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Evaluation of Children's Centres in England (ECCE)

Strand 5: Case studies on the costs of centres in the most deprived areas

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This research report was commissioned before the new UK Government took office on 11 May 2010. As a result the content may not reflect current Government policy and may make reference to the Department for Children, Schools and Families (DCSF) which has now been replaced by the Department for Education (DfE).

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Summary

The Evaluation of Children's Centres in England (ECCE) is a six year study commissioned by the Department for Education and undertaken by NatCen Social Research, the University of Oxford and Frontier Economics. The aim of ECCE is to provide an in-depth understanding of Children's Centre services, including their effectiveness in relation to different management and delivery approaches and their cost.

This report presents interim cost estimates for strand 5 of the evaluation derived from a first wave of case study visits to twelve centres located in the 30 percent most deprived areas. While the presentation of information on the activities and costs of Children's Centres is of inherent interest, the primary purpose of this report is to describe how the cost estimates have been derived and to consider how potentially robust the use of this case study data might be in a value for money analysis later in the evaluation.

The small sample of twelve case study centres has considerable drawbacks for deriving robust cost estimates. However, a case study approach was felt to be required given the need for fully comprehensive data from each centre and given the complexity and high demands of the information being collected. Experience on the case study visits suggest that this prior view was justified. Estimating costs for different services from this data has also presented several challenges, including in the allocation of staff and venue resources that are used for multiple purposes to specific services; in the sharing of core running costs across services; and in the valuing of resources from unpaid sources. One challenge that could not be addressed was identifying the costs of signposting parents to services delivered by other organisations.

A wide variety of information has been collected about services, the use of resources and costs in the twelve centres. Some of the key features relating to the twelve centres visited are that:

- On average, each centre offers 31 services, but there is considerable variety in the number and range of services offered by the centres. Some types of services are offered in all or almost all the centres including key services in group activities for children and parents; post-natal services; and parenting support. However, many service types, particularly those offering services for parents, are only provided in a minority of the centres. It is particularly notable that childcare services are only offered by half of the centres.
- An important purpose of Children's Centres is to provide a "one-stop" service centre for families with children where all services can either be directly accessed and/or the centre can direct or signpost families on to services delivered by other organisations. However, there appears to be considerable variation in the extent to which the centres are involved in

directing and signposting parents to services delivered by other organisations.

- The average number of all staff (including centre employees, employees of other organisations and volunteers) working in the twelve case study centres is 34, but ranges from 19 to 51.
- On average, centre employees deliver 79 percent of staff hours and there are substantial contribution to staff hours from Health Authorities (8 percent), charities (3 percent) and volunteer staff (5 percent).
- On average, some 35 percent of all staff hours are attributed to core running (that is, activities essential to the general running of the centre but not directly attributable to a particular service such as centre administration or team meetings) rather than the direct delivery of services, almost all of which is undertaken by centre employees. Indeed, just over one third of the time of centre employees is spent in core running activities.
- On average, each of the twelve case study centres uses 7 different locations from which to deliver services. This ranges from 3 to 18 locations, but five centres used only 5 or less different locations
- LAs contribute significantly in the provision of venues by paying for substantial parts of the costs of main sites for many of the centres.

As shown table 1, the average cost of delivering services across the twelve case study centres is just over £10,000 each week:

- This cost is almost evenly divided between costs which are attributed to core running (44 percent) and those which are attributable to specific services (56 percent). The majority of costs are for staff (76 percent), while venue costs and other costs contribute almost equal proportions (13 and 10 percent respectively).
- The average weekly cost ranges from around £4,500 to almost £20,000 across the twelve centres. Most of the centres with the highest costs are those offering childcare services. But no other patterns were apparent in the total cost by management organisation, number of centres managed, region or urbanity.

Table 1. Weekly costs by activity and cost type

	Total costs (£ per week)	Percentage of cost by activity		Percentage of cost by type			
		Core running	Service delivery	Staff costs	Venue costs	Other costs	Service contract costs
Mean	10,327	44	56	76	13	10	2
Median	10,000	43	57	77	12	9	0
Minimum	4,627	34	42	66	8	<1	0
Maximum	19,502	58	66	88	23	21	11

The key cost measure for the subsequent value for money assessment is the cost per user hour, that is, the cost of delivering each hour of services received by families or children.

- There is considerable variation in the cost per user hour across different types of services. Costs per user hour across 21 service categories range from £5 for childcare to £100 for benefit and tax credits advice.
- Differences in cost per user hour can broadly be explained by the size of group to whom the service is delivered and the degree of specialisation required in the staffing.
- Service categories of similar purpose tend to have similar levels of costs because they involve similarly qualified staff. For example, ante natal classes and breast-feeding support have a similar cost for each user hour, while housing/debt advice and employment support also have similar costs per user hour. However, there are some important exceptions for services that are delivered by a mixture of staff types.
- The variation across the centres in the cost per user hour *within* these services categories can be explained by the combination of (i) the services within categories can vary greatly in characteristics which are related to cost and (ii) the centres offer very different mixes of services within these categories. There are very few cases when the variation in service cost can be attributed to differences in staff or venue costs used to deliver similar services.
- Government organisations make the largest contributions to ante natal classes, midwife/health visitor sessions, SALT, psychologist and counselling, benefits/tax credit advice, employment support and other services. Charities and private firms contribute most to specialist family support, benefits/tax credit advice and housing/debt advice services, while voluntary staff make the greatest contributions to stay and play groups and to housing/debt advice services.

- The substantive contributions made by other organisations to the delivery of services in the centres suggest that there may be a difference between a social value for money assessment (based on the costs of all sources) and an assessment for public funding. The cost estimates presented here suggest that there would be little difference between the two for almost all services.

The differences in the cost per user hour across major service categories are shown in table 2. The cost per user hour is much lower for the three service categories which tend to be group-based (childcare, stay and play activities and adult learning) and higher for services which tend to be one-on-one and to use specialised staff (health-related services, financial and work advice and other services), with the mean cost for family support in the middle. Table 2 also shows the 95 percent confidence interval around the mean cost estimate, indicating the range of values that contain the mean cost for the entire population of Children’s Centres in the most deprived areas with 95 percent probability. Taking into consideration the differences in sample sizes, the estimate is most precise for health-related services and least so for play and stay activities and “other” services, suggesting that there may be greater genuine variation in costs for these two categories.

Table 2. Cost per user hour across major service categories

	Number of services provided across the 12 centres	Mean cost per user hour (£)	Lower bound for 95% confidence interval (£)	Upper bound for 95% confidence interval (£)
Childcare	7	5	2	7
Stay and play activities	113	17	9	25
Health-related services	77	51	45	56
Family and parent support	82	22	16	28
Financial and work advice	20	67	44	89
Adult learning	22	11	6	15
Other services	43	42	26	58

Notes: The cost per user hour is the cost of delivering each hour of the services received by families and children. Families do not pay directly for most services.

An important question for this interim report is whether, given the small sample size, the cost estimates are likely to be representative of costs in all Children’s Centres in the most deprived areas. In addition, the small sample size raises the challenge of whether the cost estimates are likely to be sufficiently precise to generate conclusive results from the value for money analysis in later stages of the evaluation. It is not possible to answer these questions definitively, but there are indications that the data is sufficient to address these issues:

- The sample was selected to match a range of key centre characteristics with those of a larger, representative sample drawn from a large pool of centres in a different strand of the evaluation. Specific information about the type of centre that could be related to cost was used in the selection such as management organisation or size rather than secondary background data such as region. This is reassuring that the case study sample may be representative in terms of cost measures.
- The confidence intervals around the estimated mean cost per user hour for 7 service categories of the type that may be used in the value for money analysis are of a reasonable size. In particular, they are sufficiently precise to draw confident conclusions about the differences in costs across the categories so that it will potentially be possible to identify the most cost effective services when analysing the data from other strands of the evaluation. They are also sufficiently precise for a wide range in the size of impact estimates to potentially generate conclusive results from a cost benefit analysis taking into account probable savings incurred in the longer term.
- Exploration of the reasons for particularly high or low values of these costs indicates that these are primarily driven by differences in specific service characteristics within the broad categories rather than random fluctuations in the unit cost of resources. This suggests that the sample variation may reflect genuine variation within the population of all centres rather than the peculiarities of this particular sample.

1 Introduction

Children's Centres were launched under the Sure Start banner in 1998, with the aim to give disadvantaged children the "best possible start in life." The first centres opened in the most deprived areas of the country, but served all families in the centres' catchment areas. There are currently 3,350 Children's Centres in England providing integrated multi-agency services at a single point of access for families with young children. These services can include childcare and early education programmes, a range of health services, evidence-based parenting classes and specialised family support services.

The Evaluation of Children's Centres in England (ECCE) is a six year study commissioned by the Department for Education and undertaken by NatCen Social Research, the University of Oxford and Frontier Economics. The aim of ECCE is to provide an in-depth understanding of Children's Centre services, including their effectiveness in relation to different management and delivery approaches and their cost. The evaluation studies centres located in the 30 percent most deprived areas and the key elements are organised as five strands:

- strand 1: survey of Children's Centres leaders;
- strand 2: survey of families using Children's Centres;
- strand 3: investigation of Children's Centres service delivery and reach;
- strand 4: impact analysis; and
- strand 5: value for money (cost benefit and cost effectiveness) analysis.

This report presents interim cost estimates for strand 5. This strand will assess the value for money of different types of services delivered in Children's Centres. The cost information for this analysis will be drawn from two sets of twelve case study visits to centres located in the 30 percent most deprived areas, the first wave having been undertaken in March and April of 2012 and the second wave to be undertaken in early 2014. This cost information will be combined with estimates of the impact of Children's Centre services on outcomes for children aged three and their families in strand 4 of the evaluation and used to derive value for money estimates in a final report scheduled for publication in 2015.

The interim cost estimates presented here are derived from the first wave of twelve case study visits. While the presentation of information on the activities and costs of Children's Centres is of inherent interest, the primary purpose of this report is to describe how the cost estimates have been derived and to consider how potentially robust the use of this data might be in a value for money analysis later in the evaluation.

One particular concern is the small sample size used to collect the cost information and the extent to which this can generate cost estimates which can reasonably be expected to be representative of all Children's Centres in the most deprived areas. It

should be noted that drawing comparisons with similar costs from other sources has limited application because Children's Centres are a unique institution, serving multiple purposes which are not present in other settings providing similar services. Therefore, the assessment of the robustness of the data presented here is based primarily upon the construction of confidence intervals around the mean estimates (a measure of the precision of those estimates) and an investigation into the drivers of differences in costs across the twelve centres.

The remainder of the report is structured as follows. Section 2 describes the collection of the cost data and the construction of a cost per user hour for different types of services, detailing how complexities in the information were addressed to derive the final cost measure. Section 3 describes the services, staff and venues in the twelve centres to give an understanding of the activities undertaken in the centres and the resources used in delivering those services. This provides important underlying explanation for the cost measures which are presented in section 4. The variation in costs across the twelve centres is presented in section 5 and the underlying reasons for this variation explored. Finally, section 6 concludes on the findings of interest from the cost data and on the potential robustness of the costs data for later use in the value for money analysis.

2 Methodology for the cost calculation

This section sets out the methodology used to collect the cost information and estimate service costs. This includes descriptions of:

- the reasons for using a case study approach
- the selection of the case study centres
- the collection of information from the centres
- the method used to derive the measures of cost
- the service categories used

2.1 Reasons for using a case study approach

A case study approach was used to collect cost information from centres for a combination of reasons. First, it was important to ensure that complete information would be collected from each centre. Unlike more conventional surveys, any missing information could invalidate all information collected from a centre by resulting in an understated cost. Second, prior to the visits it was not clear how centres record cost information and whether they had any records on the usage of different resources. It was also uncertain that managers would easily understand what information was being requested without face-to-face explanation. Third, the amount and detail of data required from each centre was demanding: the presence and aid of researchers was felt to be required to assist centre managers in sourcing and providing the quantity of information required. Finally, requesting financial information, including salary levels for individual staff, was thought to require a direct reassurance of confidentiality.

Undertaking the case studies confirmed most of these prior concerns and the need for a case study approach. The centres were found to record their data in a variety of ways and to have differing interpretations of the information being requested. Substantial on-site explanation and encouragement was required in most cases to collect the necessary data. For example, one challenging aspects was to apply a consistent definition of which services and associated resources defined the boundaries of centre activity.

2.2 Selection of case studies

Strand 1 of the evaluation was initiated with a sample of 850 centres for the Centre Managers' Survey. This sample contained phase 1 or phase 2 centres located in the 30 percent most deprived areas and was selected to be representative of this group in terms of lead organisation, catchment size and number, and urbanity. Of the 530 centres that responded to that survey, a sub-sample of 120 and a reserve sample of 30 were selected to have families that used the centres be invited to take part in the

Users' Survey for strand 2 of the evaluation. As the main sample of 120 centres would also take part in strand 3 centre visits, the selection of the twelve case study centres for the cost study in strand 5 was made from the reserve pool of 30 centres in order to avoid overburdening the main sample of 120 centres.

A sample of twelve Children's Centres was selected from this pool of 30 on the basis of the following criteria:

- To maximise the probability that centres would provide complete cost data by selecting those who had responded to the earlier Managers' Survey in the most complete manner.
- To generate a sample of centres that offered a complete range of services defined as at least one example from each of the 51 categories used in the Managers' Survey.
- To generate a sample with similar centre characteristics as the sample of 120 centres used in strands 2 and 3 in terms of management organisation, structure, size and funding sources.

These criteria were applied sequentially in the order presented with some adjustments at each step to ensure that the final sample represented a balance across all three criteria. In addition, there was an adjustment to ensure that the sample contained at least one centre managed by an NHS organisation. It was not possible to also include a range of area characteristics into these selection criteria due to the small numbers involved, but (as shown in section 6.1), the centres reflected a reasonable spread in this dimension.

2.3 Collection of information from the centres

The centre visits took place during March and April 2012. Prior to the visit, centre managers were given a list of broad areas that would be under discussion, but were not requested to undertake any preparation prior to the visit. Two researchers undertook each visit and the visits lasted four hours on average, with the shortest taking two-and-a-half hours and longest five-and-a-quarter hours. Interviews were mainly conducted with centre managers (or equivalent), who were joined in some cases by colleagues responsible for business support.

Five areas of information were collected at the visits:

- **Direct services:** a list of services delivered by the centre was recorded and information on the number and length of sessions, the number of users and the venues used for each service noted. For each service, the manager selected one of 28 service categories that best described the type of service. In addition, information on any fees charged for the service was recorded.
- **Giving access:** for each of the 28 service categories, information was recorded on whether centre staff directed or signposted families to other organisations who delivered services in this category. Information was also

recorded on whether these other organisations were other Children's Centres or other organisations.

- Staff: a list of all individuals working in the centre was recorded, including centre employees, volunteers and individuals who are employed by organisations but help deliver centre services (for example, health visitors). For each staff member, information on the time they spent working on each of the listed services was recorded (including both time in direct contact with users and preparation and other directly related time), together with the time they spend on "core running", that is, activities essential to the general running of the centre but not directly attributable to a particular service (for example, centre administration or team meetings). Data on the venues used by staff for core running was also recorded in this section. Information on salary was collected for each staff member wherever available. Where this information was not available (such as for Health Visitors), information was recorded on the individual's job title and qualifications where known to aid in the estimation of the salary level.
- Venues: venue costs (rent, rates, utilities, etc.) were recorded for each of the venues used by the centre, including the main centre site and any satellite sites or external venues used. Information was noted on whether the centre paid the full, market rate for these venues and who provided or subsidised the venues that the centre did not pay for or paid a subsidised rate. Approximate floor space was recorded for venues where no cost amount was available. Approximate floor spaces were also recorded for different rooms or areas within each location which defined where each service was delivered and core running activities occurred.¹
- Other costs: all non-staff and non-venue costs (such as that for food, stationary and other materials) paid by the centre were recorded and it was noted whether any of these costs were directly attributable to a specific service or set of services. Information about other non-staff, non-venue resources provided by other organisations was requested, but no centre reported that any other organisation contributed in this area. This section of the interview also collected information about "service contract" payments, where centres paid a single amount for a particular service that could be divided into separate staff, venue and other costs.

Information on services and staff and venue usage was collected for a typical week in the month preceding the visit.² Using this snapshot criteria was important because the centres typically rotate a sizable proportion of the services they offer throughout

¹ This was often achieved with the help of floor plans for main centre sites.

² This typical week was a non-holiday or "term-time" week which reflects that activities undertaken throughout most of the year.

the year and to have collected information on all services in the year would have over-counted the activities undertaken by the centre. Similarly, information on staff and venues used only in that snapshot period was recorded. Most costs noted are recorded on an annual basis (typically for the financial year 2011/2012) and were pro-rated to weekly basis. Hence, the activities in the snapshot period were matched with the share of annual costs that covered that period.

Two main refinements were made to the collection of information after the first visit. First, it was found to be impossible for the centre manager to separate out the amount of time that staff spent on providing access to services delivered by other organisations as this activity took place on such a random, ad-hoc basis and often took place within and as part of specific services. Subsequent visits did not attempt to collect this information and the costs of providing access have not been estimated. Second, the initial visit requested services to be categorised using the 51 categories from the Centre Manager's Survey, but this was found to be unworkable because the manager felt that many categories overlapped. The number of categories was narrowed to 28 for subsequent visits which matched with those used in the Users' Survey. Consistency of information from the initial visit was possible by assigning the "giving access" staff time to core running and specific services in proportion to the staff hours these involved and by aggregating the service categories where needed. The information from this centre was not found to be notably different from the other centres as a consequence of this.

2.4 Calculation of cost per user hour

The key objective was to derive a measure of the cost of delivering one hour of each type of service to each user ("cost per user hour"), taking into consideration the value of the contribution of other organisations that are not directly paid from Children's Centre budgets. Ultimately, this cost per user hour will be used in conjunction with findings on the impacts of different types of services to analyse the relative value for money in later stages of the evaluation.

The first step to derive this cost involved the estimation of missing information and conversion of the raw information to comparative metrics using a week as the period of measurement. This involved several complexities:

- The estimation of salaries for employees of other organisations where these were not known to the centre manager. For NHS employees, salary estimates were obtained from pay rates available on the NHS careers website. For employees of other organisations, salary estimates were obtained from a variety of sources, including professional bodies, job websites or the organisations themselves, e.g. Citizen's Advice Bureau and Connexions. Salaries were required to be estimated in this way for 76

percent of employees of other organisations which constituted 22 percent of all staff.³

- The estimation of salaries for volunteers where these were not provided by centre managers. These were estimated from the CPI-adjusted median hourly pay by qualification level from the 2010 Labour Force Survey. Salaries were estimated in this way for 68 percent of volunteers which constituted 10 percent of all staff.⁴
- The conversion of salaries to employer cost where provided as gross or net rates. This conversion used tax and National Insurance parameters for 2011/2012 and assumed (i) staff are in a salary-related contracted out pension scheme and (ii) NHS staff pay a 14% employer contribution in the NHS Pension Scheme and other staff pay a 12.2% employer contribution in line with the local government pension scheme rate.
- The estimation of an imputed rental value for venues that the centre own and do not pay rent for and for venues that are provided and implicitly paid for by other organisations (including Local Authority provision of main sites in properties that it may own). Imputed rental values were obtained from the Valuation Office Agency's rateable values for 2008 and uprated using growth rates in property prices. Most of the buildings for venues were specifically listed, but imputed rental values for a few venues which were not listed were estimated based on floor space and rental values for listed venues in the same postcode. Rents were imputed for 55 percent of the locations used by the centres.

The second step involved the allocation of each of these cost types to specific services and to core running. This involved the following complexities:

- For some staff, centre managers provided a list of services that they helped deliver and a proportion of time spent on the group rather than individual services. Staff costs were allocated across these services in proportion to the service hours for each service.
- The venue costs were divided across the rooms and spaces used for specific services and core running in proportion to the relative floor space. These were then divided between the different services and core running using those rooms and spaces in proportion to the time the room or space was used by each specific service or core running.⁵ For services and core

³ As described in section 3.4 below, this constitutes a much smaller proportion of staff hours used in the centres.

⁴ Again, this constitutes a much smaller proportion of staff hours used in the centres. Salaries for other volunteers were reported by centre managers as their estimate of the individual's level of pay.

⁵ This implicitly means that cost of unused time in rooms and spaces is allocated to the services and core running that use those rooms or spaces at other times. This is consistent with the Green Book approach that the value of land should include the cost of retaining vacant land. For example, if the centre must pay for a large room which

running that were delivered in more than one room or space, the time used by that service or core running was divided equally between the rooms and spaces.⁶

- In main centre sites, the cost of any space not listed as used in specific services or core running (such as hallways, kitchens and toilets) was allocated to core running.
- In 8 centres, short small-scale sessional childcare was offered for children of parents attending other services in the centre. The costs of this childcare were attached to the services that it supported.

A third step involved the allocation of core running to specific services to be added to the “direct cost” that is, the cost specifically attributed to that particular service. The core running costs were allocated in proportion to the service hours. The effects of using two alternative approaches to this allocation (based on staff hours and on user hours) are explored in Annex 2.

The final step summed all the cost sources to obtain a total weekly cost for each service which was then divided by the weekly number of service hours to obtain a cost per service hour and by the weekly number of user hours to obtain a cost per user hour.

2.5 Service definition and categories

As described in section 2.1 above, information was recorded for each service. The definition of a service was left to some extent to the discretion of the centre manager when they listed all the services delivered in the centre. There was some arbitrariness about this definition, for example, some managers regarded a stay and play session that ran five times a week as one service with five sessions, whereas another may have defined this as five different services running one session a week. However, the impact of this was limited as most types of services operate as a single unit once a week.

The 28 categories of service types collected in the case study visits were regrouped into 21 categories for the purpose of the analysis. This re-grouping involved:

- the removal of two categories where no provision of services were recorded (before school and after school care for older children)

is only used for a small number of hours for one particular service, the full-time cost of that room is allocated to that service.

⁶ This did not have substantial implications for the allocation of costs because most core running activities are undertaken in rooms not used for direct service delivery and almost all services used only a single space or room. In most cases where more than one room or space was reported as being used for a service, it was either because the service rotated around rooms (typically whatever was available at the time needed) or it used multiple rooms or spaces with a division that the centre manager could not specifically identify.

- the amalgamation of one category where very few services were recorded into another (relationship support into specialist family support)
- the amalgamation of five categories into a single “other”

The regrouping ensured that the categories used here can be matched with those applied in the Users Survey in strand 2 and for the subsequent impact analysis in strand 4.

Most of the description below is based on these 21 service categories. However, the impact analysis will most likely be undertaken on less detailed categories of services and the key cost estimates are also presented for 7 broader service categories. Greater detail on the 21 categories and their amalgamation into the 7 broader categories is presented in Appendix 1.

3 Services, staffing and venues

This section describes the services delivered and staffing and venues used in the twelve case study centres. This provides important background information to the cost analysis by describing the range of services offered by the centres; the usage of services by children and families; and the use of staff and resources to in service delivery, highlighting the substantial contributions made by other organisations.

3.1 Directly provided services

The number of services offered by the twelve case study centres ranged from 18 to 46, with an average of 31 services provided by each centre.

Table 3.1 summarises the prevalence of the provision of different types of services, the average number of hours of delivery and the average number of users for each service type within the twelve case study centres. Some types of services are offered in all or almost all of the centres including key service types in group activities for children and parents (stay and play groups and organised sports/exercise for babies/children); post-natal services (breast-feeding support and midwife/health visitor sessions); and parenting support (peer support, parenting classes, specialist family support and employment support). However, many service types, particularly those offering services for parents, are only provided in a minority of the centres. It is particularly notable that childcare services are only offered by half of the centres.⁷

Most of the centres offer 1 or 2 services if they make provision in a service category (column 2, table 3.1). These may reflect a distinction between individual and group based activities (for example, as is the case for speech and language therapy) or may reflect different types of activities (for example, different groups for the peer support or different sports or exercise for the sports/exercise for babies/children). In a few cases, the distinction may be less meaningful but may cater for different groups of users (for example, similar stay and play groups that run on different days). This variety of services within category has implications for the cost estimates. On the one hand, the greater the number of services, the larger the sample size for the cost estimates and the greater the potential precision of those estimates. On the other hand, the greater the number of services within a category may reflect a wider variety in the nature of the services in the category and in the associated costs. This greater “true” variation in cost within service category could be reflected in less precise cost estimates.

⁷ Short, small-scale sessional childcare for children of parents attending other services in the centre was offered in 8 centres and this is treated as part of those services for cost purposes. However, the numbers of users of the childcare element are not included in the number of users for the services it supports.

Table 3.1. Services offered by the centres

Service category	Number of the centres offering services in category	Average per centre (for the centres offering a service in the category)			
		Number of services	Number of service hours per week	Number of user hours per week	Average group size
Childcare	6	1	43	1430	32
Stay and play groups	12	7	15	191	14
Sports/exercise for babies/children	11	2	3	31	11
Toy library	5	2	3	3	1
Ante natal classes	7	3	14	37	5
Breast feeding support	10	1	5	11	3
Midwife/health visitor sessions	12	3	13	17	2
SALT	8	2	7	33	5
Psychologist or counsellor	3	1	6	6	1
Peer support	11	2	3	27	9
Parenting classes	12	2	4	32	8
Activities for parents	4	2	2	24	10
Specialist family support	12	3	36	53	1
Benefits / tax credits advice	3	1	3	3	1
Housing / debt advice	4	1	7	7	1
Employment support	10	1	7	12	3
Basic IT / job skills course	5	2	6	55	8
Further education or adult learning	7	1	5	44	9
ESOL	4	1	2	18	9
Home safety advice	6	1	8	28	6
Other services	12	3	28	58	2

Notes: A service was defined by the centre manager during the visit when they listed all the services delivered in the centre (see section 2.5). There was some arbitrariness about this definition, for example, some managers regarded a stay and play session that ran five times a week as one service with five sessions, whereas another may have defined this as five different services running one session a week. However, the impact of this was limited as most types of services operate as a single unit once a week. Service hours is the number of hours that the service operates. User hours are the total number of hours of the service received by children or families. The average group size in the final column is the ratio of user hours to service hours. This ratio is the average of the ratios and does not directly equate to the ratio between the average user hours (column 4) and average service hours (column 3).

The middle column of table 3.1 present the average number of service hours, that is, the number of hours that the service operates. These are total hours across all services in the category, averaged over the centres which offer at least one service

in the category. The number of service hours indicates the importance of each service type in the use of resources within the centres. For the centres offering them, childcare; and specialist family support (and the “other” category) have by far the greatest number of service hours, while stay and play groups, ante natal classes and midwife/health visitor sessions have the highest number of service hours among the remainder. There is some link between the prevalence of services across the centres (column 1) and the number of service hours (column 3), but the two are not very closely related. For example, parenting classes are offered in every centre but only have an average of 4 hours service time. This suggests that while there are services which are important for the centres to offer, it may not be necessary to offer a large “quantity” of that service.

The final two columns of table 3.1 present the average number of user hours (the total number of hours of the service received by children or families) and the average group size (measured as the ratio between the user hours and service hours for each service category). Again, these are total hours across all services in the category, averaged over the centres which offer at least one service in the category. The average group size highlights the extent to which the services are delivered one-to-one or in groups, although those with average sizes between 2 and 5 tend to reflect a mixture of one-to-one and group services of larger sizes (for example, breast-feeding support is provided one-to-one and in groups). The user hours present an additional measure of the importance of different types of services by capturing a mixture of the number of families using the services and the length of time that they use them for. The user hours also indicate where services may require more staff (and other resources) for each hour of service (for example, childcare typically operates with multiple staff).

The importance of the average group size for the cost estimates is that it highlights the types of services that will have much lower costs per user hour than per service hour because of the group activity nature of the service. Of particular note, childcare has a very high average group size while the stay and play groups, sports/exercise for babies/children and the three learning for parents categories also have high average group sizes. At the other extreme, specialist services such as psychologist or counsellor, specialist family support, benefits/tax credits advice and housing/debt advice tend to be one-to-one services.

3.2 Fees charged for services

Substantive fees are charged by the centres for childcare services. These fees are usually funded through a mixture of payments from parents and grant funding from the Nursery Education Funding, two year-old entitlement and other supported childcare, although two centres reported that all childcare places were paid for by these grants. Only very small nominal fees were charged for a very small number of other services in five other centres.

3.3 Access to services delivered by other organisations

An important purpose of Children’s Centres is to provide a “one-stop” service centre for families with children where all services can either be directly accessed and/or the centre can direct or signpost families on to services delivered by other organisations. Table 3.2 presents the extent of this access or signposting provided by the twelve case study centres.

Table 3.2 Services that the centres offer access to

Service category	Number of the centres offering access	Number of the centres offering access to services		
		At another children’s centre	Or at another organisation	Or at both
Childcare	9	0	8	0
Before school care for older children	5	0	3	1
After school care for older children	6	0	4	1
Stay and play groups	7	5	1	1
Sports/exercise for babies/children	5	2	2	1
Toy library	3	2	1	0
Ante natal classes	4	0	4	0
Breast feeding support	3	0	2	0
Midwife/health visitor sessions	2	1	1	0
SALT	5	0	4	0
Psychologist or counsellor	10	0	9	0
Peer support	6	1	3	1
Parenting classes	5	1	2	0
Activities for parents	4	1	2	1
Specialist family support	9	0	8	0
Benefits / tax credits advice	7	1	6	0
Housing / debt advice	11	0	10	0
Employment support	11	0	10	0
Basic IT / job skills course	5	0	3	1
Further education or adult learning	7	0	4	2
ESOL	4	0	3	0
Home safety advice	7	0	5	0
Other services	5	0	4	0

Notes: Offering access means directing or signposting parents to service provided by other organisations. The number of the centres providing access to each organisation category

does not sum to the total number of centres. This discrepancy in the numbers is due to missing information on the type of organisation that the centre provides access to.

Most of the twelve centres provide access to other organisations offering services related to childcare, a psychologist or counsellor, specialist family support, housing/debt advice and employment support. Very few offer access to the key health services including ante natal classes, breast feeding support and midwife/health visitor sessions. Most access is to other types of organisations rather than other Children's Centres, although five centres do direct parents to stay and play groups at other centres. Interview discussions suggest that this may be because their own sessions are full or it could be because another centre provides the service closer to the family's home.

On average, each centre gives access to services at other organisations in 12 different service categories. However, the number of categories ranged from 3 to 20 across the centres (the full distribution is shown in table 5.3), suggesting considerable variation in the extent to which the centres are involved in directing and signposting parents to services delivered by other organisations. In the cost estimates, any cost of providing access will be subsumed into core running costs and into the costs of specific services in which direction is given. As explained in section 2.3, it is not feasible to directly measure and attribute costs to providing access, but the extent of providing access may offer some explanation for the differences in costs between the centres (explored in section 5).

3.4 Staffing

The average number of all staff (including centre employees, employees of other organisations and volunteers) working in the twelve centres is 34, ranging from 19 in the centre with the lowest number to 51 in the centre using the most staff.

Table 3.3 summarises the contributions of different types of staff in the twelve centres. Only 57 percent of all staff who work in the centres are centre employees, while 14 percent are volunteer staff. Other public organisations provide substantial proportions of staff (11 percent from the Health Authority, 4 percent from LAs, 2 percent from Job Centres and 3 percent from local colleges), while charities also make a sizable contribution (6 percent). However, because non-Centre employee staff tend to only work a few hours each week in the centres, centre employees deliver a much higher proportion (79 percent) of staff hours and the only substantial contribution to staff hours are from Health (8 percent), charities (3 percent) and volunteer staff (5 percent). Some 35 percent of all staff hours are attributed to core running rather than the direct delivery of services, almost all of which is undertaken by centre employees. Indeed just over one third of the time of centre employees is spent in core running activities, as is roughly the same proportion of time for volunteers who work.

The final column of table 3.3 lists the key services that other organisations contribute staff time to. The range of services for each type of staff is quite large, although there are some dominant patterns with staff from the Health Authority prevalent in health-related services and those from local colleges and charities more prevalent in services for parents, particularly in those related to financial and work support and adult learning. The most significant contributions to specific services are from the Health Authority (85 percent and 78 percent of staff hours for ante natal classes and midwife/health visitor sessions respectively), Job Centre (50 percent of staff hours for employment support), local colleges (44 percent of staff hours for further education and adult learning) and charities (50 percent of staff hours for housing and debt advice).

Table 3.3. Staffing in the centres

Type of staff	Average percentage of all staff	Average percentage of total staff hours		Services with a significant amount of staff time provided by this source (Average % of staff hours provided by this source)
		Used in core running	Used in direct delivery of services	
Centre employees	57	30	49	Used in all services
Local Authority	4	<1	1	Stay and play groups (5) SALT (13) Parenting classes (10) Benefits / tax credits advice (33) Basic IT / job skills course (20)
Health Authority	11	<1	8	Ante natal classes (85) Breast feeding support (19) Midwife/health sessions (78) SALT (21) Peer support (9) Other services (9)
Job Centre	2	0	<1	Employment support (50)
Local college	3	<1	1	Psychologist or counsellor (33) Activities for parents (18) Basic IT / job skills course (14) Further education or adult learning (44) ESOL (25) Home safety advice (17)
School	2	1	<1	None
Charity	6	1	2	Peer support (5) Activities for parents (13) Benefits / tax credits advice (33) Housing / debt advice (50) Employment support (7) Basic IT / job skills course (20) ESOL (8)
Private firm	1	0	<1	Sports/exercise for babies/children (9) Breast feeding support (10) Peer support (7) Employment support (8) Further education or adult learning (6) ESOL (25)
Volunteer staff	14	2	3	Stay and play groups (18) Breast feeding support (10) SALT (5) Psychologist or counsellor (33) Peer support (5) Other services (11)
Total	100	35	65	

Notes: All averages are across the twelve centres. The average percentage of staff hours provided by the source is calculated over the centres offering a service in the service category. Significant staff is

defined as service types where this source contributes 5 percent or more of the total staff hours used in the services.

3.5 Venues

On average, each of the twelve case study centres uses 7 different locations from which to deliver services. This ranges from 3 to 18 locations, but five centres used only 5 or less different locations.

The contribution of other organisations in providing venues for the centres is presented in table 3.4. LAs contribute most significantly through helping with costs of main sites for the centres, with 9 of the centres receiving help in this form. However, the proportion of the costs of the main site covered by LAs varies from 3 percent to 51 percent as LAs only help peripherally with subsidies to non-rent costs in some centres and even in centres where the site may be provided rent-free by LAs, the centres tend to have sizable other venue costs. Other key contributors to venue costs are schools and community venues which provide venues for 8 and 5 centres respectively. However, the only service type where other organisation makes contributions to venue costs in a sizable number of the centres is stay and play groups, with 6 centres using venues provided or partly paid for by schools and 5 centres using locations provided or partly paid for by community venues.

Table 3.4 Venues used by the centres

Provider of venue	Number of the centres where this source contributes to the cost of the main site	Number of the centres where this source pays for other venues	Services where the source pays for other venues in more than 1 centre (Number of the centres where source pays for other venues for the service)
Local Authority	9	2	Stay and play groups (2) Sports/exercise for babies/children (2) Midwife / health sessions (2) Specialist family support (2) Other services (2)
Health Authority	0	3	Midwife / health visit sessions (2)
School	0	8	Stay and play groups (6) Sports/exercise for babies/children (3)
Community venue	0	5	Stay and play groups (5) Midwife / health visitor sessions (2) ESOL (3)
Charity	0	2	None
Private firm	0	1	None

Notes: The proportions contributed by the Local Authority for the main site are 3, 9,15,17,25,30,31,42 and 51 percent.

4 Costs

This section presents the cost measures estimated from the information collected from the twelve case study centres. This is divided into two parts:

- Presentation of total costs at the centre level.
- Presentation of the costs of delivering different types of services.

This section focuses on the average costs across the centres or across the services delivered in the centres. The following section examines the variation in these costs across the centres.

4.1 Total centre costs

The average cost of delivering services across the twelve case study centres is just over £10,000 each week (table 4.1). This cost is almost evenly divided between costs which are attributed to core running (44 percent) and those which are attributable to specific services (56 percent). The majority of costs are for staff (76 percent), while venue costs and other costs contribute almost equal proportions (13 and 10 percent respectively). Service contracts make up only a very small proportion of costs.

Table 4.1. Weekly costs by activity and cost type

	Total costs (£ per week)	Percentage of cost by activity		Percentage of cost by type			
		Core running	Service delivery	Staff costs	Venue costs	Other costs	Service contract costs
Mean	10,327	44	56	76	13	10	2
Median	10,000	43	57	77	12	9	0
Minimum	4,627	34	42	66	8	<1	0
Maximum	19,502	58	66	88	23	21	11

Notes: Other costs include, for example, expenditures for books and toys, food and other refreshments, medical and hygiene supplies, stationary, marketing materials, office equipment, postage, telephones and internet, IT support, professional fees, licences, CRB checks, transport and building improvements.

On average, the centres directly pay for 79 percent of the total costs (final column, table 4.2). Other key contributors are Health Authorities (7 percent), LAs (4 percent), charities (3 percent) and volunteer staff (2 percent). LAs contribute primarily through covering some of the venue costs (particularly, as noted above, for main centre sites), while other organisations contribute through the provision of staff to deliver

specific services. Volunteer staff contribute by helping with both core running and the delivery of services. Further details on these contributions to specific services are provided in section 3.

Table 4.2. Sources of resources

Provided or paid by	Percentage of total costs for				Percentage of total costs (row total)
	Staff	Venues	Other costs	Service contracts	
Children’s Centre	59	9	10	1	79
Local Authority	1	3	0	0	4
Health Authority	7	<1	0	0	7
Job Centre	<1	0	0	0	<1
Local college	1	0	0	0	1
School	1	<1	0	0	1
Community venue	0	<1	0	0	<1
Charity	3	<1	0	0	3
Private firm	<1	0	0	0	<1
Volunteer staff	2	0	0	0	2

4.2 Costs of providing different types of services

The cost of providing different types of services consists of the cost of resources which are directly employed in the provision of specific services (directly allocated costs) and a share of core running costs which cannot be directly attributed to any particular service. As explained in section 2.4, core running costs have been allocated across services in proportion to the number of service hours, but comparisons with two other possible methods are presented in Appendix 2. To some degree, the direct cost alone reflects the “marginal” cost of the service, that is, the additional cost if the service was simply added to the centre with all other services already in place. However, services cannot be delivered without the core running of the centre and the most useful measure of cost for each service is the “total” cost which also includes a share of the core running costs. In addition, service costs can be presented as the cost per service hour (the cost for each hour that the service operates) or as the cost per user hour (the cost for each hour received by children or families). It should be noted that the cost per user hour is the cost of delivering each hour of the services received by families and children and not the amount paid by users. As reported in section 3.2, families do not pay directly for most services.

Table 4.3 presents the four different cost measures for each of the 21 service categories: direct cost per service hour; total cost per service hour; direct cost per user hour; and total cost per user hour. The measure presented in the final column of

the table is the one of primary interest because it is the one that will be used in the value for money analysis.

Table 4.3. Cost per user hour for different types of services in the centres

Service category	Number of services provided across the 12 centres	Cost per service hour (£)		Cost per user hour (£)	
		Directly allocated cost	Total cost (directly allocated cost plus share of running costs)	Directly allocated cost	Total cost (directly allocated cost plus share of running costs)
Childcare	7	67	91	3	5
Stay and play groups	83	64	98	9	14
Sports/exercise for babies/children	22	45	73	6	9
Toy library	8	36	70	36	70
Ante natal classes	18	64	96	27	50
Breast feeding support	11	32	62	18	35
Midwife/health visitor sessions	30	47	76	44	70
SALT	14	23	59	9	21
Psychologist or counsellor	4	32	58	32	58
Peer support	23	61	93	7	11
Parenting classes	22	48	77	6	10
Activities for parents	6	48	71	5	8
Specialist family support	31	42	69	23	42
Benefits / tax credits advice	3	59	100	59	100
Housing / debt advice	4	25	65	25	65
Employment support	13	35	70	29	59
Basic IT / job skills course	8	41	66	6	9
Further education or adult learning	10	63	94	9	10
ESOL	4	33	51	4	6
Home safety advice	7	28	51	10	23
Other services	36	30	60	24	46

Notes: Further details on the services in each category are provided in Annex 1. The cost per user hour is the cost of delivering each hour of the services received by families and children. Families do not pay directly for most services.

The service categories can be broadly grouped into four clusters for total cost per user hour: low (less than £15), lower middle (£20-£25), upper middle (£40-£50) and high (£60 and greater). The lower group consists of three distinct sets of services:

- Unspecialised group activities for children (childcare, stay and play groups, sports/exercise for babies/children)
- Unspecialised group activities for parents (peer support, parenting classes and activities for parents)
- Adult learning (basic IT/jobs skills course, further education or adult learning courses, and ESOL)

It is not surprising that group activities requiring relatively little specialised staffing are at the lower end of the range of costs per user hour: the group element means that fewer staff and venue resources are required for each user and the relative lack of specialisation means that the type of staff employed are likely to have lower salaries.

The lower middle group consists of three unrelated services:

- Breast-feeding support
- SALT (Speech and language therapy)
- Home safety advice

The element that these three services have in common is that they are delivered as a mixture of one-to-one services and group services. In addition, the breast-feeding support and SALT tend to be delivered by staff with a mixture of skill specialisation (for example, breast-feeding support is delivered by centre volunteers, centre employees and health visitors), while the delivery of home safety advice tends to be by specialised but not very highly qualified staff. This mixture in both the resource demands and level of staffing may explain that the cost per user hour for these services is on the lower side.

The upper middle group again consists of three unrelated services:

- Antenatal classes
- Specialist family support
- Other services

Many of the services included in the “other” category are home-based services of a similar nature to the specialist family support (a substantial proportion of the services in both categories are delivered by Family Support Workers). The distinctive feature of these categories is that the services tend to be delivered by quite highly specialised staff, but are delivered in a mixture of one-to-one provision and in groups.

The final group of high cost per user hour services consist of two distinct groups⁸:

⁸ Toy library also falls into this high category, but the cost estimate for this service is not very meaningful because (i) only six centres offer the service and (ii) user hours are measured as the time parents spend selecting and exchanging toys at the centre rather than the time spent using those toys at home.

- Primarily one-to-one health services (mid-wife/health visitor sessions, psychologist or counsellor)
- Primarily one-to-one financial and work advice services (benefits/tax credits advice, housing/debt advice, employment support)

As the description indicates, these services are primarily one-to-one, which increases their cost, and they tend to be delivered by more specialised staff, usually from other organisations rather than centre employees or volunteers.

Looking across the final two columns in table 4.3 indicates the impact on relative costs of the allocation of core running costs across services. Because this allocation is based on service hours, it tends to increase the per user hour cost to a greater extent for one-to-one services than group services. Hence, prior to the allocation of the core running costs, the costs for services in the lower middle cost per user hour cluster discussed above tend to be closer to those in the lower group because the cost distinction of their having a higher proportion of one-to-one delivery has not been exacerbated by the allocation of a share of core running costs. For similar reasons, the costs for the higher middle group are closer to the high group prior to the application of the share of running costs. However, the addition of core running costs does not have a substantive impact on the overall pattern of relative cost per user across the service categories.

Columns 2 and 3 in table 4.3 present estimated costs per service hour. The variation in this cost measure reflects a mixture of differences in the number of staff simultaneously used (for example, childcare use a larger number of staff at any point in time) and the qualification level and hourly cost of the staff involved (for example, psychologist and counsellors tend to have higher hourly costs). Comparing columns 2 and 3 with columns 4 and 5 shows that there are substantial differences between the cost per service hour and the cost per user hour for services delivering to larger groups, while there is obviously no difference for those delivered on a one-to-one basis. Hence, the relative costs of different service types can be very different across these two measures.

Overall, table 4.3 highlights four main conclusions about cost differences across the service types:

- Differences in cost per user hour can broadly be explained by the size of group to whom the service is delivered and the degree of specialisation required in the staffing.
- The key role of group size means that there are substantial differences in the relative cost of different services between the cost per service hour measure and the cost per user hour measure.
- Service categories of similar purpose (e.g. health-related, unspecialised services for parents) tend to have similar levels of costs because they involve similarly qualified staff. However, there are some important exceptions for services that are delivered by a mixture of staff types.

- The addition of a share of core running costs does not have substantial impact on the relative cost per user hour between service categories.

4.3 Confidence intervals for the cost estimates

The precision of the cost estimates is important for their later use in the value for money analysis. In that analysis, the services will be categorised into broader groups than the 21 presented above and so the precision of the costs estimates is examined here using 7 broader categories. Detail on the aggregation of the 21 categories into the 7 broader categories is presented in Appendix 1.

Precision is defined here as the range of the 95 percent confidence interval around the mean cost estimate. This interval shows the range of values that contain the mean cost for the entire population of Children’s Centres in the most deprived areas with 95 percent probability. This interval will be larger the smaller the sample used to estimate the mean cost and the larger the genuine variation in the cost within service categories. Further detail on confidence intervals and the method used to calculate the confidence bounds is presented in Appendix 3.

Table 4.4 presents the mean cost per user hour and the 95 percent confidence bounds for the 7 broad service categories. The cost per user hour is much lower for the three service categories which tend to be group-based (childcare, stay and play activities and adult learning) and higher for services which tend to be one-on-one and to use specialised staff (health-related services, financial and work advice and other services), with the mean cost for family support in the middle.

Table 4.4 Cost per user hour across major service categories

	Number of services provided across the 12 centres	Mean cost per user hour (£)	Lower bound for 95% confidence interval (£)	Upper bound for 95% confidence interval (£)
Childcare	7	5	2	7
Stay and play activities	113	17	9	25
Health-related services	77	51	45	56
Family and parent support	82	22	16	28
Financial and work advice	20	67	44	89
Adult learning	22	11	6	15
Other services	43	42	26	58

Notes: The cost per user hour is the cost of delivering each hour of the services received by families and children. Families do not pay directly for most services.

The precision of the cost estimates are generally better (have the smallest confidence intervals) for the services with the greatest number of services in the

sample. Taking into consideration the differences in sample sizes, the estimate is most precise for health-related services and least so for play and stay activities and “other” services, suggesting that there may be greater genuine variation in costs for these two categories. The precision of the cost estimate for childcare is reasonable given the very small sample size.

The degree of precision in the estimates can be viewed as good given the sample sizes in two respects. First, the confidence intervals do not overlap for when comparing many of the pairs of service categories., most notably between the three in the lower cost group and the three in the higher cost group, indicating a high level of confidence that average costs do differ between these groups in the entire population of Children’s Centres in the most deprived areas. Second, confidence intervals are sufficiently small that a large range of values for the benefit could potentially generate conclusive findings in the value for money analysis. For example, a *lower* bound for the confidence interval of £57 on the estimated benefit of an hour of health-related services would lead to the conclusion that the benefits of health-related services outweigh the costs. Alternatively, an *upper* bound of £44 would lead to the opposite conclusion that the benefits are outweighed by the costs.

4.4 Contributions from different organisations

Table 4.5 presents the contribution made by other organisations to the costs of different types of services across the 21 categories. The estimates for direct costs are presented because the impact in each service would be diluted by the contributions to core running costs if the total cost per user hour were used.

Government organisations make the largest contributions to ante natal classes, midwife/health visitor sessions, SALT, psychologist and counselling, benefits/tax credit advice, employment support and other services. Charities and private firms contribute most to specialist family support, benefits/tax credit advice and housing/debt advice services, while voluntary staff make the greatest contributions to stay and play groups and to housing/debt advise services.⁹

In terms of core running costs, government organisations contribute an additional 7 percent to that spent directly by the centres, while charities and private firms add an additional 3 percent and volunteer staff an additional 2 percent (bottom row, table 4.5).

The value for money analysis could use the total costs for all sources which would reflect an assessment of social cost benefit. Or it could use costs directly paid by the centre with costs paid by other government organisations to capture a cost-benefit assessment for public funding. The estimates presented here suggest that there would be little difference between the two, with the possible exception of a small

⁹ Voluntary staff also add substantially to the costs of psychologists/counsellors, but this is driven by one influential case in a single centre.

number of services including stay and play groups and the services providing financial and employment advice.

Table 4.5 Cost per user hour by source of payment

	Paid by centre	Plus paid by government organisations	Plus paid by charity or private firm	Plus paid by volunteer staff
Directly allocated costs per user hour (£)				
Childcare	4	4	4	4
Stay and play groups	5	6	6	9
Sports/exercise for babies/children	5	6	6	6
Toy library	33	36	36	36
Ante natal classes	6	27	27	27
Breast feeding support	13	16	16	18
Midwife/health visitor sessions	9	44	44	44
SALT	5	8	8	9
Psychologist or counsellor	5	27	27	32
Peer support	5	7	7	7
Parenting classes	5	6	6	6
Activities for parents	4	5	5	5
Specialist family support	18	20	23	23
Benefits / tax credits advice	47	55	59	59
Housing / debt advice	19	20	25	25
Employment support	14	24	25	29
Basic IT / job skills course	4	6	6	6
Further education or adult learning	4	8	9	9
ESOL	2	3	4	4
Home safety advice	9	10	10	10
Other services	17	21	22	24
All services	9	15	16	17
Total core running costs per centre per week (£)				
	4,039	4,314	4,422	4,503

5 Patterns of costs across the centres

This section explores the variation in costs across the twelve centres and investigates the underlying reasons of this variation. This analysis is important to understand the degree to which costs for specific types of services may vary within the population of all Children's Centres in the most deprived areas and the extent to which cost estimates from a sample can be measured with precision.

5.1 Background characteristics of the centres

Key characteristics of the twelve centres are presented in table 5.1. The centres have been ordered by the type of management organisation and the number of centres managed by the centre management. These characteristics were used in the selection of the case studies and this has resulted in an even balance across the centres. The six centres that provide childcare services are identified in the third column as this provision could have an impact on the size and management of the centre. Most of the centres receive over 90 percent of their funding from the LA, while three others receive a substantial part (13 percent to 23 percent) of their funding from fees or other sources and one centre receives the majority of its funding (66 percent) from fees and other sources. The centres with funding from fees are those offering childcare and early learning services. The final columns show that the centres are located in a good mixture of regions and range of urbanity classification. It is notable that the centres located in rural areas are managed by LAs and a maintained nursery.

Table 5.1 Characteristics of each centre

Centre	Management organisation	Number of the centres managed by centre manager	Provider of childcare	Funding sources	Region	ONS LA urban / rural class.
A	Local Authority	1	Yes	LA – 98% Other – 2%	Yorkshire & the Humber	Major urban
B	Local Authority	1	No	LA – 100%	East Midlands	Rural 50
C	Local Authority	3	Yes	LA – 87% Other – 13%	North west	Significant rural
D	Maintained nursery	1	Yes	LA – 34% Fees – 24% Other – 42%	East Midlands	Significant rural
E	Maintained nursery + school	1	No	LA – 100%	West Midlands	Major urban
F	Maintained nursery + school	5	Yes	LA – 79% Fees – 1% Other – 21%	South west	Other urban
G	NHS organisation	2	Yes	LA – 100%	East Midlands	Other urban
H	Local voluntary organisation	1	Yes	LA – 76% Fees – 20% Other – 3%	Yorkshire & the Humber	Other urban
I	Local charity	1	No	LA – 100%	North west	Major urban
J	Local charity	3	No	LA – 100%	London	Major urban
K	National charity	2	No	LA – 94% Partners – 6%	West Midlands	Major urban
L	National charity	6	No	LA – 100%	South west	Other urban

5.2 Variation in total centre costs

The total weekly costs for each centre are presented in table 5.2, together with a division of costs into those accredited to core running and those accredited to direct service delivery and a division by the type of cost. As seen above, the average weekly cost for the twelve centres is just over £10,000, but this ranges from around £4,500 (centre J) to almost £20,000 (centre D). Most of the centres with the highest costs are those offering childcare services. However, within the 12 centres, there are no other patterns in the total cost by management organisation, number of centres

managed, region or urbanity. Indeed, it is quite notable that the range of total cost for these centres is quite evenly spread across all of these characteristics suggesting that centre costs they may not be related to these characteristics.

The proportion of cost attributed to core running ranges from 34 percent (centre J) to 58 percent (centre K). But there are two distinct blocks in this proportion: six centres lie closely together in the range of 34 percent to 39 percent and the other six in the range of 48 percent to 58 percent. With the exception of centre J, those with the low proportion attributed to core running constitute five of the six centres with the highest total costs. This is consistent with prior expectations that a substantive part of core running may be “fixed costs”, that is, costs which all centres have to pay at similar expense regardless of centre size. Such fixed costs constitute a larger part of small centre costs and a smaller proportion of costs for larger centres.

The proportion of costs which are staff costs ranges from 66 percent (centres A, C and I) to 88 percent (centre F). The spread in these proportions is quite even across the range and do not bear any strong relationship to total cost. Proportions spent on venues, other costs and service contracts are fairly similar across the centres, with a couple of unusual cases for each cost type. These unusual cases can be explained:

- Centre F has low proportions of costs allocated to both venue and other costs, which is partly explained by little use of external venues but primarily reflects a high absolute amount of staff costs driven by substantial provision of childcare.
- Centre I has a high absolute amount of venue costs which can be traced to a main centre which is quite large (particularly for a centre which is not offering childcare).
- Centre J has very low “other” costs and is also notable for having the lowest total cost and the lowest proportion of core running costs. This centre is quite distinct from the other eleven in having a quite decentralised approach, with many services delivered in external venues by non-Centre staff and a small main site with only occasional activity. Fewer resources used in maintaining the main site and the omission from the central costs of “other cost” items (presumably provided by the decentralised providers) could explain the cost pattern for this centre.
- Centre L has high “other” costs. The reason for this is not completely clear, but the centre is part of a group of six managed by the manager and had substantial costs attributed to “equipment” and “communication”. These items may be shared with the other centres in the group, leading to some overstatement of the cost for this centre.
- Centre A has high service contract costs (11 percent of all costs) because it provides two types of childcare services through service contracts.

- Centre C has notable service contract charges (5 percent of all costs) because it provides a childcare service and a stay and play service through service contracts.

Table 5.2 Variation in total costs across the centres

Centre	Total weekly cost (£)	Cost by activity (£) (percentage of total cost)		Cost by type (£) (percentage of total cost)			
		Core running	Service delivery	Staff costs	Venue costs	Other costs	Service contract costs
A	7,795	3,887 (50)	3,908 (50)	5,155 (66)	1,201 (15)	552 (7)	887 (11)
B	7,247	3,845 (53)	3,402 (47)	6,037 (83)	730 (10)	480 (7)	0 (0)
C	10,885	3,862 (35)	7,023 (65)	7,233 (66)	1,667 (15)	1,450 (13)	535 (5)
D	19,503	7,564 (39)	11,939 (61)	15,104 (77)	2,203 (11)	2,195 (11)	0 (0)
E	9,688	5,049 (52)	4,639 (48)	6,764 (70)	1,205 (12)	1,720 (18)	0 (0)
F	14,168	5,417 (38)	8,751 (62)	12,432 (88)	1,078 (8)	658 (5)	0 (0)
G	10,167	3,788 (37)	6,379 (63)	8,283 (81)	1,010 (10)	874 (9)	0 (0)
H	12,116	4,438 (37)	7,678 (63)	9,377 (77)	1,612 (13)	1,095 (9)	32 (<1)
I	9,833	4,692 (48)	5,141 (52)	6,454 (66)	2,241 (23)	1,138 (12)	0 (0)
J	4,627	1,588 (34)	3,039 (66)	4,002 (86)	611 (13)	13 (<1)	0 (0)
K	11,444	6,615 (58)	4,829 (42)	9,230 (81)	1,417 (12)	797 (7)	0 (0)
L	6,456	3,268 (51)	3,167 (49)	4,356 (67)	723 (11)	1376 (21)	0 (0)
Average	10,327	4,544 (44)	5,783 (56)	7,849 (76)	1,343 (13)	1,033 (10)	207 (2)

The total weekly costs for each centre are presented again in table 5.3, together with a range of characteristics that reflect the size of each centre. As might be expected, there is quite a strong association between the weekly cost and both the number of staff and the total number of weekly user hours across all services, with centres J and D having the lowest and highest numbers in all three respectively. There is a much weaker association between total cost and the number of services offered, which may reflect the degree of arbitrariness in the definition of separate services. The association between total cost and the number of service categories that the centres provides access to services in other organisations is also weak, but there is some tendency for the centres with a higher total cost to be offering greater access according to this measure.

Table 5.3. Total cost and numbers of staff and services across the centres

Centre	Total weekly cost (£)	Number of staff	Number of directly provided services	Number of service categories that the centre provides access to services delivered by other organisations	Total number of user hours across all services per week	Average cost per user hour (£)
A	7,795	30	31	17	586	13
B	7,247	23	22	4	300	24
C	10,885	26	34	15	2083	5
D	19,503	51	32	20	4643	4
E	9,688	22	41	10	800	12
F	14,168	41	46	13	1940	7
G	10,167	41	33	3	1095	9
H	12,116	38	28	16	1673	7
I	9,833	35	33	13	727	14
J	4,627	19	29	15	657	7
K	11,444	32	18	5	312	37
L	6,456	49	27	9	364	18
Average	10,327	34	31	12	1265	12

The final column of table 5.3 presents the total cost divided by the total number of user hours for each centre to generate an average cost per user hour for each centre. The mean value for this average cost across the centres is £12, but it ranges from £4 (centre D) to £37 (centre K). The centres divide into three groups for this cost per user hour:

- A group of six centres with low cost per user hour ranging from £4 to £9. This group consists of five of the six centres offering childcare services

which have the lowest user cost per hour of all the services. These centres are also five of the six largest ones in terms of total cost and have proportionately lower core running costs. Both of these factors contribute to the low cost per user hour. The remaining centre is centre J whose low cost driven by its decentralised nature (as explained above).

- A group of four centres (A, E, I and L) with a middle level of average cost per user hour ranging from £12 to £18.
- Two centres B and K who have high average costs per user hour of £24 and £37 respectively. The distinctive features of these two centres is that they have the lowest numbers of directly provided services and total number of user hours as well as providing access to services delivered by other organisations in very few service categories. Table 5.2 shows that both centres have a high proportion of costs attributed to core running (due primarily to high numbers of staff hours attributed to core running) and these high core costs contribute to the high cost per user hour. In the case of centre B, this cost pattern may possibly be explained by its location in the most rural area and its use of quite a diverse range of external venues. In the case of centre K, some key stay and play services and health services are run at external venues, which may explain some, but probably not all, of the high cost.

It is important to note that differences in the cost per user hour are not related to management organisation, the number of centres managed by the centres manager, region or (with the exception of centre B as described above) urbanity.

5.3 Variation in the costs of providing different types of services

Table 5.4 presents the cost per user hour across the seven broad service categories for each centre. The range in costs is quite high for all the categories. However, in most of the categories, most of the values are bunched together, either around or slightly below the average value with a few very low or very high outliers. This is not the case for childcare services and for financial and work advice, where the costs are more evenly dispersed within the range. In addition, many of the high outlying values are in centres B and K whose unusually high total cost has just been discussed.

Table 5.4. Variation in cost per user hour across the centres

Centre	Cost per user hour (£)						
	Childcare	Stay and play activities	Health-related services	Family & parent support	Financial and work advice	Adult learning	Other services
A	4	18	56	20	103	n/a	38
B	n/a	15	71	44	82	33	132
C	<1	18	61	21	n/a	13	35
D	2	11	44	25	76	8	31
E	n/a	17	53	28	49	n/a	56
F	3	20	51	12	29	6	21
G	7	6	32	22	112	12	30
H	8	4	63	10	n/a	n/a	30
I	n/a	10	45	17	38	8	30
J	n/a	6	42	22	9	2	34
K	n/a	119	83	57	92	19	51
L	n/a	13	43	27	24	30	84
Average	5	17	51	22	67	11	42

Further exploration of the underlying data shows that the outlying costs can be explained by particular features of the services offered in the centre in almost all cases:

- Average cost per user hour for childcare services is:
 - higher for centres G and H because they have smaller group sizes with low user:staff ratios
- Average cost per user hour for the stay and play activities is:
 - lower for centres G and H due to a combination of slightly higher than average user:staff ratios and slightly lower hourly staff costs and hourly venue costs
 - higher for centre K because 2 of the 4 services it offers in this category are untypical (a toy library and a sensory room) and have much higher costs
- Average cost per user hour for health related services is:
 - lower for centre G because 2 of the 5 services that it offers are larger group sessions

- higher for centres B and K because they offer some specialised services with very low user:staff ratios
- Average cost per user hour for family support services is:
 - lower for centres F and H because they offer a high proportion of relatively large and general group services
 - higher for centre B because its 3 group services are all quite small and specialised groups
 - higher for centre K because 2 of the 4 services are very staff intensive.
- Average cost per user hour for financial and work advice services is:
 - lower for centres F, J and L because they primarily or only offer group job clubs which have high user:staff ratios
 - lower for centre L because 1 of the 2 services offered is an open access PC which has low staff costs
 - higher for centres A and G because they primarily or only offer staff intensive services run by Job Centre Plus
 - higher for centre K possibly because the relatively low user: staff ratio for these services mean that they are attributed a relatively large share of centre K's high core running costs
- Average cost per user hour for adult learning services is:
 - lower for centre J because 2 of the 3 courses have high user:staff ratios and 2 of the 3 courses are delivered by a charity with low staff costs
 - higher for centre B because it delivers a single service with childcare provided for those attending the course (the costs for which are attributed to the adult learning)
 - higher for centre L because it delivers a single course with a very small group with two staff members
- Average cost per user hour for "other" services is:
 - lower for centre F because most of the services are drop-in groups with low staff costs
 - higher for centre B because most of these services are one-to-one and based in the home
 - higher for centre L because the 2 services in this category (legal services and a chiropractor) are delivered by relatively highly qualified volunteers with higher staff costs (when valued at the average wage for the qualification)

The conclusion from this detailed investigation is that the variation across the centres in the cost per user hour within these services categories can be explained by the

combination of (i) the services within categories can vary greatly in characteristics which are related to cost and (ii) the centres offer very different mixes of services within these categories. There are very few cases when the variation in service cost can be attributed to differences in staff or venue costs used to deliver similar services. This strongly suggests that the size of the confidence intervals presented in section 4 above can be explained by a substantial degree of true variation in cost related to variation in service characteristics.

6 Conclusions

This report has presented interim estimates of the costs of delivering Children's Centre services based on the collection of cost information from twelve case study centres. This small sample has considerable drawbacks for deriving robust cost estimates, but a case study approach was felt to be required given the need for fully comprehensive data from each centre and given the complexity and high demands of the information being collected. Experience on the case study visits suggest that this prior view was justified.

A wide variety of information has been collected about services, the use of resources and costs from the twelve centres. Key features include the variety in the range of services offered by the centres; the dominant role of staff in the cost of resources and the substantial contributions from other public agencies, private organisations and volunteer staff to the delivery of Children's Centre services for which the centres do not directly pay.

Estimating costs for different services from this data has presented several challenges, including in the allocation of staff and venue resources that are used for multiple purposes to specific services; in the sharing of core running costs across services; and in the valuing of resources from unpaid sources. One challenge that could not be addressed was to identify the costs of providing access for parents to services delivered by other organisations.

The average total weekly cost across the twelve centres is estimated at just over £10,000. The centres with higher weekly costs tend to be those offering childcare and early learning services and they also have proportionately low core running costs. However, there were no notable patterns in total costs across the centres by management organisation, the number of centres managed by the centre manager, the funding source or region. Costs per user hour varied considerably across 21 categories of service from £5 for childcare to £100 for benefit and tax credits advice. However, the variation across service categories is explicable as being closely related to the size of group to whom the service is delivered and the degree of specialisation required in the staffing.

The substantive contributions made by other organisations to the delivery of services in the centres suggests that there could be differences in the findings for a social value for money assessment (based on the costs of all sources) and an assessment for public funding. The cost estimates presented here suggest that there would be little difference between the two for almost all services.

An important question for this interim report is whether, given the small sample size, the cost estimates are likely to be representative of costs in all Children's Centres in the most deprived areas. In addition, the small sample size raises the challenge of whether the cost estimates are likely to be sufficiently precise to generate conclusive results from the value for money analysis in later stages of the evaluation. It is not

possible to answer these questions definitively, but there are indications that the data is sufficient to address these issues:

- The sample was selected to match a range of key centre characteristics with those of a larger, representative sample drawn from a large pool of centres in a different strand of the evaluation. Specific information about the type of centre that could be related to cost was used in the selection such as management organisation or size rather than secondary background data such as region. This is reassuring that the case study sample may be representative in terms of cost measures.
- The confidence intervals around the estimated mean cost per user hour for 7 service categories of the type that may be used in the value for money analysis are of a reasonable size (as shown in table 2 below). In particular, they are sufficiently precise to draw confident conclusions about the differences in costs across the categories so that it will potentially be possible to identify the most cost effective services when analysing the data from other strands of the evaluation. They are also sufficiently precise for a wide range in the size of impact estimates to potentially generate conclusive results from a cost benefit analysis taking into account probable savings incurred in the longer term.
- Exploration of the reasons for particularly high or low values of these costs indicates that these are primarily driven by differences in specific service characteristics within the broad categories rather than random fluctuations in the unit cost of resources. This suggests that the sample variation may reflect genuine variation within the population of all centres rather than the peculiarities of this particular sample.

Annex 1: Service categories

Table A1.1 presents the 21 service categories and the 7 broader categories used in the analysis of costs.

Table A1.1 Description of service categories

Broad service category	Service category	Further description
Childcare	Childcare	Childcare or early learning
Stay and play activities	Stay and play groups	Stay and play groups or play and learn groups Sensory room Soft play room
	Sports/exercise for babies/children	Organised sports or exercise for babies and young children (e.g. yoga / massage)
	Toy library	
Health-related services	Ante natal classes	
	Breast feeding support	
	Midwife / health visitor sessions	Midwife / health visitor drop-in session or clinic
	SALT	Speech and language therapy
	Psychologist or counsellor	
Family and parent support	Peer support	E.g. toddler support, twin's group, mums' club, dads' club, teenage parents' club
	Parenting classes	Includes both evidence-based parenting programmes and other parenting classes.
	Activities for parents	Organised activities, hobbies or sports for parents (e.g. art group, gardening club, cooking club)
	Specialist family support	Specialist family or parenting support (e.g. domestic violence support) Relationship support Specialist and respite childcare Services for disabled children Services for children with complex needs
Financial and work advice	Benefits / tax credits advice	
	Housing / debt advice	
	Employment support	E.g. Jobcentre Plus, Next Steps

Broad service category	Service category	Further description
Adult learning	Basic IT / job skills course	
	Further education or adult learning	
	ESOL	English for speakers of other languages classes (in further education college)
Other services	Home safety advice	Home safety or advice course First aid course
	Other services	Childminder development (training and support), drop-in or play and learn groups Home based services (e.g. Health Visitor, Midwifery, Family Nurse Partnership, Special needs) Outreach services Smoking cessation Acupuncture Chiropractor Diet, organisation and shopping service Children's vitamins Legal services Life coaching

Annex 2: Alternative allocation of core running costs

In the costs estimates presented above, core running costs have been allocated across different services in proportion to the number of service hours used in those services, which is the allocation method used in previous work. This appendix explores the impact on the cost of estimates if the core running costs were allocated in proportion to (a) the number of staff hours used in the service and (b) the number of user hours for each service. It is not possible to identify which of these three methods best captures how different services contribute to the requirement for core running activities and reality is most likely a complicated formula of the three. The purpose of this section is to explore the degree to which the choice of allocation method matters and for which types of services it might be most important.

As background, table A2.1 presents the average number of service hours, staff hours and user hours for each of the 21 service categories. For example, the first row shows that, on average childcare services:

- operate for 37 hours each week (*service hours*);
- use 228 hours of staff time including preparation time and any other time used directly for the service (*staff hours*). This could reflect, for example, 5 members of staff at all times directly providing the service and 43 hours of preparation; and
- provide a total of 1228 hours of the service to children (*user hours*). This could reflect, for example, 33 children each using the service for 37 hours a week; or 82 children each using the service for 15 hours a week; or a mixtures of hours across children.

The final two columns of the table show the ratio of the average number of staff hours to the average number of service hours and the average number of user hours to the average number of service hours. These ratios indicate how the allocation of core running costs will change if allocated by staff hours or user hours. Service categories with larger ratios are likely to be allocated larger shares of the core running costs under the alternative methods, while those with smaller ratios are likely to receive smaller shares.

Table A2.2 shows how these differences in hours measures impact on the estimate of the cost per user hour under the two alternative methods to allocate core running costs.

Table A2.1. Hours measures for different types of services

Service category	Average number of service hours per week	Average number of staff hours per week	Average number of user hours per week	Ratio of staff : service hours	Ratio of user : service hours
Childcare	37	228	1226	6	33
Stay and play groups	2	7	28	4	14
Sports/exercise for babies/children	1	3	16	3	16
Toy library	2	4	2	2	1
Ante natal classes	5	7	15	3	2
Breast feeding support	4	7	10	3	3
Midwife/health visitor sessions	5	9	7	2	1
SALT	4	5	19	1	4
Psychologist or counsellor	5	7	5	1	1
Peer support	2	4	13	2	7
Parenting classes	2	7	17	4	9
Activities for parents	1	3	16	3	16
Specialist family support	14	24	20	2	1
Benefits / tax credits advice	3	5	3	2	1
Housing / debt advice	7	9	7	1	1
Employment support	5	6	9	1	2
Basic IT / job skills course	4	11	34	3	9
Further education or adult learning	3	9	31	3	10
ESOL	2	4	18	2	9
Home safety advice	7	12	24	2	3
Other services	9	13	19	1	2
Average	5	13	42	3	8

Notes: All averages are calculated across the centres which offer at least one service in the category.

Table A2.2 Cost per user hour using alternative methods to allocate core running costs

Service category	Average per user hour cost (£) allocating core running costs on the basis of:		
	Number of service hours per week	Number of staff hours per week	Number of user hours per week
Childcare	4.74	5.39	6.56
Stay and play groups	14	18	15
Sports/exercise for babies/children	9	9	10
Toy library	70	82	42
Ante natal classes	50	48	33
Breast feeding support	35	32	23
Midwife/health visitor sessions	70	73	50
SALT	21	14	14
Psychologist or counsellor	58	56	37
Peer support	11	11	14
Parenting classes	10	12	12
Activities for parents	8	9	9
Specialist family support	42	43	27
Benefits / tax credits advice	100	106	69
Housing / debt advice	65	51	35
Employment support	59	58	36
Basic IT / job skills course	9	11	11
Further education or adult learning	10	16	13
ESOL	6	6	7
Home safety advice	23	22	14
Other services	46	43	30

Allocating core running costs in proportion to staff hours rather than service hours has relatively few effects on the user cost per hour:

- cost per user hour is notably higher for childcare services; stay and play groups; parenting classes; basic IT/job skills courses; and further education and adult learning courses
- cost per user hour is notably lower for speech and language therapy, and housing debt advice

Allocating core running costs in proportion to user hours rather than service hours has many, more substantial, effects on the user cost per hour:

- cost per user hour is notably higher for childcare services; peer support; parenting classes; basic IT/job skills courses; and further education and adult learning courses
- cost per user hour is notably, and often substantially, lower for almost all other services

These impacts are not surprising: while staff hours are fairly closely related to service hours for most services, the number of user hours can vary dramatically in relation to service hours due to different group sizes. Hence, allocating core costs based on user hours are likely to have larger impacts on the relative costs.

Caution should be exercised in drawing strong conclusions from this analysis about specific service categories because of the small samples. However, this analysis does show that whether core costs are allocated to services in proportion to service hours or staff hours is not so important for the estimation of costs per user, but allocating on the basis of user hours can have substantial impacts.

Annex 3: The calculation of the confidence intervals

Table 4.3 presents the 95 percent confidence intervals for the cost per user for the seven broad categories of services. A confidence interval is a statistical measure of the precision of an estimate given the sample size and the variation observed across the sample. The upper and lower bounds of the confidence interval for each service category shows the range that contains the true average cost for the entire population of Children's Centres with 95 percent probability.

The key parameters needed to calculate the confidence intervals are:

- the average cost for the sample (b_2);
- the standard error of the average cost (s.e.(b_2)) which is an estimate of the standard deviation (variation) of the costs across the centres; and
- the corresponding t-statistic for the desired level of confidence (1.96 for 95 percent level) derived from an approximation to the Normal distribution for the sample error.

The 95 percent confidence interval in which the true average cost (β_2) lies is then calculated as follows:

$$b_2 - \text{s.e.}(b_2) * 1.96 \leq \beta_2 \leq b_2 + \text{s.e.}(b_2) * 1.96$$

Cluster effects for each centre are included in the calculation of the confidence intervals to allow for the fact that multiple observations of services came from the same centres and that random error in the cost may be correlated within these clusters. The inclusion of cluster effects had relatively little impact on the confidence intervals.

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