery of what are generally perceived to be 'public' or 'community' services. Defining what these are is not easy, particularly in a rural social policy context. For example, village retail outlets, although run as businesses, are often seen by their customers as vital community services and frequently remain open only because of the strong community service ethos of their owners. By and large, however, our concern has been with public, voluntary and community sector services.

### **An Analysis of Costs**

The study is limited to looking at the *financial dimensions* of joint provision. This is inevitably only a part of the analysis that is needed to understand how successful joint provision works or new joint provision should be approached. In particular, it is clear that institutional factors and entrepreneurialism (within communities and service providing organisations) are just as important as costs in ensuring successful joint provision. This report should, therefore, be read in conjunction with the other research on joint provision that the Countryside Agency has commissioned.

## LAYOUT OF THE REPORT

The rest of this report is divided into chapters which look at the following issues:

- **Chapter 3 – *How Joint Provision Works*** discusses the various models of joint provision, in terms of the relationships between the organisations involved, their motivations for entering into joint provision and the main financial issues that need to be considered.
- **Chapter 4 – *Analysis of On-going Costs: Hosts*** analyses costs from the perspective of those organisations providing the accommodation (termed ‘hosts’).
- **Chapter 5 – *Analysis of On-going Costs: Guests*** provides some introductory analysis of costs from the perspective of those incoming service providers who are using the accommodation (termed ‘guests’).
- **Chapter 6 – *The Potential for Joint Provision: Service-by-Service*** builds on the material from Chapter 5 to analyse the on-going costs for each of the main types of service studied. Again, this analysis is from a guest perspective.
- **Chapter 7 – *Capital Costs*** discusses some of the issues relating to initial set-up costs.

Table 2.1 - The Thirteen Case Studies

<i>Location</i>	<i>Site</i>	<i>Site History</i>	<i>Host</i>	<i>Host's Services</i>	<i>Host's Other Activities</i>	<i>Guest Services</i>	<i>Non Service Delivering Guests</i>
Aspatria, Cumbria	High street office	Previously host standalone; site unchanged since	Rural development charity	Public-access ICTs	Project management; delivery of the guest council centre service as an agent	(1) Council centre (2) Surgeries (police; housing association; trades hall; accountant)	Voluntary and community organisations (meetings and internal training)
Aylesham, Kent	Multi-purpose community facility	Converted school; conversion designed to accommodate existing guests.	Regeneration charity	Public access ICT	Site development; support of guests; community projects	(1) Library (2) Community regeneration project (3) ICTs tuition (4) Café (5) Hair salon	(1) Start up businesses; (2) NHS and others (meetings and internal training)
Bilsthorpe, Notts	Two converted houses	Host and guest recently jointly re-located and the site converted to accommodate both	Regeneration charity	(1) Jobseekers' resource centre; (2) Public access ICTs	planning and support of guest service	Community education	None
Broadland, Norfolk	Small bus	Previously standalone host; site unchanged since	District council	Council information and services	Support of guests	(1) CAB (2) Inland revenue (3) Race equality council	None
Collingham, Notts.	Medical centre and library	Site designed to accommodate host and guest	General practice	(1) Primary health care (2) Dispensary	None	Library	None
Coniston, Cumbria	Community centre and museum	Site long-established as host for other organisations	Community organisation	(1) Museum	Management of site	(1) Library (2) Nurses' office	Voluntary and community organisations
Horning, Norfolk	Community centre	Site built to host for guests; guest service present from the outset	Community organisation		Management of site	(1) GP (2) Chiropodist	Voluntary and community organisations
Headcorn, Kent	Small library	Previously standalone host; site unchanged since	Library	Library	Support of guest	Police office	None
Kirkby Stephen, Cumbria	Converted shop	Previously standalone host; conversion to accommodate guest	Library	Library	None	(1) Community and council centre (2) Youth service and others – surgeries	None
Mundford, Norfolk	Community centre	Site designed to accommodate guest service and other organisations	Community organisation	None	Management of site	GP and Nurse	Voluntary and community organisations
Orgill, Cumbria	School	Previously standalone host; limited conversion to accommodate guest	School	Education		Community development centre (community education)	None
Sedberg, Cumbria	High street office	Previously standalone host; conversion to accommodate guest	National park centre	(1) Tourist Information (2) Education	None	(1) Community Office (council information; ICTs; room hirings) (2) CAB	Voluntary and community organisations
Syderstone & Southery, Norfolk	Shops	Previously host standalone; site unchanged since	Shops	(1) Village shops (2) Post office (Syderstone only)	Delivery of the guest library service as an agent	Library	None

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## 3. HOW JOINT PROVISION WORKS

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This chapter discusses *how* joint provision works, to the extent that this has financial implications. It describes the roles played by organisations involved in joint provision, the nature of their relationships and their motivations for entering into joint provision.

### THE DIFFERENCE BETWEEN HOSTS AND GUESTS

The basic distinction between organisations involved in joint provision is that between hosts and guests. A *host* is an organisation responsible for the *management* of the site and the *hosting* of another organisation which provide services. By contrast, a *guest* is an organisation that delivers a service to the public from a location which it does not manage.

In the study there were two types of hosts, with very different financial circumstances.

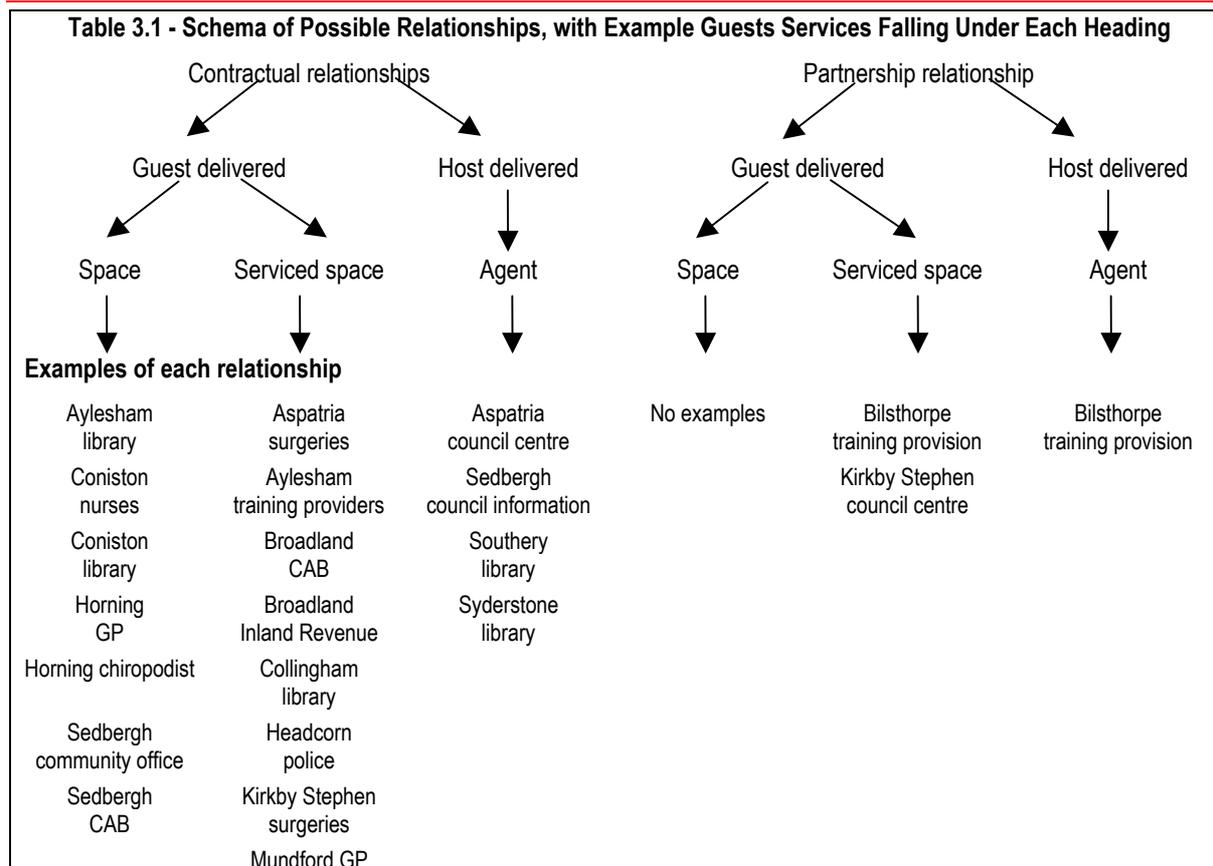
- ***Hosts which deliver services to the public.*** In the majority of the case studies, both the guest and the host organisations provide services to the public.
- ***Hosts which do not deliver services to the public.*** In some cases, the host is not a service provider itself. The most straightforward example of this is community centres. In these cases, joint provision occurs because more than one guest organisation is providing different services from the host's premises.

Guest service providers can sometimes act in turn as hosts to other guest service providers (this occurs in two of the case studies: Kirkby Stephen and Sedbergh).

### RELATIONSHIPS BETWEEN HOSTS AND GUESTS

The relationships between host organisations and guest service providers vary hugely in complexity, but can be grouped into a number of broad types:

- ***Contractual relationships*** where the different organisations are independent from each other and the key relationship is a financial one, involving the purchase of goods or services.
- ***Space relationships*** involve the provision of space by the host to the guest.
- ***Serviced space relationships*** involve the provision of support services and space by the host to the guest.
- ***Agent relationships*** involve a host delivering a service on behalf of a guest.
- ***Partnership relationships*** where there is joint management, resourcing and delivery of a service. This relationship may involve financial or other transactions, but these are driven by the prior commitment to a partnership-based service.



### Space Relationships

The most straightforward and common joint provision relationship is for a host simply to let out space within a building, from where the guest can provide a service. In the case studies, the main financial transaction is the payment of rent by the guest service provider to the host organisation. In some cases there is also a service charge covering the costs of some bills and other overheads.

Hosts either charge full-time or rates proportionate to the time space is occupied. By and large they seem content to charge part time rates when a guest requires non-exclusive use of a space. This usually means that, in addition to delivering a service part time, the guest can also get by without exclusive use of space for storage or for use as a drop-in point. There is also one example (Collingham) of a guest being charged for full time occupancy, even though it does not require exclusive use of the room. Here the space was purpose-built for the user, so it is considered appropriate to pass on the full costs.

The practice of charging guests only for part time use of space is one of the major ways in which joint provision can be cheaper to a guest organisation than equivalent conventional provision.

### Serviced Space Relationships

As well space, host organisations may also deliver support services to the guest service provider. Guest organisations may pay charges based explicitly on the hosts' provision of support services, in addition to space, although usually without these services being explicitly acknowledged within financial agreements. But mostly the cost of support services are either rolled into rents or are absorbed by the host, usually as a result of generosity rather than oversight.

<b>Support Service</b>	<b>Recipients of Services in the Case Studies</b>	
Reception Services	Aspatria surgeries Broadland CAB and Inland Revenue	Headcorn police office Kirkby Stephen surgeries
ICT facilities	Aylesham training providers;	Kirkby Stephen community and council centres
Cleaning	Collingham	Mundford

### **Agent Relationships**

A host organisation can deliver services on behalf of a guest service provider as an agent under contract. In such cases, the guest service has only a 'virtual' presence rather than being a tenant and the financial transaction usually takes the form of a commission, paid by guest to host, to deliver a defined set of services under a contract or Service Level Agreement.

Where agent relationships exist, the guest service is usually available for as many hours as the host operates. The payments that agent organisations receive are typically based roughly on the time spent *delivering* the guest service, rather than the greater length of time the service is *available for delivery*. In Aspatria, for example, a five-day-a-week service is provided at the cost of a payment which covers 2½-day-a-week of employment costs, because it is assumed that 2½ days are *actually* spent in the delivery of the service. This means that agent relationships are potentially a very efficient way for the guest commissioning the provision to deliver a service. Not only is there the possibility that charges will only reflect the time spent delivering a service, they may also not take account of overheads the host would be incurring regardless.

### **Partnership Relationships**

Finally, a service may be delivered through the collaboration of more than one organisation, with each having ownership, and a role in the planning, of the service. Note, that this report treats a service delivered on a partnership basis by more than one organisation as a single service. To qualify as an example of joint provision, other services also need to be delivered from a site.

<b>Case study</b>	<b>Partners</b>	<b>Description</b>
Aspatria	Solway Rural Initiative Ltd; Cumbria County Council; Allerdale Borough Council	Public access information communications technology – investment by the councils has revitalised an existing tele-cottage facility.
Bilsthorpe	CHUB – Bilsthorpe Resource Centre; West Nottinghamshire College	A programme of training in collaboration. Tuition is provided by West Notts College. Reception, registration, IT facilities and a teaching room are provided by CHUB.
Kirkby Stephen	Kirkby Stephen Parish Council; local voluntary organisations; Cumbria County Council; Eden District Council	The Community and Council Centre is governed by a management committee representing all partners. Parish Council employees deliver services for all three tiers of local government; support-in-kind is provided by other partners.

Partnership relationships involve different partners paying for different elements of the cost of providing a service. This happens in two ways:

- Partners can contribute directly to the delivery of a service by providing space, equipment and/or services.
- Partners can agree on financial transfers between each other, either in payment for the provision of space/serviced space or because one partner is acting as an agent for another.

## MOTIVATIONS

Throughout the course of the study, it was impressed upon us that joint provision is not generally motivated by a desire to *save* money. The interviewees did, however, suggest that financial issues do play an important, if sometimes secondary, role in persuading host or guest to enter into joint provision. Table 3.4 is an attempt to place financial motivations into context, by placing them alongside other reasons that push parties towards joint provision. This assessment is based on our impressions from the interviewees rather than necessarily their explicit comments.

Table 3.4 – Impressions of Motivations for Entering into Joint Provision											
<b>Motivations for Joint Provision</b>											
(1) to co-locate with other services to deliver joined-up provision						(6) to support host					
(2) to minimise costs						(7) to benefit from host's support					
(3) to provide a local service						(8) to modernise host's existing resources <sup>3</sup>					
(4) to support guests / the community						(9) to improve security					
(5) to generate income											
			<b>Motivations for Joint Provision</b>								
			1	2	3	4	5	6	7	8	9
Aspatria	Charity	host	✓			✓	✓			✓	
	Council centre	guest	✓	✓	✓			✓			
Aylesham	Community trust	host				✓	✓				
	Library	guest	✓					✓			
	ICT training providers	guest		✓	✓						
Bilsthorpe	Community centre	guest	✓	✓	✓				✓		
	Resource centre <sup>4</sup>	host	✓			✓					
Broadland	Community education	guest	✓	✓	✓				✓		
	Council information service	host	✓			✓					
Surgeries		guest	✓	✓	✓						
	Medical centre	host	✓			✓	✓				
Collingham	Library	guest	✓	✓							
	Community centre	host				✓	✓				
Coniston	Library	guest		✓	✓						
	Nurses' office	guest		✓	✓						
	Community centre	host				✓	✓				
Horning	GP	guest		✓	✓						
	Chiroprapist	guest		✓	✓						
	Library	host				✓	✓				✓
Headcorn	Police office	guest		✓	✓						
	Library	host	✓			✓				✓	
Kirkby Stephen	Community and council centre	guest	✓	✓	✓						
	Community centre	host				✓	✓				
Mundford	GP	guest		✓	✓						
	School	host				✓					
Orgill	Community development centre	guest	✓	✓	✓				✓		
	National park information centre	host				✓					
Sedbergh	Community office (as host)	host	✓			✓	✓				
	Community office (as guest)	guest		✓							
	CAB	guest	✓	✓	✓						
Syderstone and Southery	Shops	host	✓			✓	✓				
	Library	guest	✓	✓	✓			✓			

<sup>3</sup> Either because the guest provides resources that the host is able to use (cf Aspatria) or because there was capital investment which benefited the host as well as the guest (cf Kirkby Stephen).

<sup>4</sup> Delivery of guest service (community education) is a core objective of the resource centre.

## Host Motivations

As the table illustrates, the main reasons why hosts seem to enter into joint provision are:

- **To support guest service providers and the community** – this was clearly a motivation for hosts in all the case studies and may have been the main motivation in 11 of the 14 case studies.
- **To generate income** – this was a motivation for 8 of the hosts in the case studies. Our impression is that it was probably the main motivation for 2 of the hosts.
- **To co-locate with other services to deliver more joined-up provision** – this motivation can be driven by either the desire to improve the overall accessibility and quality of services and/or the calculation that co-location will directly benefit the host (for example, by increasing the site's 'footfall'). We consider that this was a motivation for 6 of the case study hosts and that for one host it may have been the main reason for joint provision.

It is important to note that, in the case studies, these motivations seem to be significantly less important to hosts than those driving their other activities. Our impression is that, for hosts, deciding to embark on joint provision is a secondary decision which needs to be set in the context of a pre-existing commitment to maintain premises for the host's own purposes. If the lack of organisations with an explicit mission to promote and host joint provision results in there being no systematic supply of suitable accommodation, this could be a significant barrier to the widespread development of joint provision. This could in turn affect the shape that any efforts to increase joint provision might take.

## Guest Motivations

As table 3.4 also illustrates, the main reasons why guests seem to enter into joint provision are:

- **To provide a more local service** – our impression was that this was the main motivation for 15 of the guest service providers. The only cases in which it did not seem to be a motivating factor were where it seemed likely that an equivalent service would remain in the community without joint provision (for example, the libraries in Aylesham or Collingham).
- **To minimise costs** – this seemed to be a reason for choosing joint provision for 16 of the service providers. But there were no examples where it appeared to us that the driving motivation for joint provision was to cut costs; rather, joint provision was chosen because it is a relatively cheap way to fulfil other objectives.
- **To co-locate with other services to deliver more joined-up provision** – we consider that this was a motivation for 9 of the service providers. In the case of Aylesham library, co-location seems to be the main reason for joint provision.

For guests, unlike for hosts, the objective of delivering service and the motivations for entering into joint provision are intimately related. This is because the whole of guest services' expenditure and activity, at hosts' sites, are related to the provision of services. The consequence of this is that, for guests, the clearest alternative to being *present* on a host's site is to be *absent* from the site altogether, leaving the service undelivered.

Furthermore, the choice of joint provision is secondary to the objective of delivering service. So, a service provider first decides that it wants to have a presence in a community and only then chooses joint provision for subsidiary reasons. Motivations to choose joint provision may then be simply financial or be related to the non-financial dimensions of a joint provision relationship (e.g. the provision of joined-up services benefiting the public and service staff).

To summarise: *for hosts, entering into joint provision tends not to be a core objective*. Usually hosts seem to enter into joint provision first to support the community, while income generation is seen as a subsidiary benefit. In contrast, *guests seem to be initially motivated to enter into joint provision because of their commitment to deliver a service in the community*. Joint provision is chosen above other alternatives because it is the cheapest or only means of service delivery, or because it delivers other, non-financial benefits.

## THE MAIN FINANCIAL ISSUES

Compared to equivalent standalone provision, providing services jointly can cost less because it entails a more efficient use of resources, as all organisations are better able to tailor their use of resources to their needs. There are two dimensions to this:

- Hosts can make available their excess/spare resources to guests. The difference between the value of these resources (less any additional spending by the host) is the size of the efficiency saving directly caused by joint provision. Depending on charging practices, hosts and/or guests can be financially better off, compared to a situation where they are located apart.
- Guests can often negotiate access to the specific level of resources they need to provide a service, so avoiding or limiting the extent to which their facilities go under-utilised. This is a benefit of joint provision that is only available to guests.

These potential efficiencies do not, however, mean that joint provision is always necessarily appropriate. This is for a number of reasons.

- First, they require that the hosts do actually have some surplus facilities and/or staff time available to offer guests.
- Second, the joint provision on offer may still be more expensive than, for example, a service renting a smaller space, owning its own facilities, or developing a mobile service.
- Finally, the costs may still not be manageable to the guest service. Here the issue is whether a local service is affordable at all, given the cost it involves and agencies' competing spending priorities.

In this context, the main financial issues facing organisations involved in joint provision can be summarised as follows:

### ***Ongoing costs:***

- ***Hosts:*** Is the host able to break even or make a surplus from joint provision?
- ***Guests:*** Is joint provision the cheapest (or only) way to deliver a desired local services?
- ***Guests:*** Are the costs of providing a local service both worthwhile and manageable?

### ***Capital:***

- Is capital investment needed for joint provision?
- Is it being paid for regardless of joint provision?
- If not, is the potential guest or a third party or perhaps the host prepared to pay for it?

## 4. ANALYSIS OF ON-GOING COSTS: HOSTS

As host organisations tend to have core objectives and activities that are largely separate from their hosting function, it is not appropriate to treat all of their costs as costs of joint provision. Rather, the issue is the net change in their finances from undertaking the hosting function. For expenditure, there is *additional* spending over and above the level required by the host organisation to meet its other needs. Examples include increased utility bills or extra hours of employment that may be required to provide services for guests. But organisations can also expect to earn an income from being a host. The net cost can be expressed as follows:

Host's net surplus/deficit	<u>equals</u>	income from the guest service provider(s)
	<u>less</u>	additional costs that result from being a host

The main conclusion of this chapter is that the *host organisations in the case studies by and large cover their costs and often generate surpluses*, through charging guests for the use of their resources. The main reason for this is that the costs associated with hosting services were usually very low.

### THE EVIDENCE FROM THE CASE STUDIES

The following two tables show, for service-providing and non-service-providing hosts respectively, the costs and income from acting as a host.

Case study and description of host	A: Estimated additional cost incurred from hosting services (as % of host's turnover)	B: Income from guests	C: Net surplus / deficit from hosting services (% of host's turnover)	D: Estimated value of resources made available to guests
Aspatria	about £500 (< 1%)	£5-6,000	about £5,000 (3%)	About £7,000
Bilsthorpe	£3-4,000 (5%)	None	(£3-4,000) (5%)	About £19,000
Broadland	None	None	None	£3,000
Collingham	£3000 (< 1%)	£4,300	£1,300 (<1%)	£3,000
Headcorn	£120 (<1%)	£120	None	£300
Kirkby Stephen (1)	£600 (2%)	£600	None	£3,400
Kirkby Stephen(2)*	None	£300	£300 (4%)	At least £300
Orgill	£1,000 (estimated) <1%	None	£1,000 (estimated) <1%	Not known
Sedbergh (1)	None	£500	£500 (3%)	£2-4,000
Sedbergh (2)*	Minimal	£1,000	£1,000 (10%)	£1,000
Syderstone and Southery	Minimal	£1,700	£1,700 (about 10% of profits)	£800-£4,000

\* In both these cases a guest manages a section of the site and acts as a host to other services.

<b>Case study and description of host</b>	<b>A: Estimated additional costs incurred from hosting services (as % of host's turnover)</b>	<b>B: Income from guests</b>	<b>C: Net surplus / deficit from hosting services (% of host's turnover)</b>	<b>D: Estimated value of resources made available to guests</b>
Aylesham	£1-2,000 (2%)	£16,000 (expected to rise to £28,000 for 2000)	About £14,000 (20%)	£15-25,000
Coniston	Minimal	£1,500	£1,500 (15%)	£1-3,000
Horning	Minimal	£1,000	£1,000 (10%)	Not known - around £1,000
Mundford	£500 (5%)	£1,300	£700 (6%)	£1-2,000

The two tables illustrate that the host organisations mostly break even or better, mainly because the additional costs that they incur by acting as hosts to service providers are usually very low. In all but three cases they are well under £1,000, and in seven cases we have estimated that there are no significant costs associated with hosting.

The reason for these low costs are that the organisations tend to make available *spare* resources which are not being used for other activities, but which are already being paid for. This is illustrated by comparing the estimates for the total value of the resources hosts make available to guests (Column D) with the estimates for the additional costs incurred (Column A). Even when there are some additional costs, these are still typically much less than the value of the resources being made available to the guests.

In all cases, any surpluses are small compared to host organisations' total budgets. Our conclusion from this is that, while the income generated from joint provision is a welcome supplement to budgets, there are no case study cases where the viability of an organisation depends on its role as a host to service providers.

## Charging Policies

The table below presents information on the charging policies adopted.

Case Study	Charging Policy	Comment
Aspatia	Surplus generating; charges below market rates	An agent relationship. The guest service pays a little less than the value of the resource it uses, contributing half the costs of a salary, but nothing to the overheads of the premises.
Aylesham	Surplus generating; charges below market rates	The aim is to charge below market rates, to support the services, but overall, to generate a sufficient income to cover running costs and generate a surplus to fund community development projects.
Bilsthorpe	No charges	The guest service is a community education programme delivered as a partnership between the host, a resource centre, and a local FE college. The resource centre's net deficit is its financial contribution to the service.
Broadland	No charges	There are no additional costs associated with hosting service providers so no charge needs to be made for hosting to be revenue neutral.
Collingham	Surplus generating; charges roughly at market rate	The guest service pays roughly the value of the resource it uses. Some or all of the charges are, however, calculated assuming full time occupancy while the service is part time. The rationale for this is that the premises were designed to accommodate the guest, so the full costs of the space the guest uses are charged to it.
Coniston	Surplus generating; charges below market rate	Long standing joint provision relationships, where the host's charges have not risen in line with prices.
Horning	Surplus generating; charges roughly at market rate	Prices are set to match those of other community centres in the area.
Headcorn	Charges cover costs	
Kirkby Stephen	Charges cover costs	
Mundford	Surplus generating; charges roughly at market rate	There is an explicit policy to charge a market rent. This is assessed by the District Valuer on behalf of the Health Authority.
Orgill	No charges	The school and the community development centre operate an inter-dependent partnership
Sedbergh	Community office to council: no charges	The host, a community office, provides council information and services, funded by core funding grants from third parties. In future, core funding is likely to come from local government, but this will not be linked the delivery of the council services.
Sedbergh (1) National Park Centre	Surplus generating; charges below market rates	A low rent is charged, based on the host's policy of supporting the guest service.
Sedbergh (2) Community Office	Surplus generating; charges roughly at market rate	A rent is charged to generate an income that is equivalent to a relatively high proportion of hosts turnover.
Syderstone and Southery	Surplus generating; charges roughly at market rate	An agent relationship. The guest service pays roughly the value of the resource it uses.

The income generated from hosting is dependent on hosts' charging policies. These vary widely but can be divided into three broad categories:

- **No charges**, whether or not the host incurs any additional costs.
- **Charges that aim to cover the additional costs of hosting**, which by definition means that the host breaks even.
- **Charges set at market rates** or according to the value of the resources made available. This policy usually generates a surplus.

## 5. ANALYSIS OF ON-GOING COSTS: GUESTS

The detailed analysis of on-going costs from the guests' perspective is provided in the next chapter – chapter 6 – which undertakes such analysis on a service-by-service basis. What this chapter does is to provide an introduction to that analysis by identifying some of the issues that need to be considered.

As guests' presence at a host's premises is only due to their decision to deliver a service, it is appropriate to treat all the costs incurred on-site as the costs of joint provision. These include all spending linked to service delivery, not just the direct costs of having a presence at the site. For example, issues such as salary costs (and hence hours of weekly provision) are important. The net cost can be expressed as follows:

Guest service's net costs	<u>equals</u>	charges levied by the host
	plus	other costs incurred in providing the service
	<u>less</u>	any income from clients etc

There is also value in separating the costs of having a presence on a host's site from those associated with the delivery of the service as this helps to make comparisons with the equivalent costs that would be incurred in some alternative standalone situation. These 'accommodation' costs include rents, service charges and contracts paid to the host, plus any expenditure linked to site overheads.

Guest service's net 'accommodation' costs	<u>equals</u>	charges levied by the host
	plus	other overheads associated with accommodation
	<u>less</u>	any income linked to occupancy of site

The main conclusion of this chapter is that ***most of the case study guest services are 'small scale' and have correspondingly low costs***. These low costs are often achieved by renting space only at the required level and for the required times, and/or because the host is charging less than a market rent. In deciding whether or not to proceed with joint provision for a particular service, the appropriate comparators are twofold:

- Other forms of local provision, which help decide whether the provision is the most cost-effective way of delivering a local service.
- More centralised forms of provision, which help decide whether the provision of a local service is financially viable.

In making such decisions, ***it is important to distinguish whether the local service is to supplement or partially replace an existing more centralised service***. If the local service is purely supplementary, then widespread implementation is unlikely to be possible for budgetary reasons.

## THE EVIDENCE FROM THE CASE STUDIES

The table below summarises the costs incurred by guests delivering a service through joint provision and the charge levied for being a host.

Case study	Guest Service	A. Net cost of service <sup>5</sup>	B. Payment to host (as % of net cost)
Aspatria	Community and council centre	£5-6,000	£5-6,000 100%
Aspatria	Accountant, trades hall, police and housing association surgeries	no cost or very low (rent; travel) #	no charges or very low rents (no information)
Aylesham	Library	£25-30,000	£7,500 25-30%
Aylesham	Neighbourhood project	£30,000	£3,000 10%
Bilsthorpe	FE college	£40,000 (NPI estimate)	none
Broadland	Inland Revenue surgery	none #	None
Broadland	CAB	£4-5,000	None
Collingham	Library	£2,000	£16,000
Coniston	Library	£4,000	£440 10%
Coniston	Nurses' office	£1,600 #	£1,000 60%
Horning	Chiropodist	£500 #	£500 100%
Horning	GP	£500 #	£500 100%
Headcorn	Police office	£200 #	£120 60%
Kirkby Stephen	Council centre	£7,500	£600 8%
Kirkby Stephen	Youth service and other organisations' surgeries	low (no information) #	£300 (total for all services)
Mundford	GP	£6,000 #	£1,300 20%
Orgill	Community development centre	around £18,000	None
Sedbergh	Community office	£7,500	£500 7%
Sedbergh	CAB	£19,000	£1-2,000 5-10%
Syderstone and Southery	Library	£1,650	£1,650 100%

The information in the table suggests that most of the guest services are 'small scale' and have correspondingly low costs. There are three reasons for this:

- Low catchment populations mean that high levels of spending can not be justified.
- Across an area, provision in *smaller* communities means provision in *more* communities, so each individual service must be inexpensive.
- In the case studies, services in small communities are almost always purely supplemental to 'large scale' services in local centres. In other words, there is no evidence of transfers of resources *from* larger central *to* smaller, dispersed services (e.g. the pairing down of central services at the same time as local services are improved). This means that spending on local services needs to be kept to a minimum, as it is extra spending.

<sup>5</sup> This sum excludes employment costs where staff would be carrying out the same duties without the use of the hosts' premises. The # symbol denotes organisations where there are no employment costs associated with the local provision (because the same staff would be doing the same work in any event).

## How Joint Provision Can Deliver Low Costs

The table below describes our impressions of how joint provision delivers low costs in each of the case studies.

<b>Case study</b>	<b>Guest Service</b>	<b>Comment</b>
Aspatria	Community and Council Centre	Agent relationship - charging based hours of delivery, not hours of availability, of guest service Charges below value of resources
Aspatria	Accountant, Trades Hall, Police and Housing Association surgeries	Part time letting - charges based on hours space used Small space letting - charges based on use of small space
Aylesham	Library	Charges below market rates
Aylesham	Neighbourhood Project	Charges below market rates
Bilsthorpe	FE College	No charges
Broadland	Inland Revenue surgery	No charges
Broadland	CAB	No charges
Collingham	Library	Small space letting - charges based on use of small space
Coniston	Library	Part time letting - charges based on hours space used Small Space letting - charges based on use of small space
Coniston	Nurses' Office	Small space letting - charges based on use of small space
Horning	Chiropodist	Part time letting - charges based on hours space used Small space letting - charges based on use of small space
Horning	GP	Part time letting - charges based on hours space used Small space letting - charges based on use of small space
Headcorn	Police Office	Part time letting - charges based on hours space used Small space letting - charges based on use of small space Charges below value of resources
Kirkby Stephen	Council Centre	Charges below value of resources
Kirkby Stephen	Youth Service and other organisations' surgeries	Part time letting - charges based on hours space used Small space letting - charges based on use of small space
Mundford	GP	Small space letting - charges based on use of small space
Orgill	Community Development Centre	No charges
Sedbergh	Community Office	Charges below value of resources
Sedbergh	CAB	Part time letting - charges based on hours space used Small space letting - charges based on use of small space
Syderstone and Southery	Library	Agent relationship - charging based hours of delivery, not hours of availability, of guest service

So, joint provision makes it possible for a service to be cheap in a number of different ways:

- **Small space letting**, involving the guest renting a small part of a host's premises, is clearly vital if services need to be small scale and low cost. Occupying one's own premises of an equivalent size would usually be impossible or prohibitively expensive (such accommodation is seldom available to let or buy in small communities and would therefore often need to be purpose-built). The alternative, occupying larger premises, would usually involve higher running costs. Our impression is that this is a significant benefit of joint provision in 10 cases.
- **Part time letting** is also a clear means of delivering a service which is both low cost and small scale (in terms of weekly hours of service). There are 7 examples where charges are based on part time lettings and so are lower than those that would be levied to rent the premises outright.
- **Delivery on an agent relationship basis** (where host charges reflect hours of delivery rather than service availability) can provide a very efficient way of delivering a service. There are 2 examples where this seems to be delivering significant benefits.
- **Some hosts charge less than the market rate and/or the value of the resources that they are providing**. There are 8 examples where there is clear evidence of a host allowing a guest to pay these lower charges.

### **The Costs of Joint Provision Compared to Alternative Local Provision**

There are, of course, other ways of delivering low cost, small scale services in small communities. Joint provision is not always more cost-effective or cheaper in absolute terms than options such as mobile provision or owning or even renting suitable standalone accommodation. The alternative options for delivering a low cost, small scale service are as follows:

- A service can **rent standalone premises**. However, this option is often impossible in small communities, because there is no suitable accommodation to let; and it is anyway likely to cost more than being a guest of joint provision. In the case studies, this option was considered to be completely unaffordable for most of the services which are currently guests.
- A service can own **a mobile vehicle** and use this to deliver a part time service. This is a cheap way of delivering a service because a single vehicle can serve many communities. But the number of hours that a mobile stays in a individual communities tends to be extremely limited.
- A service can **own standalone premises** tailored to its particular requirements. In terms of on-going costs this may be cheaper than the guest option because there is no rent to pay (although the overheads associated with ownership can sometimes exceed the rent that would be charged as a guest).

Another factor in the decision-making is the trade off between capital and on-going costs. Ideally, organisations should choose between becoming a guest and owning a building taking account only of revenue expenses (building depreciation of capital into these costs). But, even if premises-ownership is cheaper in these terms, it will still require the capital to be available upfront. The availability of capital from within an organisation's budget or from a third party will therefore be a deciding factor in choosing between provision. As capital as well as revenue expenditure often needs to be kept to a minimum in rural communities, guest provision will often be the preferred option.

In conclusion, **ownership of standalone premises and use of mobile vehicles both have potential financial attractions as alternatives to joint provision, depending on circumstances.**

### **The Affordability of any Form of Local Service Provision**

Traditionally, the cheapest option for service delivery in rural areas has been delivery from a significant centre, such as a large market town. Where need is high and costs have allowed it, some service providers have, in addition, attempted to roll-out their provision as widely as possible into smaller communities. This tends to leave a patchwork of service provision, with different scale and style of provision corresponding to different points upon the axis between 'local' and 'central' or 'large' and 'small' communities.

This means that, in discussing the possibilities for rolling out or sustaining a 'local' service through joint provision, the meaning of local is very variable. Not only is there not uniformity across service-types, the degree of roll-out that is conceivable will vary within a service-type, depending on the cost and style of provision. The table below illustrates:

<b>Service</b>	<b>Larger centre</b>	<b>Market town / big village</b>	<b>Small village</b>
'One stop' shops for council services	—————▶		
Community education	—————▶		
Advisory services - static	—————▶		
Advice services - mobile		—————▶	
Library services		—————▶	
Primary care services		—————▶	

The reasons why local costs may not be affordable at all are exactly the same as the reasons why they need to be small scale - local services have low catchment populations; they may need to be replicated in many communities; and they are usually a supplement to central services.

The issue of local services being simply supplemental merits further examination. Our impression from the case studies is that services can be divided into two types:

- **Local services which are inevitably only supplementary to an existing, more centralised service.** As discussed in the next chapter, examples include a GPs' branch surgery in a village hall and a council one stop shop that is remote from council offices. In these cases, the main alternative is not to have the local service at all and the basic financial issue is whether the additional net costs of the supplementary service are both worth the benefits to the local population and manageable to the service provider. In a climate where organisations' budgets are not likely to increase significantly, services in smaller communities, which are *necessarily* a supplement in terms of costs, can be difficult to afford. Where the costs of these supplementary services are low (as is the case for the guest services in the case studies), organisations often can afford provision in a single small community. But problems will arise if there is an attempt to roll out the provision to every similar small community, as low individual costs still add up to high overall costs.

- ***Services which may currently supplement an existing, more centralised, service, but where there is no intrinsic reason why parts of a central service need not be moved to a more local level.*** As discussed in the next chapter, examples potentially include libraries, advice services, and community education. Although, as one-off provision, these sorts of service are usually currently supplementary to centralised delivery, there is no reason why local delivery could not (in part) replace central delivery. In these cases, the main alternative is to keep all of the service centralised and the basic financial issue is the comparative costs of the fully centralised option compared to the partially decentralised option. If the costs of a network of small scale provision are similar to the more centralised option, then the factors influencing decisions will be mainly non-financial (e.g. which option maximises overall service use, accessibility, cost-effectiveness and quality?).

In conclusion, ***rolling out small scale, local level services that are necessarily a supplement will often be impossible on a widespread basis. Rather, any widespread implementation would seem to require some resources to be transferred from centralised to more local services.***

## 6. THE POTENTIAL FOR JOINT PROVISION: SERVICE-BY-SERVICE

From a financial perspective, this chapter looks at the potential for joint provision for each of the main types of services in the case studies. Because of the small sample sizes, the conclusions reached are inevitably tentative. The services covered are library services, medical services, council centres, community education and advice and surgeries.

### LIBRARY SERVICES

#### *The Case Studies*

- *Aylesham, Kent* - A small library renting space full-time in a multi-purpose community facility.
- *Collingham, Nottinghamshire* - A small part time library which rents a room in a medical centre; stock and equipment are stored in rolling shelving and cupboards.
- *Coniston, Cumbria* - A small one-day-a-week library which rents a room in a community centre part time; stock is stored in glass-fronted bookcases.
- *Southery and Syderstone, Norfolk* - libraries delivered from village shops, with owners acting as library service agents; a small book stock is available full time.

The table below provides a financial summary of these case studies in terms of both total costs and unit costs. For reference purposes, equivalent figures are also given for some of the standard libraries in the same geographic areas.

Case study	Type of library service	A: Total cost	B: Cost per issue	C: Weekly Hours of Service
Aylesham	Guest renting space	£25-30,000	n/a	n/a
Collingham	Guest renting space	£16,000	40p	17.5
Coniston	Guest renting space	£4,100	61p	7.25
Southery and Syderstone	Agent provided service	£1,650	48p (Syderstone); 55p (Southery)	about 38
<i>Comparators</i>				
<i>Mobile library - costs per community served</i>	<i>Mobile standalone provision</i>	£350	20p	<i>an hour every 2-4 weeks</i>
<i>Range for 6 smaller standalone libraries<sup>6</sup></i>	<i>Standalone local provision</i>	£8,000 to £50,000	26p to 88p	11 to 21
<i>Range for 4 larger standalone libraries<sup>7</sup></i>	<i>Standalone central provision</i>	£60,000 to £190,000	33p to 80p	30 to 45

Column A shows that the total costs of different types of library are, unsurprisingly, extremely variable, but also that there is a significant range of costs even within types of library.

<sup>6</sup> Norfolk libraries: Blofield; Blundall; Holt; Wells plus Headcorn and Kirkby Stephen libraries

<sup>7</sup> Norfolk libraries: Gaywood, Fakenham, Downham Market, King's Lynn.

### ***Analysis 1: as a Supplement to Other Services***

The costs presented in Column A suggest that those guest libraries which are open for a significant part of the week (Collingham and Aylesham) may incur significant expense. This implies that library service managers are not able to think of these guest services as *additional* services, given a static budget. Instead, it seems likely that developing a two-to-four-day-a-week guest library would require a decision to *transfer* resources from existing library provision.

However, both the shop library (Syderstone and Southery) and the one-day-a-week guest library (Coniston) are very low cost, suggesting that it is potentially viable to introduce such libraries as *additional* provision into individual small communities, for example where there is particular need or demand. The costs are so low that, as a one off measure, it is possible to imagine library services being able to fund them without having to make significant changes to the overall distribution of library provision. In both these case studies, our impression is that library service managers do indeed think of these services as unusual, additional and slightly peripheral one-off services. Their attitude is that the costs are so low that the services can be maintained, regardless of issues such as cost-effectiveness in delivering library services. The main reason for the services continuing to be delivered, is that they are valued by the local community concerned.

### ***Analysis 2: as an Alternative to Other Services***

Column B from table 6.1 suggests that all the case study library services have costs per book issued of roughly the same order of magnitude and that there is as much variation between the unit costs of libraries of the same type as there is between the unit costs of different types of library.<sup>8</sup> In contrast, the other non-conventional type of library, the mobile service, does stand out to some extent, having the lowest costs per book issued.

Broadly similar unit costs suggest that, other things being equal, the same spending delivers roughly the same level of library use, whether it is allocated to fewer central libraries or more local libraries. This in turn suggests that local library services need not simply remain as occasional supplements to other libraries, like they currently are in the case studies. Instead, over time, the balance of library provision could potentially be shifted away from current forms of delivery to the widespread use of guest services (although there might be cost issues relating to networking, stock purchases and stock transfer arrangements). If this is the case, choices about the distribution of library services can largely be made on grounds of consumer preference and quality, trading off the advantages of more local availability against the likelihood of a more restricted choice and/or fewer hours of service.

In the case of two-to-four day a week libraries, our impression is that the choice between guest and standalone provision is a relatively low-order, localised decision, because these libraries are broadly equivalent in terms of cost and service quality. In this case, local conditions will determine whether joint provision or standalone provision is the more cost effective option. The factors that will affect this include whether the library owns or lets its premises (likely to be a particular issue), the charging policies of hosts and the impact on levels of library use of sharing a site with another service provider. Our conclusion, for two to four day a week libraries, is that library services may want to consider the option of more local two to four day a week libraries as they review their services.

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<sup>8</sup> The size of these ranges suggests that many issues influence unit costs including: the size, demography and social composition of the catchment population; the quality of provision; and variations in the costs of similar sorts of provision. This is a major caveat prior to comparing the unit costs of the different types of library.

Meanwhile, the shop library and the one-day-a-week guest library services present options that are of more strategic interest because they offer potential ways of plugging the gap between mobile services and conventional libraries. Both these options have sufficiently low costs that they could be provided on a fairly widespread basis, in larger villages, at relatively low cost. This could offer an alternative to the infrequent, although still more widespread, visits of mobile services. For example, the evidence in table 6.1 suggests that it would be revenue-neutral to replace a smaller standalone library with between two and eleven one-day-a-week libraries or between five-and-twenty-eight shop libraries - and the number of book issues would stay broadly unchanged. It should be noted, in contrast, that the evidence suggests that if mobile libraries were replaced by such services, then costs would have to rise if the number of book issues were to be maintained.

In discussion with the library service manager operating the shop libraries, it emerged that a key argument against rolling-out shop library provision was the lack of suitable shop owner agents. This is because the library service in question attaches great importance to employing agents who are comfortable with the ethos and values of libraries. One issue for the Countryside Agency to consider is whether the recently announced plans for rural post offices to become Government General Practitioners and Internet Learning and Access Points may make this problem easier to address.<sup>9</sup> Moreover, the networking of post offices (both the Horizon network and public access internet) might mean that shop libraries could be cheaply integrated into existing library service ICT systems.

In this context, key questions to consider in any decision would include:

*For shop libraries:*

- Would clients be happy to see this service replace several mobile service stopping points?
- Would the quality of service be acceptable without professional librarians?
- Would the proximity of the service and the full time opening hours be worth the trade off against a small book stock?
- Would the benefits to populations near the shop libraries be outweighed by the disbenefits of others wanting to use more central libraries?

*For one-day-a-week libraries:*

- Would a one-day-a-week service be perceived as a significant improvement on current mobile provision? (hours of service would be greater, but the mobile stopping points withdrawn).
- Would the benefits to populations near the one-day-a-week libraries be outweighed by the dis-benefits of others wanting to use more central libraries?

Our conclusion is that there is no obvious financial reason why library services should not 'hollow-out' their provision by providing more local guest-based libraries, while somewhat scaling-back their delivery in smaller and larger towns. Rather, the choice might well depend on judgements about the non-financial issues.

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<sup>9</sup> *Counter Revolution - Modernising the Post Office Network* Performance and Innovation Unit, Cabinet Office, June 2000

## MEDICAL SERVICES

### *The Case Studies*

- **Coniston** - office and equipment store based in a community centre room. Community nurses mainly carry out home visits and the room is considered unsuitable for clinics. Annual running costs are around £1,700.
- **Horning** - two GP surgeries a week and one private chiropodist's clinic a week, delivered from an unequipped community centre room. The facilities only allow for basic consultations. Annual running costs are around £5-600 for the GP and £500 for the chiropodist.
- **Mundford** - GP surgeries three times a week, nurse's surgery once a week and a prescription dispensary, all delivered from a fully equipped suite in a community centre. Annual running costs are around £6,000.

In all cases, the employment costs of health professionals have not been included in the calculation of running costs because they would provide services elsewhere if the guest locations were withdrawn.<sup>10</sup> This is a key feature of any guest health services that are supplementary to other provision and in particular of GP outreach services. It means that any time spent by a health professional in the outreach location means that he or she has less time available to spend at other locations (either at a central medical centre or on home visits).

### **Analysis 1: Chiropodist and Community Nurses**

For both the community nurses and the chiropodist the main form of service delivery is home visits. This means that decisions on the location of their base should not affect the geographic distribution of their services. Rather, in both cases, a key issue is the availability or otherwise of a room at low cost. For the chiropodist it is also important that a similar or greater number of bookings can be secured using the community centre as compared to home visits.

### **Analysis 2: General Practitioners**

For GPs the issues surrounding joint provision are not simply about costs. This is because the additional costs of premises at outreach locations tend to be small, compared to practice budgets and, in any case, Health Authorities pay some or all costs direct. In the case of Horning, it seems likely that cost issues play next to no part in deciding on whether to continue with the service. In Mundford, the costs are more significant, but are still far less than the practice's budget of £850,000. In terms of costs, therefore, there do not seem to be any major problems in treating a single out-reach surgery as a relatively insubstantial supplement to total spending.

A more important issue is the question of the net impact of outreach provision on overall levels of primary care. In other words, it is not a question of whether outreach is worth paying for, but, rather, whether it is in patients' interests overall. This gives rise to a number of tensions:

- Local patients are likely to value and benefit from outreach surgeries.
- Local patients may, however, receive inferior treatment if the facilities in outreach surgeries are of a low standard.

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<sup>10</sup> Receptionist costs for Mundford are however included.

- Patients elsewhere will tend to suffer from a reduction in their access to primary care, as there will be fewer appointments available at the central medical centre, as doctors' time is diverted to outreach surgeries.
- Patients in similar communities without an outreach surgery may question the validity of singling out one community for a special level of service.

There are two implications from this. First, GP outreach services are only likely to be practical on a small scale, where the particular pocket of population justifies them. So, for example, an out-reach surgery might be appropriate if a practice serves just two communities, but not if it serves several of an equal size, where one out-reach could not satisfy general demand. Second, they are only likely to be attractive when, in some sense, the GP concerned is not already over-loaded and can therefore 'afford' the time to undertake the outreach.

## COUNCIL CENTRES

### *The Case Studies*

- *Aspatria* - a full time service delivered by an agent organisation, commissioned by local government.
- *Kirkby Stephen* - a part time service delivered by parish council employees and managed by a community/local government partnership.
- *Sedbergh* - a part time service delivered by a mainly volunteer-based community organisation, set up and funded by third parties for this purpose and others.

None of these services involves direct delivery by district or county council officers. So these are not examples of services being delivered in the standard manner, but on a guest-basis. Such guest provision gives rise to new relationships and working practices.

The table below provides a financial summary of these case studies in terms of total costs, costs per user and costs per hour of service. For comparison, it also shows the costs of the mobile Broadland Council information service.

Case study	Type of council service	A: Total cost	B: Cost per user	C: Cost per hour of service	D: Users per week	E: Weekly Hours of service
Aspatria	Agent delivered	£5-6,000	£4	£2	25	40
Kirkby Stephen	Partnership & employee delivered	£7,500 #	£4	£7.80	38	19 ½
Sedbergh	Community & volunteer delivered	£7,500 #	£1.60	£4.80	90	30
Broadland - cost per community	mobile in-house delivery	£2,300	£2.60	£19.80	17	1.5 to 3

# The costs of these centres are not met, or not met in full, by local government

## Analysis

By their very nature, the council centres in the case studies are designed to supplement provision in towns where there are already established council offices. This means that, given the spending pressures councils face, there is an over-riding need for them to be low cost. Column A shows that all these services are indeed low cost compared to local authority budgets – suggesting that council centres are likely to be affordable in a limited number of individual communities. Decisions on which, and how many, communities are likely to depend on local budget constraints and on the distribution of population.

All these options are cheap for local government because of the unusual nature of their delivery:

- **Aspatria** – delivery through an agent means that the local authority's spending can reflect the hours of use the public make of the service, not the hours it is available from the agent.
- **Kirkby Stephen** – the centre has a community development role, funded by government and voluntary grants. The result is the whole package of services (resourced by a package of funding) can be made available for more hours a week.
- **Sedbergh** – it is likely that a similar arrangement to Kirkby Stephen will emerge in Sedbergh. At present, however, the centre receives no local government revenue support, but is instead entirely funded by public and voluntary sector grants.

Despite this none of these services is as cheap as the mobile service in **Broadland**, suggesting that, if a council is looking to provide *any* service at all, then mobile provision is cheaper than static guest-based provision. One disadvantage of the mobile service is that, in each community, it is only available for between one and a half and three hours a week. This compares to between 20 and 40 hours for the static centres. The *cost per hour* of delivering the mobile service is therefore more than double that of the most expensive static joint-provision council centre. This means that, if policy makers want prolonged service provision, then it rapidly becomes more cost effective to use static, joint provision. Comparing between case studies suggests that it only requires between five and seven hours of weekly service in a community before any of the different forms of static joint provision become cheaper than the mobile service.

Column D in the table shows that the numbers of users of these services differ considerably. There are several possible reasons for this – not all are related to the style of provision in place – including:

- **Hours of access** – although it is possible that demand for the information and services is sufficiently inelastic, shorter hours just means the comparable numbers of users compress their visits into a shorter time.
- **Different catchment populations.**
- **Variations in the package of services available** - leading to different levels of demand.
- **Public awareness** - which will be dependent on factors such as age of service, publicity and positive word-of-mouth.
- **Public satisfaction and 'ownership'** – which will be determined in part by the quality of the service, but also by the extent to which the local population feel the service is their's (an area where community-delivered services appear to have the edge).

Partly because of the difficulty in assessing the significance of different levels of use and therefore unit costs, it is not possible to draw clear conclusions about the relative attractiveness of the different options. However, the case studies do suggest some issues which should be taken into account in any particular decision:

- The trade off between total costs (and hence the potential for widespread provision) and hours of service. Mobile provision is the cheapest way of providing any service, but static services are less expensive as soon as services are delivered for a day a week or more.
- From the perspective of local government, service delivery by partners or agents has a series of advantages. Service deliverers may be able to fund or part fund local government provision from third party income and/or to minimise the cost of delivering council services by providing other services alongside, in either case lowering the amounts that they charge local government.
- Questions of quality of service: whenever a local authority is not delivering a service itself it may have concerns about the quality or reliability of provision. In particular, community-based and volunteer-delivered services may not be of the same standard as professional services, unless good training, support and supervision procedures are put in place.

In conclusion, different ways of providing council centre services appear to be appropriate for different communities and different budget constraints. In some cases, the best approach may well be to come to a decision by weighing up the different advantages and disadvantages discussed. Elsewhere, a budget ceiling or policy decisions may mean elements of the way a service is to be provided are non-negotiable, leading to one service option being clearly preferable to others.

## COMMUNITY EDUCATION

### *The Case Studies*

- **Aylesham** - around 1,000-1,500 hours of tuition are delivered each year, by different training providers each filling their own courses. The host provides an ICT suite. Although the net costs of individual training providers are not known, the host's running costs are currently low, while it expects to generate income of £12,000 in 2000 from the ICT suite.
- **Bilthorpe** - 1,200 hours of tuition are delivered a year almost exclusively by an FE college, with support services and facilities provided by the host. The level of teaching suggests the guest's costs may be in the region of £40,000. The hosts generates no income from the guest, and devotes a sizeable part of its £57,000 budget to supporting the education.
- **Orgill** - around 5-800 hours a year are delivered from a primary school by an organisation affiliated to the school, using its facilities free of charge and employing its own teaching staff. The costs of the centre are around £18,000 and from 2000 the centre is set to be self-sustaining through course fees, FEFC funding and the hiring of its ICT facilities.

### *Analysis*

These case studies represent three models of provision, all based around one organisation providing ICT facilities. The models are:

- Multiple guest training providers, fund, fill and deliver courses. Most spending and risk is absorbed by these guests.
- One guest training provider delivers an education programme in partnership with a host.
- Training is delivered in-house by the organisation managing the ICT facilities.

In each case, funding has been by a grant from a third party.

There is insufficient evidence from the case studies to draw any conclusions about which of these models might be more cost effective in different circumstances. A series of observations can, however, be made about their sustainability:

- **Aylesham** - the host is clearly sustainable, but there is little evidence to suggest that guest training providers are viable. If one training provider stops operating, then others are likely to continue, but this does not mean clients needs are necessarily being met.
- **Bilsthorpe** - the guest training provider is clearly sustainable as it is funded from mainstream public resources. The host is only sustainable as a result of a large three year project grant from the National Lottery (in addition to the capital grant) and its continued viability after that is in doubt.
- **Orgill** - the combined provider and facilities and training manages to break even, although its finances are always likely to be tight.

None of these models is unambiguously attractive as candidates for immediate roll-out. But two do have broadly sustainable business models which are not dependent on on-going grant funding, suggesting they merit further attention.

## ADVICE AND SURGERIES

### *The Case Studies*

This research looked, in detail, at only some of the many guest organisations who provide advice surgeries or the equivalent. For example, it was not possible to gather sufficient data to discuss the differences between the police office at Headcorn and the police surgery in Aspatria. One service where there was sufficient evidence to trace a tentative pattern is that of general advice services, such as Citizens' Advice Bureaux.

Among the case studies, there are two different models of general advice service in operation:

- **Broadland** - an outreach CAB service delivered using a council information bus at three different locations, for two to three hours at each. The annual costs of the service are in the order of £4,000.
- **Sedbergh** - a CAB offering nine-hours a week of public contact, based in a community office. It is affiliated to a larger bureaux, but with its own budget and manager. The annual costs of the service are around £19,000.

### *Analysis*

Both of these services are cheap compared to a central CAB and appear to offer good value for money. For example in Sedbergh, the costs for each new client contact are £38, compared to £47 at a more central office in Kendal.

It should be noted, however, that a comparison of outreach and central provision is not a comparison of like-with-like because larger CABx typically employ specialist advisers who, in both cases studies, take referrals from the volunteer advice workers in the outreach locations. The need for specialist advisers means that, no matter how cheap local services are, they will always be largely additional to central services. This does not mean, however, that there might not be scope for modest redistribution of resources, from central bureaux to local outreach services. For example, the cost analysis suggests that a network of local advice services, referring on to a 'hollowed-out' central service might be cost effective. Decisions on the balance between local and central provision would then depend on such non-financial issues as population distribution and service quality issues. A barrier to such a shift might be that organisations such as CABx often have little room for financial manoeuvre because much of their funding is tied to specific projects or Service Level Agreements.

We conclude that there may be some scope for partially de-centralising advice services within existing budgets.

## 7. CAPITAL COSTS

This chapter discusses issues related to initial set-up costs. Its main conclusions are twofold. First, the capital costs are usually much less of an issue for the long term viability of joint provision than the *on-going* costs. Second, the main issue influencing whether guests proceed with the capital spending is the availability of otherwise of a pot of external money that can pay for the set up of joint provision.

### THE EVIDENCE FROM THE CASE STUDIES

Determining what capital spending can be associated with joint provision is not an entirely straightforward exercise. There are some case study examples of joint provision where there has been no recent or significant capital spending on a site of joint provision (for example, Horning community centre and Headcorn library). In most of the case studies, however, there has been recent capital investment on-site.

The table shows those case studies where there has been significant capital costs on sites of joint provision. Columns indicate the size and nature of the investment, the source and beneficiaries of the spending, and the relationship between the investment and the beginning of joint provision.

Case study	Capital purchases	Spending	Source of Capital	Beneficiary	History of Investment
Aspatria	ICTs	£5,800	Guest	Host and guest	Direct
Aylesham	Refurbishment of site, new building, ICTs	£1.1 million	3 <sup>rd</sup> parties	Guest (mainly <i>not</i> service providers)	Partial
Bilthorpe	Building conversion, re-location costs, ICTs	£50,000	Guest and 3 <sup>rd</sup> parties	Host and guest	Not linked (1)
Broadland	Bus purchase and fitting	About £60-70,000	Host	Host and guest	Not linked (3)
Collingham	Building of medical centre	n/a (built mid-1980s)	Host	Host and guest	Not linked (2)
Coniston	Building of museum	£765,000	3 <sup>rd</sup> parties	Host	Not linked (3)
Kirkby Stephen	Building refurbishment; ICTs; office equipment	£55,000	Host and 3 <sup>rd</sup> parties	Host and guest	Direct
Mundford	(a) Building of community centre (b) Equipping of surgery	(a) £124,000 (b) £6,000 (1982 prices)	Host and 3 <sup>rd</sup> parties	Host and guest	Not linked (2)
Orgill	ICT suite	n/a	3 <sup>rd</sup> parties	Host and guest	Direct
Sedbergh	(a) Disabled access (b) Refurbishment of TIC	(a) £5,000 (b) £40,000	(a) 3 <sup>rd</sup> parties (b) host and 3 <sup>rd</sup> parties	(a) Guest (b) Host	(a) Direct (b) Not linked (3)
Syderstone and Southery	Books, ICTs, equipment	£15-18,000	Guest and 3 <sup>rd</sup> parties	Guest	Direct

**Direct** - spending decision *directly* resulted from decision to begin joint provision  
**Partial** - spending decision *partially* resulted from decision to begin joint provision  
**Not linked** - spending decision *not linked* to decision to begin joint provision  
**(1)** - an upgrade to existing joint provision  
**(2)** - needs of guest incorporated into project  
**(3)** - needs of guest not incorporated into project

The table shows a diverse range of practice, although one common theme is that the *capital spending was not often caused by a decision to embark on joint provision and thus cannot be considered as direct costs of joint provision*. Practice in the case studies can be broadly grouped as follows.

- ***‘Irrelevant’*** - Hosts’ investment decisions with no relationship to joint provision and from which guests do not subsequently benefit (e.g. Sedbergh National Park Centre; Coniston museum).
- ***‘Accident’*** - Hosts’ investment decisions with no relationship to joint provision, but from which guests do subsequently benefit (e.g. Broadland).
- ***‘Opportunity seized’*** - Hosts’ investment decisions with no initial relationship to joint provision, but where it is thought appropriate to take the opportunity of a capital project to provide facilities for potential guests (e.g. Collingham, Mundford).
- ***‘Intentional’*** - Hosts’ investment decisions where spending occurs solely or mainly to make a site suitable for joint provision, although this may benefit host as well as guest (e.g. Kirkby Stephen).
- ***‘Other’s investment’*** - Guests investment decisions, which tend to follow a commitment to joint provision by a host and where the spending may be on the host’s property or on guests’ equipment (e.g. Syderstone and Southery, Sedbergh community office).

There are relatively few examples where the main purpose of capital investment was to support joint provision. Capital investment, where the primary purpose is not to enable joint provision, need not be considered a cost of joint provision. We conclude that *on-going* costs are usually a much greater issue for the long term viability of joint provision than the *capital* costs.

The table also suggests that those capital costs which are directly linked to joint provision are usually paid for by guests or third parties. Hosts’ involvement tends to be simply to allow this investment to take place. ***The main issue influencing whether guests proceed with the capital spending is the availability of otherwise of a pot of external money that can pay for the set up of joint provision.***

### ***The Interaction of On-going and Capital Costs***

Those interviewed in the case studies generally gave the impression that decisions about capital are in part made on the strength of projections regarding on-going costs and levels of use (for example, following the submission of a business plan). The prospect of a service breaking even over the medium term is therefore considered to be a pre-requisite for initial capital investment. However, there is little evidence that decision makers in the case studies engaged in anything approaching a rigorous ‘invest-to-save’ analysis trading off capital against long-term, ongoing costs (and such an approach makes little sense where the organisations paying for capital and ongoing expenditure are different). This leads us to suggest that decision about capital investment and decisions about the long term viability of joint provision appear to be treated as separate questions, at least in most of the examples.

There were, however, some cases where there was evidence of a trade-off in spending on capital against on-going spending. For example, the policy of Cumbria County Council when it set-up one-stop shops which are run by others (e.g. Aspatria, Kirkby Stephen and Sedbergh) was to provide capital funding as an alternative to providing on-going revenue support.<sup>11</sup>

There are also some cases where the charges levied by the host are, at least in part, designed to contribute to the capital costs. This is an explicit policy in Collingham and also appears to be the case in Mundford. In these examples, the thinking appears to be that the host has commissioned an over-size premise, suitable for joint use, and this means that the ongoing costs associated with hosting should include the total cost of the space allocated to guests, rather than the additional costs incurred by the guests' occupancy of this space.

On balance, however, *the capital and ongoing costs are largely considered as separate issues in the case studies, because funders treat them as such.*

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<sup>11</sup> In Aspatria, Allerdale Borough Council pays on-going costs; in Sedbergh, an EU grant pays running costs; and in Kirkby Stephen, a package of grants was supporting running costs.