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Cost Effectiveness of Implementing SSLPs: An Interim Report

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Cost Effectiveness of Implementing SSLPs: An Interim Report

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Executive Summary

Sure Start local programmes (SSLPs) are a cross-Government initiative, which works with families in disadvantaged areas to promote physical, intellectual and social development of babies and children under four. The aims of Sure Start local programmes are to improve:

- the social and emotional development of children;
- children's health;
- children's ability to learn; and to
- strengthen families and communities.

The National Evaluation of Sure Start (NESS) covers the first 260 programmes. The first 41 programmes started in 1999-2000 and the last two of the 260 started in 2002-03. Half started in 2000-01. All Sure Start local programmes were set up on the premise that they would receive full funding for the first five years, with levels of support falling over a subsequent four year period.

This report looks at the level of resources spent by SSLPs from 1999-2000 to 2003-04, and the way in which those resources are spent. It brings together information from four sources:

- Regular financial information provided by Sure Start local programmes to the Sure Start Unit
- Monitoring information provided by Sure Start local programmes to the Sure Start Unit
- Information from the NESS implementation surveys of Sure Start local programmes
- Information from the first sixteen NESS implementation case studies and from the themed implementation related to buildings in Sure Start local programmes

None of these data sources covers all the 260 Sure Start local programmes covered by the national evaluation, but the financial information and monitoring information are now more than 95 per cent complete.

Expenditure by operational year

In order to make comparisons between different Sure Start local programmes at different stages in their lives analytically sensible, we have taken financial information based on financial years (the form in which programmes send in their returns) and have analysed it by programme operational years. Programmes started their lives at different times. The earliest programmes had 1999-2000 as their first operating year, while the last programmes had 2002-03 as their first operating year. Thus comparing expenditure for 2002-03 for all programmes without taking account of where different programmes are in their life cycle does not produce information which is either meaningful or useful. For this reason much of this report looks at programme's expenditure in their first, second, third and fourth operating years rather than by financial year. We have adjusted for the effect of inflation by adjusting all expenditure to 1999-2000 prices.

The establishment of Sure Start local programmes takes time, not least because of the need both to engage the local community and to involve the agencies responsible for delivering mainstream services to children and families. With few exceptions, expenditure by Sure Start local programmes in the first two years of operation is well below that in the third, and around one in ten programmes is not fully operational until the fourth operating year. On average the second year expenditure is three times that in the first year. Third year expenditure is 1.4 times than in the second year. For most programmes the increase between the third and fourth years is relatively modest, suggesting that it is reasonable to treat the third operating year as the year in which Sure Start local programmes are delivering the full range of services for the first time.

Expenditure per child

Even when they are fully operational, there are large differences in expenditure per child between different Sure Start local programmes. The average third year expenditure per child was around £900 at 1999-2000 prices, but the minimum was around £350 and the maximum was almost £2,500. These disparities do not appear to be based on differences in the level of existing services. Rather, they seem to reflect different choices about which services to offer and at what level. There is only very limited evidence that programmes with higher levels of expenditure are reaching a higher proportion of children than those with lower levels of expenditure, and the effect is not large. For each additional £100 per child spent in the third operating year around 1 percentage point more children are seen per month.

Programme size

There is, however one clear pattern in the differences in expenditure between different Sure Start local programmes. There is strong evidence of economies of scale. Small Sure Start local programmes spend more per head overall, more on non-service costs, and more on each key service than do medium-sized and larger programmes.

The model of delivering services through small, freestanding local organisations working in partnership has the inevitable consequence that non-service costs (management and administration, development and evaluation) will be a relatively high proportion of total costs. Partnership working also imposes costs on other partner organisations, which are largely hidden, but are still a consequence of the existence of the Sure Start local programme. As Sure Start local programmes have grown in number, the burden on mainstream services of taking part in programme partnerships has grown as well.

Type of area

Although all Sure Start local programmes are in areas of disadvantage, some have higher levels of deprivation than others. These most deprived areas do spend more per child than other Sure Start areas (£938 in the third year and £1016 in the fourth at 1999-2000 prices). However, the areas with the highest concentrations of minority ethnic populations spent less per child than the average for all Sure Start local programmes. These areas tend to be larger so that the economies of scale effect may dominate the need for higher resources to be devoted to outreach and engagement.

Additional resources

Over the five financial years 1999-2000 to 2003-04 two-thirds of all Sure Start local programmes received additional financial resources to meet day-to-day operational costs other than their grant from the Sure Start Unit. These resources came from partner organisations, other government initiatives and European Union programmes as well as the National Lottery and charitable trusts. The amounts involved are on average around £50,000 or around 6 per cent of an average programme's third year expenditure.

Around half of all Sure Start local programmes had free use of premises belonging to other organisations. This was most common with clinics, libraries and schools. Most programmes paid for their offices. Seven out of ten SSLPs are charged for finance and IT services, and six out of ten pay for personnel/payroll and legal services.

Expenditure on different services

By the third and fourth years of operation, expenditure on play, learning and childcare amounted to around a sixth of all SSLP expenditure. Healthcare, outreach and home visiting, and support for parents each accounted for around a seventh.

To some extent the classification of expenditure to different headings is arbitrary, and therefore apparent differences between programmes should be treated with caution. Home visits provide support for parents, for example, and may be classified under either heading. Individual programmes sometimes change the headings they use for the same activity.

In the early years of operation a large proportion of expenditure was accounted for by non-service (overhead) costs. By the third and fourth year of operation overheads accounted for around a quarter of total expenditure.

Capital expenditure

Each programme has an allocation of around £1 million for capital expenditure. If all the allocation were to be spent it would add an average of around £83 per child per year to the total cost of the programme.

Sure Start local programmes have been slow to deliver their capital projects. Programmes that started in 1999-2000 had spent just over half their capital allocations by March 2004. Half the Sure Start local programmes covered by the national evaluation started in 2001-02 and on average they had only spent 15 per cent of their capital allocations by March 2004 (the end of their third operational year).

There is no evidence that programmes which started later have been able to build on the experience of earlier programmes in developing their capital projects. The reverse appears to be true. By the end of their third operational year SSLPs starting in 2000-01 had spent 36 per cent of their capital resources.

Resource levels

There is some evidence to suggest that the high resource levels available to Sure Start local programmes means that some services continue even though they are not always well used, and some resources are spent in ways that outside observers, sometimes including parents, believe are not always justified. The disparities between the generous resources available to children under four in SSLP areas and the resources available to older children and those living in other areas is a source of concern both to community members and to mainstream agencies.

1. INTRODUCTION

1.1 About Sure Start local programmes

Sure Start local programmes (SSLPs) are a cross-Government initiative, which works with parents to be, parents and children in disadvantaged areas to promote physical, intellectual and social development of babies and children under four. The aims of Sure Start local programmes are to improve:

- the social and emotional development of children;
- children's health;
- children's ability to learn; and to
- strengthen families and communities.

Sure Start local programmes form a cornerstone of the UK Government's drive to tackle child poverty and social exclusion. They are located in neighbourhoods where a high proportion of children are living in poverty and where the programmes should be able to promote child, family and community development by pioneering new ways of working to improve services. They supplement mainstream services provided by local authorities and the National Health Service, filling gaps and providing outreach as well as additional services. They also influence the way in which those services are delivered, promoting both joined-up working and service delivery mechanisms which recognise the needs and wishes of particular local communities.

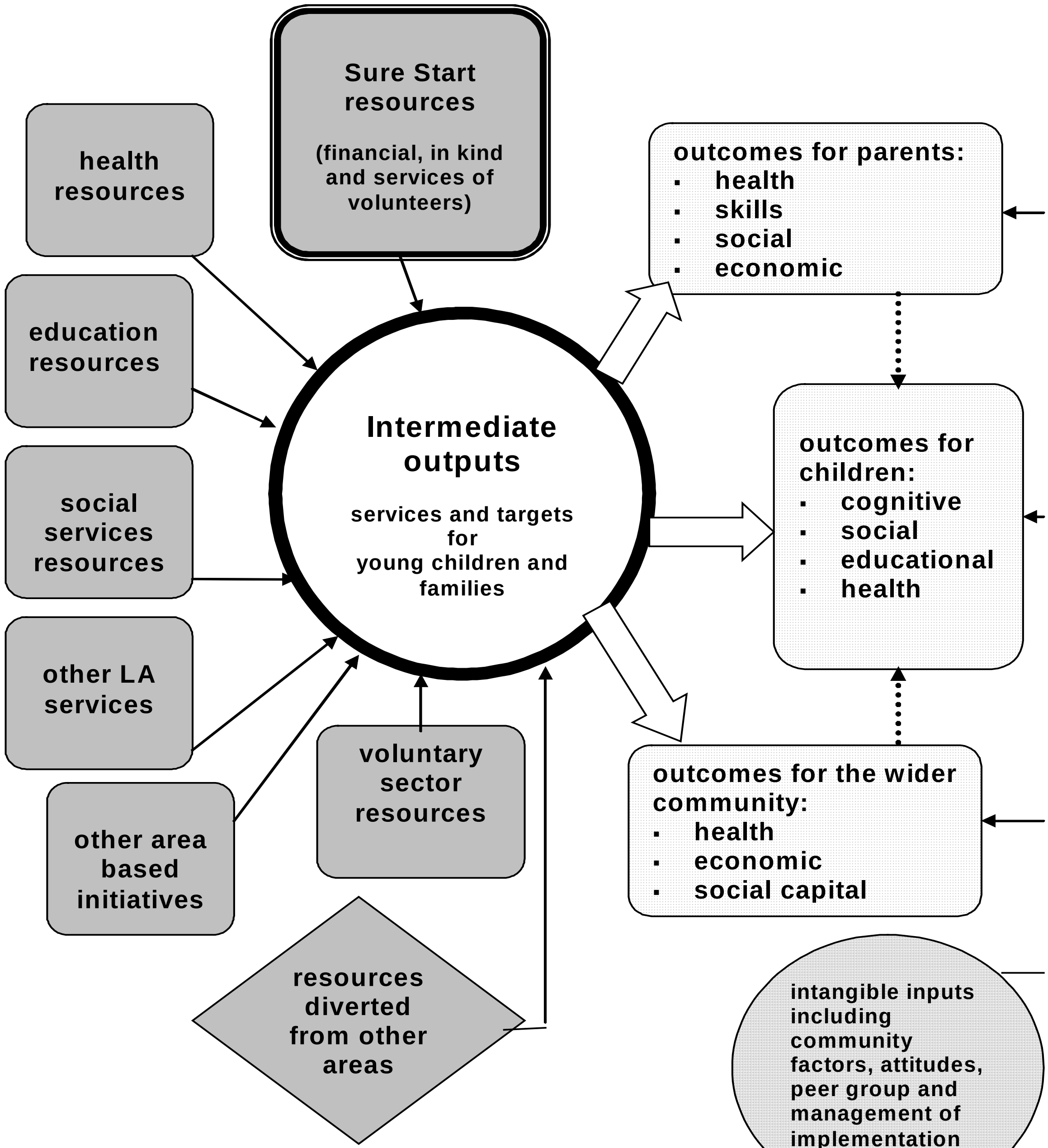
Sure Start local programmes are generally located in areas of disadvantage. Each area is small. Most are in deprived wards, although some incorporate parts of several wards. The aim is to have an area containing 800-1000 children under the age of four. Each Sure Start local programme is managed by a partnership board. The composition of the board varies from area to area, but they are all drawn from the mainstream agencies providing services to children and families, national and local voluntary and community organisations, and parents. In some areas regeneration programmes, housing associations and other service providers are also represented.

Each programme is different but all offer five core services:

- outreach and home visiting – including a visit to each family within two months of a birth;
- support for families and parents;
- support for good quality play, learning and childcare experiences for children;
- primary and community healthcare, including advice about family health and child health and development; and
- support for children and parents with special needs, including help in getting access to specialised services.

Figure 1

SERVICES FOR CHILDREN AND FAMILIES: INPUTS AND OUTCOMES



All 524 local programmes in England are now operational, helping up to 400,000 children living in disadvantaged areas - including a third of under fours living in poverty. Scotland, Wales and Northern Ireland have their own Sure Start programmes. Sure Start local programmes were rolled out in waves (usually referred to as Rounds). Round 1 programmes began to be rolled out in 1999, with Round 2 programmes starting the following year, and later rounds following on.

1.2 The National Evaluation of Sure Start

This report forms part of the Cost-effectiveness module of the National Evaluation of Sure Start (NESS). The national evaluation covers the first 260 Sure Start local programmes (that is those in rounds one to four). It has four modules in addition to cost-effectiveness: impact, which is looking at the outcomes for children and families, implementation, which is looking at the delivery of services, local community context, which is focusing on community-level indicators, and support for local evaluations.

1.3 The approach of the cost-effectiveness evaluation

The main cost-effectiveness evaluation of Sure Start local programmes will require the outcomes identified in the impact study to be related to the costs incurred in achieving those impacts. Thus the end requirement is essentially for the national costs to be related to the national outcomes. The conceptual framework is illustrated in Figure 1.

This stage of the evaluation is essentially descriptive. It considers the money that has been spent by Sure Start local programmes on developing and delivering services to children and families. In other words, it is concerned only with inputs, that is with the left hand side of Figure 1.

The report relates that expenditure to certain key programme characteristics, particularly the number of children aged 0-4 living in the area, the age of the programme and the agency taking lead responsibility for the development and operation of the programme. Most of the data is administrative, with additional material drawn from the surveys of programmes and case studies undertaken as part of the implementation module.

1.4 Data sources included in this study

This report includes information derived from programmes' financial accounts, and from the national surveys of Sure Start local programmes (SSLPs) carried out by the NESS implementation team. It also includes monitoring information provided by Sure Start local programmes to the Sure Start Unit about the number of children reached by the programmes. This information is returned quarterly and covers both the average number of eligible children who have been in contact with the programme during each month in the quarter, and visits to new babies and to children newly moved into the area. This report also includes some information from the first sixteen case studies on SSLPs in rounds one and two carried out by the NESS implementation team. Generally speaking the financial information returned to the Sure Start Unit includes only expenditure covered by the Sure Start grant. These returns are supposed to include services funded from other sources and the total of funding received from other sources, but in most cases they do not do so. The national surveys include questions about resources from sources other than the Sure Start grant, but some programmes did not answer these questions, and some did not respond to the surveys at all, so this information is incomplete. There are also a few instances where programmes report additional resources in their accounts but not in the surveys, or where they report different amounts for the same period. Thus, expenditure is not always recorded on an entirely consistent basis.

The most common pattern is that expenditure funded by the Sure Start grant only is included in the programme accounts. Any expenditure funded from other sources would therefore only be identifiable from survey responses. In a few cases additional resources are included in total expenditure as reported to the Sure Start Unit, so that there is some element of double counting in measuring additional resources for those programmes. We have not yet managed to iron out some of these inconsistencies, but the effect is likely to be small.

Financial information

The information from programme accounts covers current (revenue) expenditure in each of the financial years 1999-2000 to 2003-04. The expenditure is recorded under a number of headings covering core services (which all SSLPs are expected to provide) and additional services (which they can choose to provide)

Core services are:

- Outreach and home visiting
- Support for parents
- Play, learning and childcare
- Community healthcare
- Special needs support

Additional services include:

- Teenage pregnancy
- Crime prevention

- Parental employability

In addition they itemise non-service expenditure under four headings:

- Management and administration
- Development
- Evaluation
- Other

To some extent it is a matter of judgement as to which heading to use to record the expenditure relating to a particular service. A drop-in play session could be a respite for parents or play, learning and childcare for the children. The development of a childminder network could be part of play, learning and childcare, or could address the issue of improving parents' employability. Different programmes have made different choices on this issue. In reality many Sure Start local programme activities have multiple objectives, and different programmes will make slightly different judgements about which heading to use in a particular case. This means that differences between programmes in the way that they allocate their resources will be due only in part to differences in philosophy and the determination of priorities. Some of the differences will depend purely on local judgements about how expenditure is classified.

Financial information up to March 2003 is held on paper records and has had to be extracted from files manually. We now have information for 250 out of 260 programmes for 2002-03, 255 out of 258 programmes for 2001-02 and 118 out of 128 programmes that were operating in 2000-01. We also have financial information for 41 programmes from 1999-2000, which in some cases was before they obtained formal approval. Financial data for 2003-04 is held in the Sure Start finance computer system, and we currently have information for 250 out of 260 programmes.

However, analysing information by financial year while meaningful for accounting purposes is not meaningful for evaluation purposes. Programmes started their lives at different times. The earliest programmes had 1999-2000 as their first operating year, while the last programmes had 2002-03 as their first operating year. Thus comparing expenditure for 2002-03 for all programmes without taking account of where different programmes are in their life cycle does not produce information which is revealing either about programme priorities or about programme management. Nor does it allow useful comparisons to be made between different programmes. For this reason much of this report looks at programme's expenditure in their first, second, third and fourth operating years rather than by financial year.

Table 1: Sure Start Local Programmes' years of operation and availability of financial information for each year

	Financial year										
	1999-2000		2000-01		2001-02		2002-03		2003-04		All with accounts
Operational year	No	a/cs	No	a/cs	No	a/cs	No	a/cs	No	a/cs	
Year 1	41	41	87	81	130	128	2	2			252
Year 2			41	37	87	87	130	125	2	1	250
Year 3					41	40	87	83	130	126	249
Year 4							41	40	87	85	125
Year 5									41	38	38
All operational years	41	41	128	118	258	255	260	250	260	250	

Source: SSLP financial returns

Generally speaking we have treated the financial year in which the Sure Start Unit gave approval for the programme's plans as the first operating year. However, a small number of programmes approved in 1999-2000 did not start operating until the following year. In subsequent years we have generally treated programmes that were approved in February or March as starting operations in the following financial year, other than a few programmes which actually spent money on providing services in the financial year in which they were approved, because they had done a great deal of preparatory work in advance of formal approval.. Very occasionally programmes spent money in advance of formal approval. Where this was significant the programme is treated as having started in the year in which it began to spend money rather than the year in which it received formal approval.

For the 41 programmes which began in 1999-2000 that is their operating year 1, and 2002-03 is their operating year 4. For the 87 programmes that started in 2000-01 that is their operating year 1 and 2002-03 is their operating year 3, and so on. Table 1 illustrates the pattern, and also indicates the number of programmes for which financial information is available. Thus we have first year information for 252 programmes, second year information for 251 programmes, third year information for 249 and fourth year information for 125 There are no Sure Start local programmes for which we have no financial information at all. No programme has all its financial information missing in more than one financial year (although some have incomplete information in more than one year, usually because they only produced their accounts in non-standard format. Since 2003-04 the new Sure Start Unit finance system ensures that all programmes produce standard information.

The programmes listed in Table 1 are those for which total expenditure details are available. This does not mean that in all cases the full range of detailed financial information is available. In particular, some programmes which are companies limited by guarantee or which have a registered charity as the lead body, have not always provided accounts in the standard Sure Start format for all of their operating years, but have followed the charities SORP accounting framework.

Across all five financial years we currently have 914 sets of accounts out of a possible 947. Thus, only 3 per cent of possible observations are currently missing. It therefore seems reasonable to conclude that the accounts we have are sufficiently representative to enable us to draw generalisable conclusions.

Capital expenditure

Capital expenditure information is currently available as a total figure for up to the end of 2002-03 and for the year 2003-04 (and annually in future).

Survey information

The NESS surveys cover receipt of resources other than Sure Start grants, resources in kind provided by partner organisations, for which SSLPs do not have to pay, and links with other area-based initiatives operating in the area.

Although for most Sure Start local programmes there is a substantial amount of information available, the data are not complete. Some programmes did not respond to the NESS implementation surveys. There have been two survey sweeps of programmes in rounds 1 and 2 (in the late summer of 2001 and early in 2003) and two sweeps of programmes in rounds 3 and 4 (in the spring of 2003 and the summer of 2004).

Adjusting for inflation

In comparing information across financial years it is important to take account of the fact that the same quantity of cash will not buy the same level of services in later years than it will in earlier years because of the effect of inflation. We have used the GDP deflator [1]for financial years 2000-01 to 2003-04 to adjust cash amounts to 1999-2000 prices. However, in some cases actual cash amounts are discussed. In either case the context will make clear whether it refers to actual amounts at current prices or amounts at 1999-2000 prices.

1.5 Structure of remainder of the report

Section 2 looks at the pattern of resource use covering the following issues:

- How much money is spent by each programme in total and per child?
- How does the level of expenditure vary from year to year?
- Do expenditure levels and patterns differ by lead agency, programme size or type of area?
- Do programmes spending more per child reach a higher number of children each month?

Section 3 looks at the availability of additional resources other than Sure Start grant, both cash resources and resources available in kind, including the use of premises without charge and the provision of services such as finance and human resources support.

Section 4 reviews the pattern of expenditure on the different groups of services provided by SSLPs. The main service groups are: outreach and home visiting, support for parents, play learning and childcare, community healthcare and special needs support. In addition expenditure on non-service items (overheads) is also reviewed, and how this varies with programme age.

[1] The GDP deflator reflects changes in the average price level for all goods and services across the economy a whole. Unlike the better-known retail prices index it covers the cost of goods and services which are not traded (for example public sector services) and goods and services which are purchased by businesses such as office accommodation.

Section 5 looks at capital expenditure by Sure Start local programmes and relates their expenditure to their capital allocations.

Section 6 provides some contextual evidence from the implementation case studies.

Section 7 provides an overview of resources issues and conclusions.

2. USE OF RESOURCES BY SURE START LOCAL PROGRAMMES

Key issues in this section:

- Most Sure Start local programmes are delivering their full services by their third year of operation, but around one in ten are not fully operational until their fourth year
- These slower programmes did not have more delays in their capital programmes than programmes that got off the ground faster
- Fully operational programmes spent an average of just over £1,000 per child (£926 at 1999-2000 prices)
- Programmes with more than 800 children aged 0-4 living in the area consistently spent less per child and those with fewer than 600 children consistently spent more per child than programmes with 600-800 children
- SSLPs operating in the most deprived areas spent more per child than other programmes. Those in areas with high concentrations of minority ethnic families spent less.
- Variations in the proportion of children seen by a programme are only weakly associated with expenditure per child
- Programmes led by social services departments and voluntary and community organisations spent more per child than programmes with other lead agencies.

2.1 Total revenue expenditure by operating year

The data in this section are drawn from Sure Start local programmes' accounts submitted to the Sure Start Unit. These accounts are supposed to include all expenditure by the programme including both Sure Start grant and funds and resources in kind from other sources. Some programmes do include these additional funds, but not all do so. Some include only Sure Start grant in their Sure Start accounts.

Some include a value for resources provided in kind (for example use of premises or support services) but again, this is not consistent between programmes. To some extent this reflects the different legal constitution of different Sure Start local programmes. Those with local authorities or health trusts as their lead agencies tend not to include non-cash resources from their parent bodies, and others may not include any additional cash either. European Union funding (mainly European Social Fund) may be included, but not necessarily always will be. Funds from other Government Area Based Initiatives such as New Deal for Communities will sometimes be included, but may not because their accounting systems are set up to avoid double counting. A small number of programmes have the another Area Based Initiative partnership as their lead agency.

Table 2: Average total expenditure by Sure Start Local Programmes by operating year (£ 1999-2000 prices)

	1999-2000	2000-01	2001-02	2002-03	2003-04	All with accounts
Year 1	90,684 [41]	188,203 [81]	144,396 [128]	** [2]		150,858 [252] [162,550]* [211]
Year 2		486,749 [37]	550,482 [87]	442,676 [125]	** [1]	480,198 [250]
Year 3			722,100 [40]	657,287 [83]	600,916 [126]	639,174 [249]
Year 4				736,516 [40]	676,148 [85]	695,465 [125]
SSLPs of all ages (1999-2000 prices)	90,684 [41]	281, 815 [118]	366,740 [255]	559,685 [250]	647,948 [250]	
SSLPs of all ages (current year prices)	90,684 [41]	285,084 [118]	380,456 [255]	600,486 [250]	715,334 [250]	

Notes:

** There were only two programmes in this category. For reasons of confidentiality their information is only included in the total.

* This figure excludes programmes that started in 1999-2000 because all the start dates were in the second half of the financial year, whereas in other years they were spread throughout the year.

Source: SSLP financial returns

Sure Start local programmes spent an average of £152,200 in their first operating year, £515,000 in their second year, £731,000 in their third year and £828,000 in their fourth year. The differences in average second and third year expenditure by programmes of different ages are not statistically significant. However, the first year expenditure of programmes that began in 1999-2000 is significantly lower than the average expenditure of programmes that started in later years. This is because the earliest approval dates for programmes starting in 1999-2000 was October 1999. Almost half (19) of the programmes that began in 1999-2000 spent less than £50,000. The same was true of only nine of the 80 programmes that started in 2000-01 and 20 of the 128 starting in 2001-02.

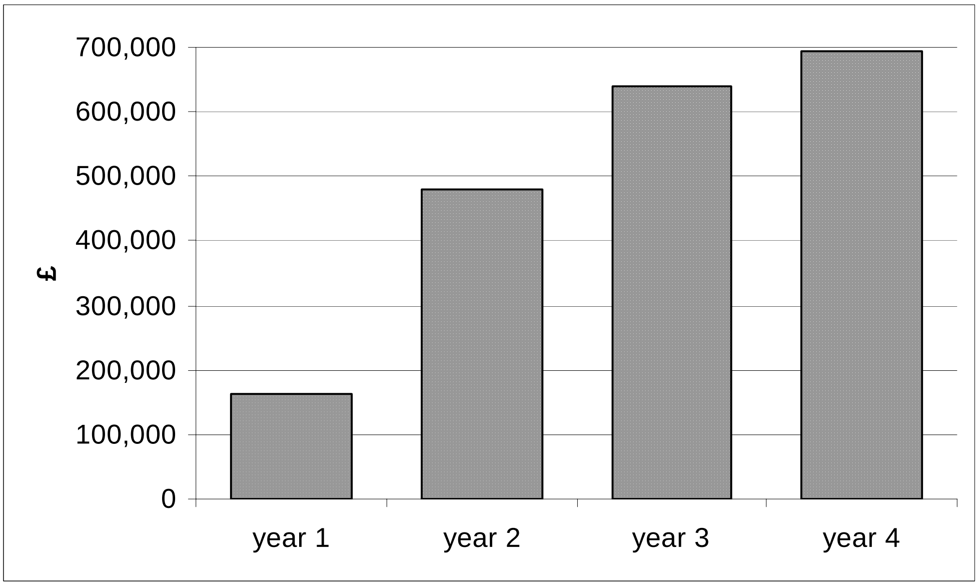
The programmes that started in 1999-2000 confronted an unusual set of circumstances in addition to the fact that their start dates were concentrated in the second half of the year. They were known at the time as Trailblazers because they were having to develop a new way of working at a local level, and a new set of relationships with the Sure Start Unit. The programmes that followed were able to build on the experience of the Trailblazers and the Sure Start Unit had also been able to develop responses and solutions based on their experience of dealing with the Trailblazers.

Thus, conceptually and analytically, 1999-2000 is very different from subsequent years. It is possible to adjust for the fact that approval dates were concentrated in the second half of the year, although this is complicated by the fact that one in five of the programmes that spent money in 1999-2000 actually received their approval in 2000-01. It therefore makes sense to treat all 1999-2000 expenditure as sunk costs invested in overall programme development by Trailblazer programmes and the Sure Start Unit, and not as service-related expenditure.

Sure Start local programmes were slow to reach their full level of service delivery. This was anticipated in the funding allocations that they received. After adjusting for inflation, and excluding programmes that started in 1999-2000, average expenditure in the second year of operation was more than three times that in the first. Expenditure in the third year was a third greater than that in the second. Even between the third and fourth years there was an increase of almost 9 per cent. This is illustrated in Figure2.

However, averages are potentially misleading in comparing the third and fourth operational years. Half of all Sure Start local programmes had inflation-adjusted expenditure in the fourth year of operation which was within one per cent of their third year expenditure. In other words, half of all programmes were fully operational by their third year. At the other end of the scale one in ten of the 120 programmes for which both third and fourth year data are available had increases of more than 25 per cent between their third and fourth years of operation, and one programme more than doubled its expenditure. Thus, a minority of programmes were not fully operational until their fourth year of operation. This has clear implications for the impact evaluation, since it is unlikely that children in these areas will have been receiving a full range of services before 2002-03 or even 2003-04.

Figure 2: Sure Start local programme expenditure by operating year (1999-2000 prices)



Source: SSLP financial returns

Moreover, it appears that some Sure Start local programmes have not reached full operation by their fourth year. Only the first 41 programmes have completed their fifth operational year. We have both fourth and fifth year expenditure data for 37 of these. Three of the 37 had increases in expenditure after taking account of inflation of more than 10 per cent between their fourth and fifth years of operation, and one had an increase of more than 25 per cent. In other words, although most programmes are fully operational by their third year, there is a long tail, and we cannot assume that all programmes are delivering the full range of their planned services by their fourth operational year.

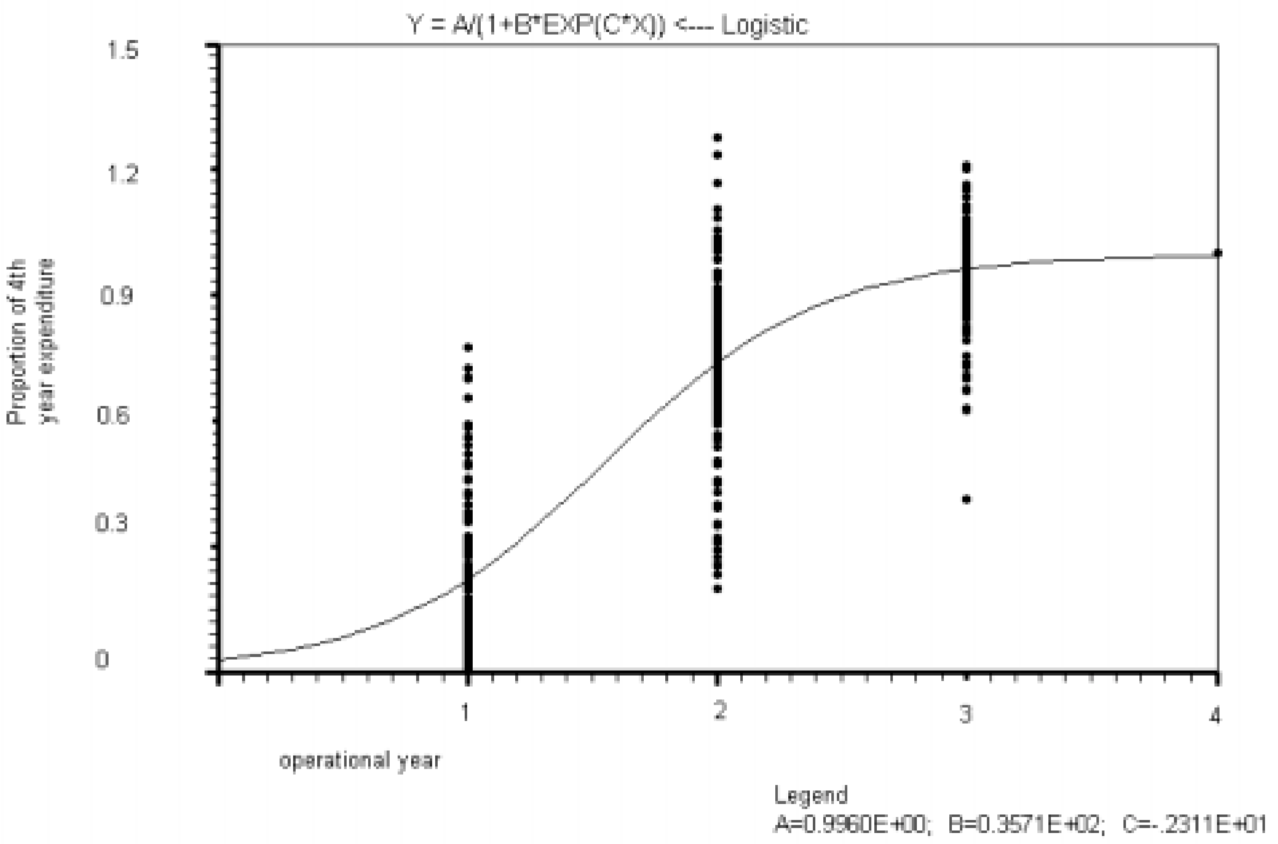
Figure 3 illustrates the path programmes took on average to reach full operation (the curved line)[2], while also showing the variability around that path. This is based on data from the 125 programmes that had their fourth operational year in either 2003-04 or 2002-03. Most programmes had low expenditure in their first operating year (22 per cent of their fourth year level on average after taking account of inflation). However, each dot on the vertical line above the figure 1

[2] This was estimated using the programme LabFit

represents a single programme, and this shows clearly that the range, even at this early stage was quite wide. Some programmes had already reached 60 per cent of their full operation in their first year, while many were clustered close to zero.

In their second operational year, Sure Start local programmes had reached on average 74 per cent of their fourth year expenditure after taking account of inflation. Some programmes had higher expenditure in their second year than they did in their fourth (the dots in the line above 1). This is likely to have been due to the carry over of underspend from their first year, and the concentration of some fixed setup costs (including development, community consultation and some building refurbishment costs met out of revenue). The length of the dotted line above the figure 2 shows how expenditure in the second operational year had the widest range, although there was a clear concentration close to the average. Some programmes' expenditure was still below 25 per cent of their fourth year level.

Figure 3: Sure Start Local Programmes' progress to full operation



On average expenditure in the third operational year was 98 per cent of the fourth year level, after taking account of inflation. This illustrates the point that for most programmes, the third year was the one in which they reached full operation. The curved line flattens out strongly at this point. A few programmes had higher expenditure in their third year than they did in their fourth (again likely to reflect some of the same factors seen in the second year). A small number of programmes were still trailing, with third year expenditure which was less than half that reached in their fourth year.

In this report we have treated year 3 as the year in which a Sure Start local programme becomes fully operational, since by this point roughly nine out of ten programmes are delivering the full range of services. However, we need to bear in mind that this is not true for all programmes.

This slow start is consistent with the evidence from our first sixteen case studies. These showed that both programme managers and those working in partner agencies found that the process of setting up a functioning partnership and engaging with and gaining the confidence of the local community was usually more time consuming than had been expected. New service delivery models took time to negotiate. In SSLPs where service delivery was via existing organisations, whether mainstream statutory agencies or voluntary sector providers, the new models often had to be adopted within the context of ongoing services delivered according to traditional priorities and ways of working.

Table 3: Average proportion of capital allocation spent by 31 March 2003

Start year	% of allocation spent	N=
1999-2000	46.6	41
2000-01	35.8	87
2001-02	5.6	130
2002-03	0	2

Source: SSLP financial returns

We have analysed the slower programmes to see whether or not they were slower to develop their capital programmes. Since some services require premises, the lack of premises due to slow capital expenditure might be a potential cause of slower than average service build up.

Table 3 shows the proportion of allocated capital that had been spent by 31 March 2003 for programmes with different starting years. The 41 Sure Start Local Programmes that began their operations in 1999-2000 had spent on average just under half their total capital allocations by the end of 2002-03, their fourth operational year. Only one in five programmes had spent more than three-quarters of their capital allocation by the end of their fourth operational year.

The 87 programmes that started in 2000-01 had spent on average just over a third (35.8 per cent) of their capital allocation by the end of 2002-03, which was their third operational year. One in five programmes had spent at least 73 per cent) of their capital allocation, but one in ten had spent none.

Since most programmes were slow to spend their capital allocations, but only a minority were not fully operational by their third operational year, the lack of new buildings did not appear at first sight to account for the discrepancies.

Table 4: Average proportion of capital allocation spent by 31 March 2003: by programmes that were not fully operational by third year

Start year	% of allocation spent	N=
1999-2000	51.4	13
2000-01	39.3	21

However, we also investigated the 34 programmes which had an increase in expenditure of at least 10 per cent after taking account of inflation between their third and fourth operational years. This group is roughly a quarter of those which had a fourth operational year in either 2002-03 or 2003-04. Table 4 shows the proportion of their capital allocation that had been spent by the end of 2002-03. For programmes starting in 1999-2000 this was 51.4 per cent (compared with 46.6 per cent for all the programmes starting in that year). Programmes that had started in 2000-01 had spend 39.3 per cent (compared with 35.8 per cent for all programmes starting in that year). In other words, the programmes that were slow to reach their full level of service expenditure had actually spent their capital slightly faster than average. The programme that more than doubled its revenue expenditure between its third and fourth operational years had actually spent 68 per cent of its capital by the end of its third operational year: roughly double the average proportion spent by all programmes of the same age.

This lack of association between the speed of capital programmes and the speed with which services are delivered is reinforced by looking at data for the fifth operational year. There were three programmes which had an increase in expenditure of 10 per cent or more after taking account of inflation between their fourth and fifth operational years. Of these three, one had spent 9 per cent of its capital by the end of 2002-03, one had spent 92 per cent and one had spent 53 per cent.

2.2 Variation in resource levels

The average expenditure by Sure Start local programmes conceals very large ranges. Not surprisingly, these are particularly large in the first year of operation, with a range between less than £6,000 and around £750,000. By the third year of operation, when programmes are more likely to be delivering a full range of services the range remains large: from around £250,000 to more than £1.5 million. However, by the third operational year outliers are rarer. After adjusting for inflation median expenditure was £629,000. There was a strong concentration around this figure. Half of all programmes spent between £559,000 and £668,000. This is shown in Table 5.

Table 5: Variation in total expenditure by Sure Start Local Programmes by operating year (£ 1999-2000 prices)

	Median	Lower quartile	Upper quartile	Minimum	Maximum	N=
Year 1	120,310	68,117	205,611	0	749,186	252
Year 2	477,730	362,088	589,502	47,121	1,209,161	250
Year 3	629,255	559,363	683,877	238,949	1,523,471	249
Year 4	680,538	603,110	756,464	295,955	1,179,552	125

Source: SSLP financial returns

The fourth operational year showed a similar pattern. After taking account of inflation the median expenditure was £681,000, with half of all programmes spending between £603,000 and £756,000. Even so the gap between the lowest spending programme (£296,000) and the highest (£1.2 million) remained large.

Thus, Sure Start local programmes operate on very different scales even when they are fully operational. For fully operational programmes there is a strong clustering around spending of around £700,000 a year, but around one in five programmes spend significantly less and a similar proportion spend significantly more. There are likely to be quite marked differences between programmes spending more than £1 million a year and those which are spending a quarter of that.

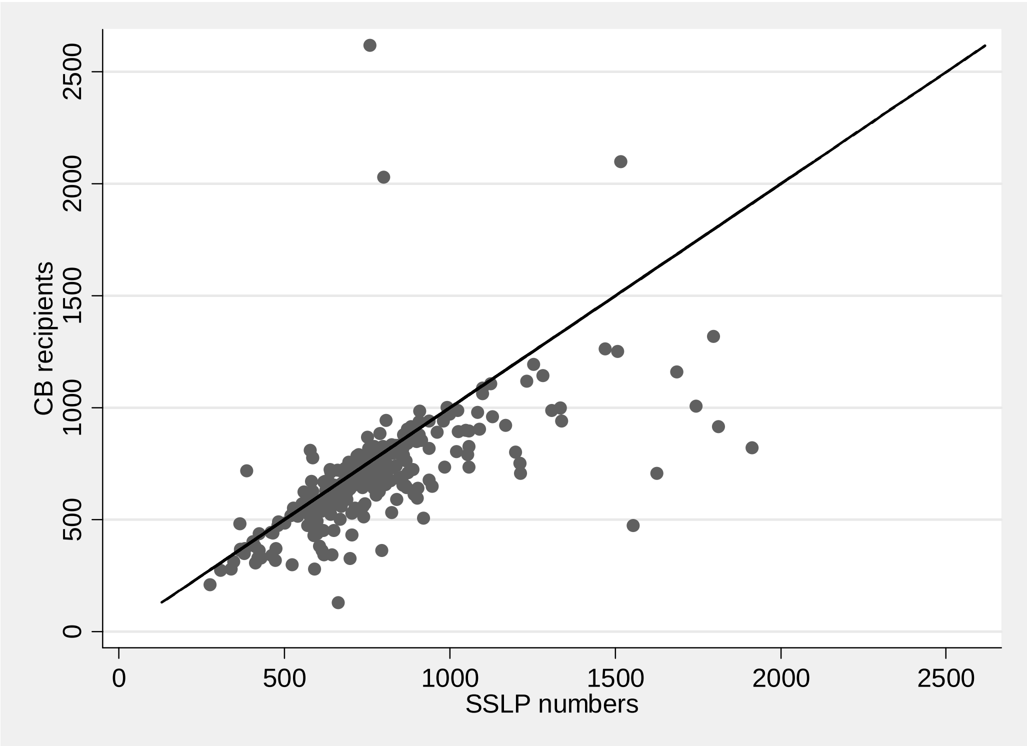
2.3 Resources per child aged 0-4

One obvious potential explanation for these differences is that programmes are catering for different numbers of children. Estimating the number of children they are catering for is one of the challenges that some programmes have had to confront. The most up-to-date and useful sources of information have been child health registers, but not all programmes had ready access to these in the past, so their estimates of the number of children they are supposed to be catering for can sometimes be based largely on guesswork. This should now have been resolved as the Secretary of State for Health sent a circular in 2003 to Primary Care Trusts suggesting that Sure Start local programmes should be treated as healthcare providers and allowed access to this information. However, it remained a matter for the discretion of the PCT.

The local context analysis module of the national evaluation of Sure Start also collates estimates of the number of children in each programme area based on records of children aged 0-4 living in the relevant postcode areas whose parents or guardians are receiving child benefit on their behalf. For 2001 there are also numbers available from the Census. In most cases the estimates from the three sources are similar. However, in other cases there are marked differences. In some instances the number of children based on local estimates could be larger because the area has a number of young children who are not eligible for or whose parents have not claimed child benefit (perhaps because they are asylum seekers, for example).

Another reason for discrepancies is that there can be timing differences in updating both child health and child benefit registers as families move into and out of the area. Some Sure Start local programme areas have an annual turnover of around one in every five families, so that maintaining up-to- date records can be difficult. Previous work by the national evaluation of Sure Start local context analysis team (Barnes et al 2004) has attempted to reconcile the differences between the Census and child benefit estimates of the number of children eligible for Sure Start services, but has not been fully able to do so. In this report we have used programmes' own estimates of the number of children living in their area, as this is the basis on which they are planning and delivering services.[3] However, it is important to recognise that although the overall pattern of resources does not differ significantly if child benefit estimates are used instead, the picture for individual Sure Start local programmes can be very different.

Figure 4: Comparison between child benefit and programmes' own estimates of children aged 0-3 living in Sure Start local programme areas 2002



Source: Department for Work and Pensions Child Benefit counts; SSLP monitoring returns

By way of illustration, if we take expenditure per capita in the third year of the programme on the child benefit numbers and compare it with expenditure per capita on the programme's own numbers, only five programmes have no difference and another 55 have a difference of less than 10 per cent. In the case of two programmes the child benefit basis estimate is roughly twice that based on the programme's own estimate of the number of children. Thus it is difficult to

[3] Estimates on the basis of child benefit recipients living in each area are available on request.

consistently classify programmes as average, relatively high or relatively low spenders.[4]

Figure 4 illustrates the discrepancies between the number of children from child benefit records and the programmes' own estimates. Both sets of figures relate to 2002. If both estimates were the same the dots would lie along the 45 degree line. In fact the majority of points lie below the line, revealing that the programmes' own numbers are generally higher than the child benefit estimates. It is encouraging that most of the dots lie fairly close to the line, suggesting that for these programmes the discrepancies are not large. However, there are three programmes where the child benefit numbers are significantly larger than the programmes' own numbers (in two cases they are more than twice as large). There is also a larger group of programmes where the programmes' own estimates of the number of children are significantly higher than the child benefit counts would suggest. For example, one programme estimates it has around 1500 children, whereas the child benefit count suggests that it has only 500.

Because there are potential inaccuracies in both sources of data, we have examined resources per head on the basis of 2002 child benefit numbers and the autumn 2002 estimates of the number of eligible children made by programmes themselves. However, we have found that the differences do not affect the overall national picture and presenting figures on both bases is repetitious. We have therefore used programmes' own estimates of the number of children living in the area throughout this report. We have chosen this measure as it is the one that programmes themselves are using to plan and deliver their services. Even if it proves to be inaccurate, it represents the children and families the programme is trying to reach.

More challenging, however, will be later stages in the cost-benefit analysis. One of the key elements of data for the cost-benefit analysis will be relating child outcomes to the resources available per child. For a minority of programmes we will have information about overall expenditure, but no means of being certain about the number of children this relates to.

[4] Using the 2001 Census as a reference point does not necessarily solve the problem, as in some cases the Census figures differ from both child benefit and programmes' own figures. See Barnes et al 2004

Table 6: Expenditure per child aged 0-4 by operating year
(£ 1999-2000 prices)

	Mean	Median	Lower quartile	Upper quartile	Mini-mum	Maxi-mum	N=
Year 1	2112	175	85	266	8	1,385	252
Year 2	650	624	456	802	57	2,865	250
Year 3	882	844	735	984	347	2,415	249
Year 4	926	856	717	973	365	2,319	125

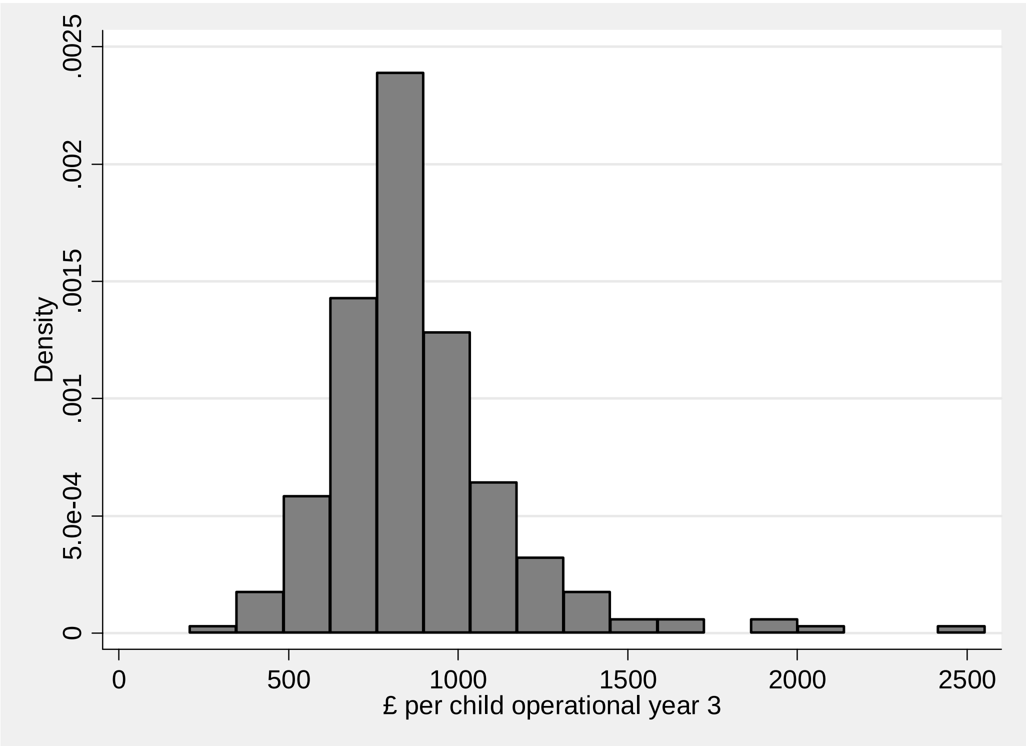
s

oSource: SSLP financial returns adjusted by GDP deflator

Table 6 shows the levels of expenditure per child by Sure Start local programmes. The figures in the table are adjusted to take account of inflation, so that all figures are in 1999-2000 prices to ensure that like is being compared with like. The average expenditure per child in the first year of operation was £211. The maximum was nearly £1,400, but this was very much an outlier. The upper quartile (the cut-off for entry into the highest spending 25 per cent of programmes) was £266. By the second year of operation average expenditure per child was £650. The minimum was still very low (around £60), but the maximum was much higher (more than £2,800). In the third year when most programmes were approaching being fully operational the average expenditure was around £880 per child after taking account of inflation, or nearly £19 per eligible child per week. It was a little higher in the fourth year (an average of £926 per child at 1999-2000 prices). Even by the third and fourth years of operation there remained a great deal of variation in the level of expenditure per child of different programmes. In the third year the range was from £347 to around £2,400. In the fourth year it was from around £365 to around £2,300. Thus, even when programmes are fully operational the level of services they are able to deliver remains quite varied. The highest spending programme was apparently spending roughly seven times the amount per child as the lowest spending programme, even when fully operational.

However, this is the extreme end of the picture. In both the third and fourth operational the upper quartile was around 35 per cent higher than the lower quartile. Thus higher spending programmes were spending significantly more per child than lower spending ones, but the fuller picture was not as dramatic as the outliers suggest. Figure 5 shows expenditure per child in the third operational year, as this has a large sample (249 programmes) and most were fully operational by that point. This shows that although there are a few outliers at both the lower and upper ends of the distribution, expenditure per child is generally strongly clustered around the median.

Figure 5: Expenditure per child in third operational year (1999-2000 prices)



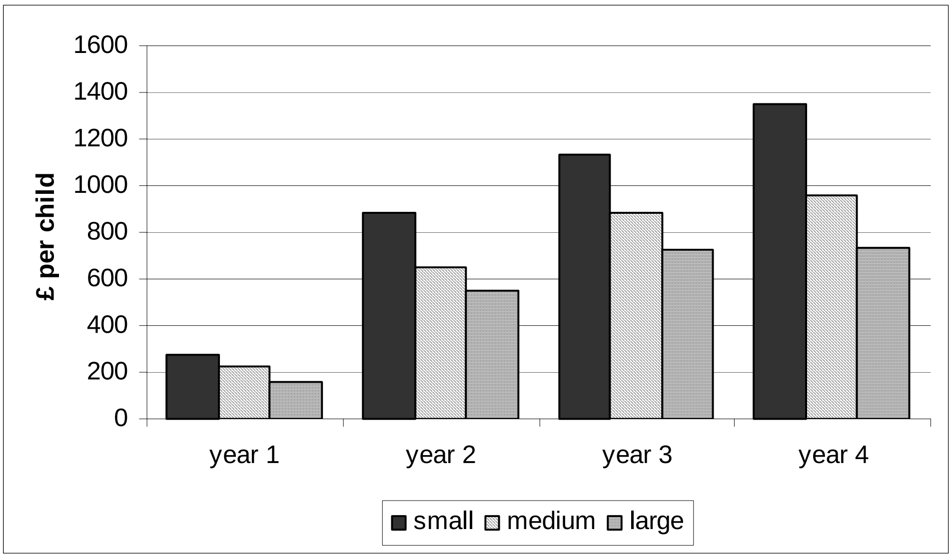
2.4 Economies of scale

One possible explanation for the large variation in expenditure per head is the issue of economies of scale. Sure Start local programmes were originally intended to cover areas which are both within walking distance and represent relatively natural communities, although these criteria were relaxed somewhat for later rounds. Sometimes the programme areas encompass more than one natural community, but the emphasis is very much on a small-scale local area with which people living in the community identify. But this small scale is likely to lead to inefficiencies. Every programme, whatever its size needs an office, a programme manager and a board. Most also have a finance manager and a deputy programme manager (who may have other responsibilities as well). Most programmes have one or more centres where they base many of their activities. The resources that need to be devoted to the development of links and relationships with mainstream agencies and other initiatives operating in the area are also unlikely to vary much with the number of children in the area. The charges levied by partner organisations for providing central services and facilities are not likely to vary much with programme size. Thus, one possibility is that small programmes cost disproportionately more to operate than larger ones do.

Figure 6 illustrates clearly that expenditure per child is markedly higher in every operating year in smaller programmes than it is in larger ones. Small programmes (those with fewer than 600 children) spent £275 per head at 1999-2000 prices in the first year on the basis of the programmes' own estimates of the number of children. Programmes with 600 to 799 children spent £222. Larger programmes, that is those with 800 or more children, spent around £1159 per head on both bases.

The same pattern occurs in subsequent years of operation, but the scale of the differences becomes larger. By the fourth year of operation, small programmes spent £1,351 per head at 1999-2000 prices on the basis of their own estimates of the number of children. Medium sized programmes spent £957 and large programmes spent £731. Large programmes saw virtually no change in expenditure between their third and fourth operational year: once inflation is taken into account (£731 in year 4, £728 in year 3). Medium-sized programmes saw an increase from £885 to £957. This is a difference of 8 per cent. Small programmes, however, saw an increase of 19 per cent between their second and third operational years, from £1132 to £1351.

Figure 6: Expenditure per child at 1999-2000 prices by number of children covered by programme



Source: SSLP financial returns

Overall, in the fourth operational year, small programmes spent 55 per cent more per child than large ones, and medium-sized programmes spent 27 per cent more per child.

Seven out of ten of the programmes whose expenditure per child in their third operational year was in the bottom quartile were large. In the fourth operational year eight out of ten were. High spenders, however, showed greater diversity. Half the programmes spending in the top quartile in their third operational year were small, but a third were medium-sized and 15 per cent were large. The diversity was more marked In their fourth operational year half of all the programmes that had spending per child in the top quartile were medium sized, while a quarter were large and a quarter small. However, programmes with a fourth operational year were those which started in 1999-2000 and 2000-01, and almost half of these programmes were large. Thus large programmes are underrepresented among high spenders and overrepresented among the low spenders.

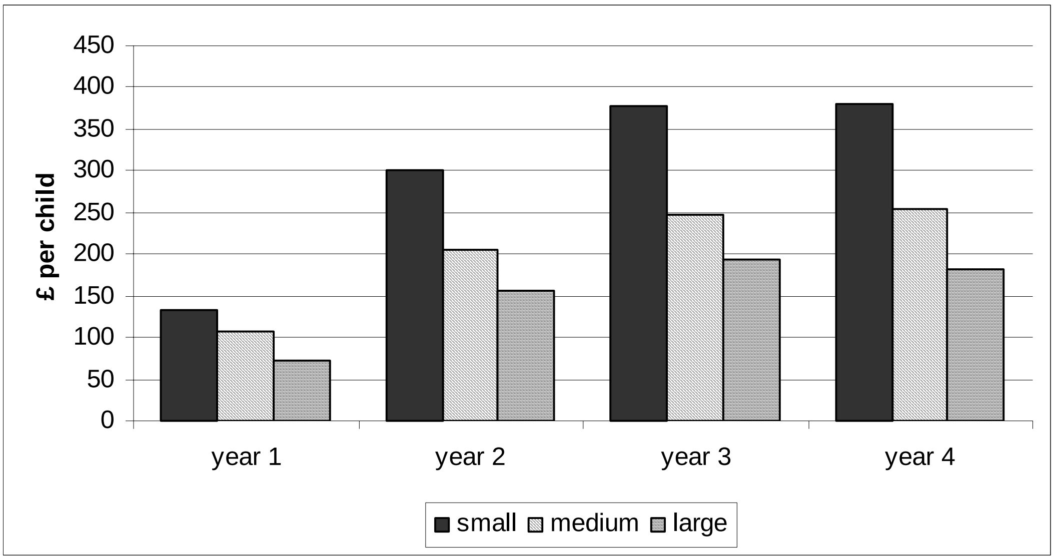
One obvious explanation for this is that larger programmes are better placed to spread their overhead costs over a larger number of children and services than smaller programmes are.

It is certainly clear that overhead costs are higher in smaller programmes and lower in larger ones. If we look only at non-service expenditure, that is management, administration, development, evaluation and “other” expenditure Figure 7 shows that non-service costs per child are roughly twice as high in small programmes than they are in large ones.

Moreover, by the third and fourth years of operation, small programmes have overhead expenditure per child which is one and a half times that of medium-sized programmes. When fully operational, typically small programmes are spending around £80 per child per year at 1999-2000 prices on non-service expenditure, while medium-sized programmes are spending around £250 and large ones around £190. This strongly suggests that economies of scale are important in the operation of Sure Start local programmes, and that small programmes are disproportionately expensive.

Furthermore, after adjusting for inflation, large programmes showed a small fall in overhead expenditure per child between their third and fourth operational years (from £193 to £183). This also suggest that larger programmes are better placed to secure operating efficiencies.

Figure 7: Non-service expenditure per child by number of children covered by programme (1999-2000 prices)



Source: SSLP financial returns

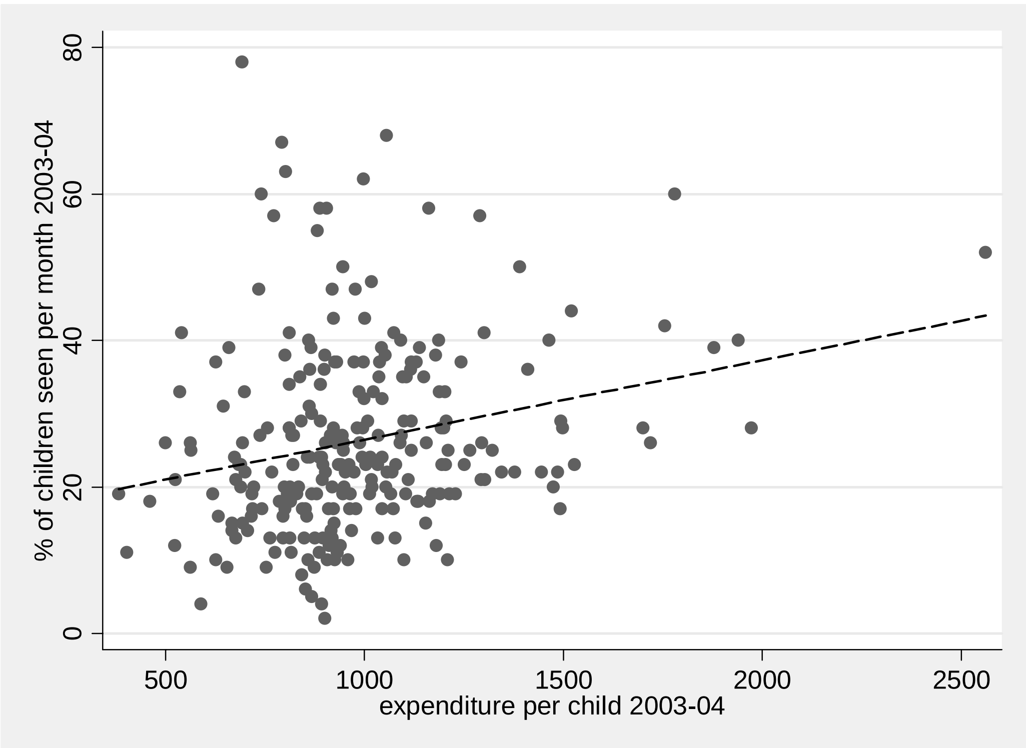
In addition, larger programmes are likely to be able to run their activities with larger group sizes, which will reduce the cost per head. For example, a healthy eating course could attract fifteen parents rather than eight, which given that the costs of the tutor and the room are likely to be more or less fixed, would almost halve the cost per parent attending. Some local evaluations (for example Pascal et al 2003) have shown how group sizes can exert a major influence on cost per child.

But the differences may not only reflect economies of scale. It is possible that some large programmes have relatively low expenditure per child because they miscalculated and based their planning on estimates of the number of children that were actually well below the number that were actually living in their area. This had happened in one of our NESS implementation module case study programmes, which was struggling to deliver services to a much larger number of children than its original plan had allowed for. Of the 119 programmes for which we have the original planning numbers, the latest estimates of child numbers are at least 25 per cent larger in 32 cases. Eleven, or ten per cent of the programmes for which information is available, have latest estimates of child numbers which are at least double their original planning numbers.

2.5 Expenditure per child and reach

An important question is the extent to which programmes which have higher rates of expenditure per child are more effective in terms of the proportion of children they have delivered services to. Sure Start local programmes report to the Sure Start Unit on the proportion of eligible children who are seen by the programme each month. We have data on the average monthly proportion of children seen during 2003-04 (the most recent complete financial year) for all the 260 programmes included in the national evaluation. This was at least the third operational year for all but two programmes, so that by this point they should have been delivering the full range of services to children and families living in their area. On average the programmes saw 26.2 per cent of children each month during 2003-04. The range was large (from just 2 per cent to 78 per cent).

Figure 8: Proportion of children seen each month and expenditure per child, 2003-04



We have been unable to establish any meaningful link between the proportion of children seen each month in 2003-04 and the level of expenditure per child in the same year. The correlation coefficient between the two is 0.26. Figure 8 illustrates this. Regression analysis on expenditure per child and programme age at the end of the financial year reveals that each additional £100 spent per child is associated with an increase in the proportion of children seen of less than one percentage point. This relationship is statistically significant, but too small to be useful either analytically or in policy terms. The relationship with programme age is, however, somewhat stronger. Each 12 month increase in programme age adds around 4 percentage points to the proportion of children reached. The regression equation is shown in Annex 1.

2.6 Expenditure per child and lead agency

One possible explanation for the different levels of expenditure per child is that programmes with different types of lead agency may have different views as to the kind and level of services they are aiming to provide. Table 7 shows the average expenditure per child after adjusting for inflation in each operational year. This is also illustrated graphically in Figure 9.

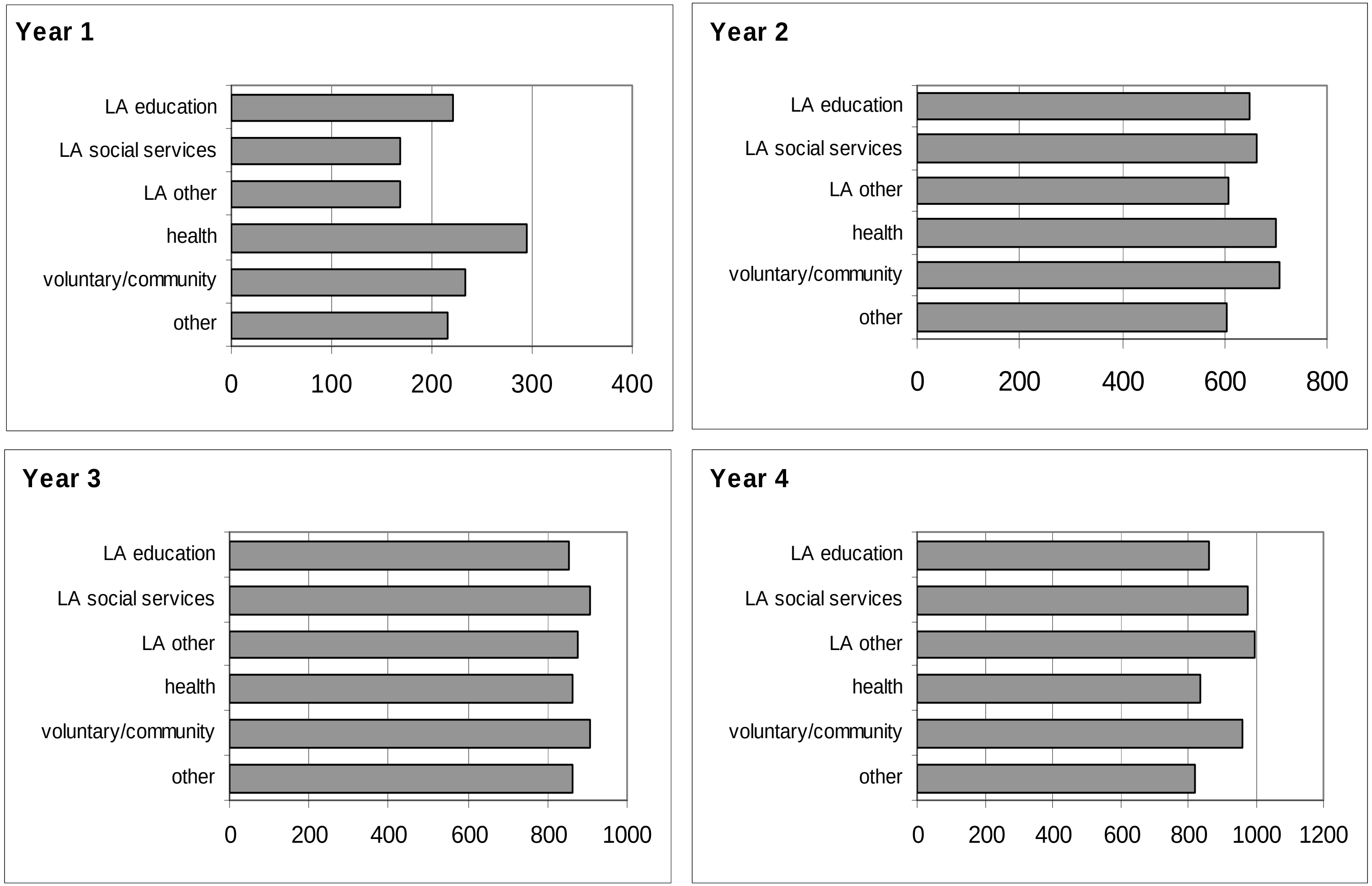
What is striking is the different patterns shown by different agencies. In their fourth operational year programmes led by social services departments, by voluntary and community organisations and those led by local authority departments other than education or social services (mainly by chief executives' departments) had the highest expenditure per child (£978, £959 and £997 respectively). Those led by health trusts and other organisations (including independent companies and other area based initiatives) had markedly lower expenditure £837 and £821 respectively.

However, this is not the pattern shown in the earlier years of operation. In particular, health-led programmes had expenditure in their first operating year which was significantly higher than that for programmes led by other types of organisation (£294 per child compared with an average of £210 per child for all programmes, and £234 per child for the next highest group, programmes led by voluntary or community organisations). In the second year health-led programmes were still spending above the average for all programmes (£700 compared with an average of £658) although they had been overtaken by voluntary and community sector-led programmes at £706). It was only in the third operational year that programmes led by other agencies caught up and overtook health-led programmes. Thus it would seem that health-led programmes (and to a lesser extent voluntary and community organisation led programmes were faster at setting up their services than local authority-led programmes. However, once they were fully operational health-led programmes spent less per child than other programmes.

Table 7: Average expenditure per child by lead agency (1999-2000 prices)

Lead agency	year 1	n	year 2	n	year 3	n	year 4	n
LA education	221	43	650	45	854	42	862	26
LA social services	168	32	663	31	909	33	978	22
LA other	169	66	609	65	878	65	997	26
health	294	34	700	35	862	33	837	17
voluntary or community	234	55	706	52	908	53	959	27
other	216	11	604	11	864	11	821	7
All programmes	210	252	658	250	882	249	926	125

Figure 9: Expenditure per child be lead agency (1999-2000 prices



2.7 Expenditure per child and type of area

One possible explanation for different expenditure levels is that areas are dealing with differing levels of disadvantage, and therefore differing levels of need for services. The local context analysis module of the national evaluation of Sure Start has developed a typology of Sure Start areas in terms of the structure of the population and of local economic and social indicators (Barnes et al 2003). Five types or area have been identified:

The largest group (31 per cent) are typical across all indicators. A quarter (23 per cent) have (relatively speaking) less concentrated deprivation while just under one fifth (19 per cent) are more deprived. The remaining two groups are typified by larger ethnic minority populations and the age and health of adults. One (19 per cent) has more ethnic diversity and in particular more black residents, good adult health, fewer retired adults and fewer mothers under 18 years. The smallest group of programme areas (8 per cent) has (relatively) more Asian residents, larger families, more births in marriage and poorer female health.

Table 8 shows the average inflation-adjusted expenditure of Sure Start local programmes by operational year by type. Once fully operational (in the third and fourth operating years) the Sure Start local programmes in the most deprived areas spent more per child (£938 and £1016 respectively at 1999-2000 prices) than other types of area. Typical areas spent the same as the most deprived areas in their third year and very slightly less £1016) in their fourth. The two clusters with the highest concentration of minority ethnic families (ethnic diversity and large families) had the lowest expenditure per child in all four operating years. Programmes in ethnic diversity areas spent £786 in their third year and £801 in their fourth. Programmes in areas with large families spent £638 in their third year and £766 in their fourth.

The most recent report from the NESS implementation case studies (Tunstill et al 2005) highlighted the challenge of ensuring that parents whose first language is not English have access to the full range of Sure Start local programme services. Programmes have adopted various strategies to deal with this including providing interpreters and information in minority languages as well as employing staff with a relevant background. However, these initiatives tend to increase the cost per child for the same level of service. Thus, although programmes in areas with concentrations of minority families have on average spent less than programmes in other areas, they have had more demands on their resources. The combination of lower expenditure per child and additional identifiable demands on resources means that they are likely to be providing lower levels of services than other types of programme.

Table 8: Inflation adjusted expenditure per child by year and cluster type

Area type	year 1	n	year 2	n	year 3	n	year 4	n
less concentrated deprivation	214	51	677	52	905	53	952	26
typical	227	84	697	83	938	84	1001	42
most deprived	217	28	661	29	938	27	1016	17
ethnic diversity	173	58	596	58	786	56	801	29
large families	212	28	638	26	801	27	766	11
All programmes	209	249	659	248	882	247	926	125

However, it is worth noting that the cluster type association with expenditure per child may be related to programme size. More than half (52 per cent) of the programmes in areas of ethnic diversity are large, compared with an average of 37 per cent overall. More than half (54 per cent) of the programmes in with large families are medium sized compared with a national average of 42 per cent. Thus, these programmes' expenditure patterns appear to be more closely related to programme size and the availability of economies of scale rather than specifically related to the characteristics of the local population

2.8 Discussion

The funding for Sure Start local programmes was responsive, that is bids were put forward by those planning the programme and the Sure Start Unit responded to the bids. In later rounds there were clearer guidelines for bidding and most bidders had experience with another programme, so lead agencies were clearer about the type and level of services they could expect to see supported, and this was explicitly related to the number of children aged 0-4 living in the area. But the consequence of this approach for many of the programmes included in the national evaluation is that variations in expenditure per child are likely to reflect the imagination and ambitions of the bidders as much as they reflect different levels of need or the facilities and services which already existed in the area.

On one level this may be useful, in that it provides the opportunity as part of looking at the impact of Sure Start local programmes to consider whether variations in expenditure levels are associated with variations in outcomes for children and families. On another level, however, it means that the range and type of services being offered to children and families is so wide that it may be more difficult to judge which types and levels of service are more effective.

Although Sure Start local programme funding arrangements were intended to build up to full operation in the third year, the reality is that more than half the expenditure in the first operational year consisted of overheads, and service delivery in the second operational year was very low. Thus children and families were really only receiving services from the third operational year onwards. This has had an impact on the impact module of NESS because the original plan had assumed that most services would be operational at an earlier stage. The speed of service development also has implications for the roll-out of Children's Centres.

3. AVAILABILITY OF ADDITIONAL RESOURCES

Key points:

- Two-thirds of Sure Start local programmes receive cash from sources other than their Sure Start grant
- On average those receiving additional sums receive around £50,000 a year
- Most Sure Start local programmes have the use of some premises for which they do not pay, particularly libraries, schools and clinics
- Nearly three-quarters of Sure Start local programmes pay for their office space
- Seven out of ten Sure Start local programmes pay for finance and IT support services. Six out of ten pay for personnel and payroll services.

Sure Start local programmes are encouraged, but not obliged to seek additional funding from other sources. Some programmes have done so, and have consistently recorded it in their accounts, whether the resources were received in cash or in kind. Most programmes have included cash resources but not resources in kind. Others have received additional resources either in cash or in kind, but the money has not flowed through their accounts. This can happen for example where the lead agency has allocated additional resources (for example a seconded member of staff) to the Sure Start local programme but where the relevant expenditure only goes through the lead agency's own accounts. In some cases Sure Start local programmes record for the Sure Start Unit how they spend their Sure Start grants, but their accounting is done by their accountable body, and their systems are set up only to record how Sure Start grant is spent.

Almost all Sure Start local programmes receive in-kind resources such as use of premises and support services for which they do not pay full charges. It is exceptional for any in-kind resources to be included in their accounts.

It is for this reason that we asked a small number of questions about additional resources in the national surveys of Sure Start local programmes carried out as part of the implementation module of the national evaluation. However, not all programmes responded to the surveys, and those that did respond did not always answer the resources questions. In For these reasons, all information about additional resources should be treated as indicative rather than definitive.

3.1 Additional cash resources

3.1.1 Incidence of additional cash revenue funding

In this section we discuss the availability of resources to support Sure Start local programmes' day-to-day operations. Additional capital resources are covered in Section 5 below. Sure Start local programmes sometimes receive additional resources other than their funding from the Sure Start Unit for their work with children and families. It is important to try and identify these additional resources, both because they contribute to the observed outcomes, but perhaps more importantly because they need to be taken into account when considering the total resource cost of extending or replicating the kind of services offered by SSLPs.

Table 9 summarises the information on additional revenue resources available from programme accounts. These show just over a quarter of programmes receiving additional funding in 2000-01, 31 per cent in 2001-02, 37 per cent in 2002-03, and 41 per cent in 2003-04. The average amounts received were around £50,000 in all four years, with the amounts in the earlier years (around £59,000 being higher than those in the later years (around £45,000).

Taking all four years together, 154 programmes (59 per cent) received additional funding in at least one year. Most programmes receiving additional resources did so in three or four years. Relatively few received additional resources in only a single year.

Table 9: Receipt of additional revenue funding)

	2000-01		2001-02		2002-03		2003-04	
	No of SSLPs	**Average amount**	**No of SSLPs**	**Average amount**	**No of SSLPs**	**Average amount**	**No of SSLPs**	**Average amount**
Additional funding	32	£59,333	80	£59,011	95	£45,292	102	£46,529
All with accounts	118		257		250		250	

Source: SSLP financial returns

3.1.4 Receipt of additional cash resources by size of programme

Table 10 shows the pattern of receipt of additional resources by size of programme In 2000-01 three out of ten small and medium-sized programmes received additional resources, as did a quarter of large programmes. In 2001-02 the proportion of small programmes receiving additional resources increased to 37 per cent and medium-sized to 34 per cent, while the proportion of large programmes remained the same. In 2002-03 and 2003-04 a third of large programmes received additional resources while the proportion of small programmes doing so was 44 per cent in 2002-03 and 46 per cent in 2003-04. Forty per cent of medium-sized programmes did so in 2002-03 and 44 per cent in 2003-04.

Table 10: Proportion of programmes by size band receiving additional revenue funding (percentage of each size band)

	2000-01	2001-02	2002-03	2003-04	any year
small	29	37	44	46	65
medium	30	34	40	44	59
large	25	25	34	34	56
Total	27	31	39	41	59

Source: SSLP financial returns

3.1.5 Receipt of additional cash resources by lead agency

The main difference in the receipt of additional resources by Sure Start local programmes with different lead agencies is between those with “other” lead agencies (a relatively small mixed group including independent companies, and those led by Learning and Skills Councils and regeneration initiatives) and the remainder. Those with other lead agencies were around half as likely as other programmes to receive additional resources. Programmes with a voluntary or community organisation (69 per cent) or a health trust (68 per cent) as the lead agency were slightly more likely than programmes with a local authority (around 55 per cent) to receive additional resources. This is shown in Table 11.

3.2 Incidence of additional resources in kind

The NESS surveys asked SSLPs about their receipt of in-kind resources from partner agencies, including both the use of premises and the provision of a range of backup services. In addition to the 175 programmes that responded to the 2004 surveys and the 184 programmes that responded to the 2003 surveys, 24 round 1 and 2 programmes provided some information about receipt of services in kind in their responses to the 2002 survey and these responses were also included in our analysis, on the basis that it is unlikely that such services will have been withdrawn by partner agencies in the interim.

Table 11: Proportion of programmes with different types of lead agency receiving additional revenue funding (per cent)

	2000-01	n	2001-02	n	2002-03	n	2003-04	n	any year	n
LA education	24	25	40	43	42	43	37	45	58	45
LA social services	22	18	30	33	35	34	44	33	56	34
LA other or unspecified	25	24	25	67	35	65	39	64	52	67
Health trust/ authority	35	17	34	35	46	35	34	32	68	35
Voluntary or community organisation	33	27	38	55	47	51	47	53	69	56
Other	0	7	0	11	27	11	45	11	45	11
Total	27		33	244	38	255		250	47	250

Source: SSLP financial returns

3.2.1 Use of Premises

Sure Start local programmes use a variety of different types of premises in delivering their services. In some cases the programmes "own" the premises and have responsibility for their upkeep. More commonly the premises belong to other organisations and the SSLP uses them. The different types of premises include those used as office accommodation, those used for regular or ad hoc group activities, those used on a daily basis (for example daycare) and those used occasionally (perhaps for training courses or meetings).

Generally, the charging arrangements vary for different kinds of premises. These are shown in Table 12 and Figure 10. Libraries are available free of charge to nearly two-thirds of SSLPs. Typical library usage would be story sessions for children, so free usage is not surprising. Around half of all SSLPs have the use of clinics or schools free of charge.

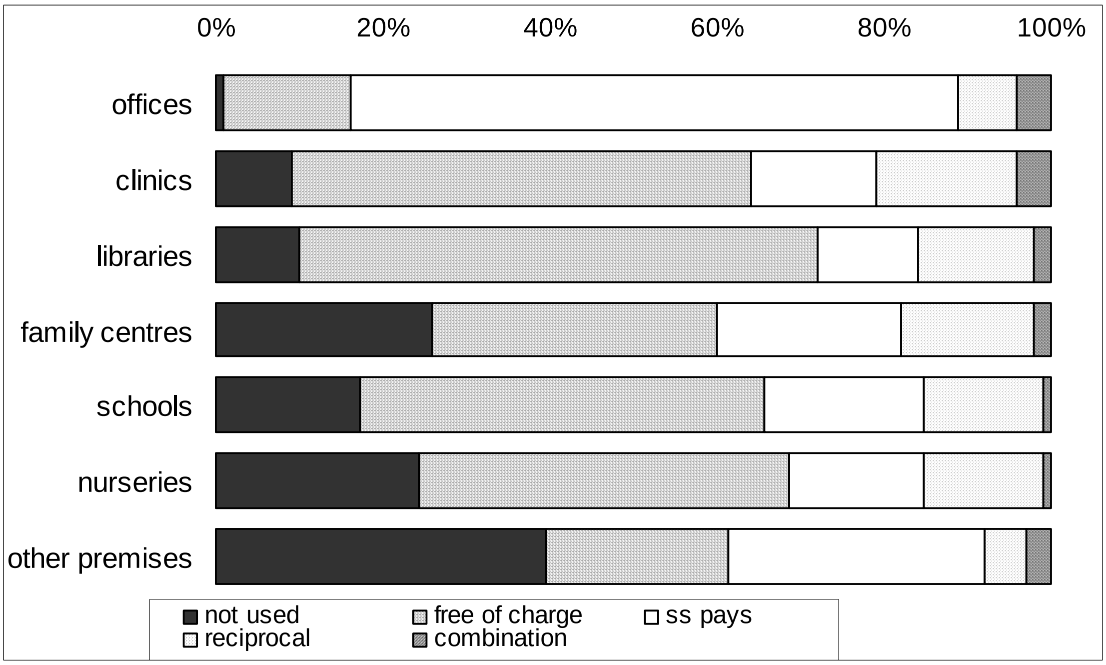
Table 12: Charging arrangements for different kinds of premises (proportion programmes with having particular charging arrangement, row percentages)

	Not used	free of charge	recip-rocal	SSLP pays	combi-nation	N=
Offices	1	15	7	72	4	(175)
Clinics	9	55	17	15	4	(169)
Libraries	10	62	14	12	2	(170)
Family centres	26	34	16	22	2	(131)
Schools	17	48	14	20	1	(155)
Nurseries	24	44	14	16	1	(147)
Other premises	40	22	5	31	3	(115)

Source: NESS surveys of SSLPs 2004, 2003

Nearly three-quarters of SSLPs pay for their office accommodation, and only 15 per cent have the use of offices free of charge. Around a quarter of SSLPs do not use family centres or nurseries owned by other organisations. Nearly half (44 per cent) use nurseries free of charge, while a third use family centres free. Apart from offices the premises that are most frequently charged for are the residual "other" group, including community centres, church halls and similar premises, where a third of programmes pay.

Figure 10: Charging arrangements for different types of premises



Source: NESS surveys of SSLPs 2004, 2003

There were no clear differences between the type of lead agency and whether or not the SSLP is charged for the use of premises. For example, 50 per cent of SSLPs led by health trusts had free use of clinics, and 17 per cent paid; both proportions in line with the average for all programmes. Similarly 39 per cent of programmes led by social services had free use of family centres and 11 per cent paid. Programmes led by local education authorities were slightly less likely than average to pay for the use of schools (15 per cent did compared with an average of 20 per cent), but the sample numbers are small.

The fact that it is rare for SSLPs to pay the full cost of all the premises they use means that there are hidden costs in almost all Sure Start local programmes that are using other organisations' premises to deliver their services. In other words the true cost of delivering Sure Start services is understated in programmes' financial accounts, even where these include funds from non-Sure Start sources.

3.2.2 Use of support services

As well as the use of premises belonging to other organisations, almost all programmes receive some support services from another organisation (generally, but not always the lead agency). Sure Start local programmes that are companies limited by guarantee or other independent charities are more likely to provide their own services and less likely to use those provided by other organisations.

The main difference between the use of premises to deliver services and the use of professional and support services by SSLPs is that most programmes are charged for support services. The details of the charging arrangements for these services are shown in Table 13 and Figure 11.

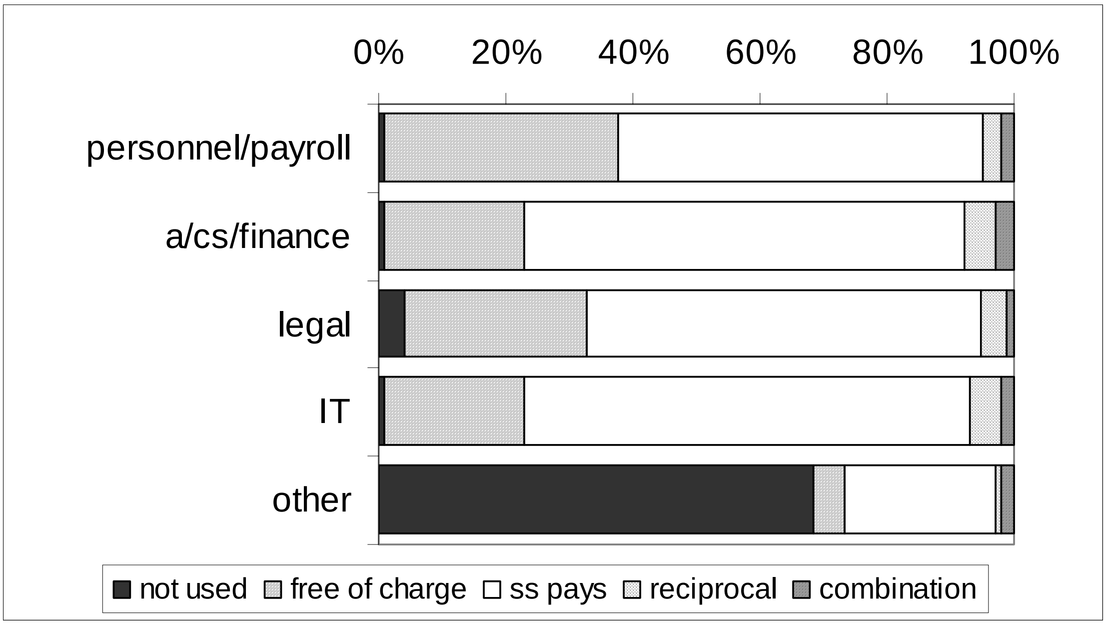
Table 13: Charging arrangements for different kinds of services (proportion of programmes with different charging arrangements, row percentages)

	Not used	free of charge	recip-rocal	SSLP pays	combi-nation	N=
personnel/ payroll	1	37	3	58	2	(187)
accounts/ finance	1	22	5	70	3	(187)
legal	4	28	4	61	1	(179)
IT	1	22	5	70	2	(183)
other	69	5	1	24	2	(205)

Source: NESS surveys of SSLPs, 2004, 2003

Seven out of ten programmes pay for IT and finance services, and six out of ten pay for legal, personnel and payroll services. However, around a quarter of programmes received finance, legal and IT services free of charge and nearly four out of ten receive personnel and payroll services. SSLPs that receive one service free tend to receive others as well. Thus, for most programmes these costs will be included in their accounts, but for around a quarter of programmes there are hidden subsidies in the shape of free services.

Figure 11: Charging arrangements for different types of support services



Source: NESS surveys of SSLPs 2004, 2003

There were no marked differences in the pattern of charges for support services by lead agency. The only exception was that programmes led by health trusts were more likely than other programmes to receive free IT services (38 per cent did compared with an average of 22 per cent).

Discussion

Expenditure by the Sure Start Unit understates the level of resources required to deliver Sure Start local programmes' services. On average an additional 5 per cent of revenue spending flows through SSLP accounts. However, we know from case study information and from themed studies forming part of the national evaluation of Sure Start (Allnock et al 2005) that other organisations, including both mainstream services and other bodies, often provide services without charge to SSLPs or provide shared or matching funding for particular activities.

There are also resources made available to Sure Start local programmes by mainstream agencies, including use of premises and the provision of support services without charge. When considering the full cost of Sure Start local programme services and the potential for replication, these additional resources need to be added to the total measured costs. It should also be recognised that the willingness of mainstream agencies to absorb additional costs is likely to greater when they are only doing so for a limited number of activities. As the number to be subsidised rises, so the cost becomes less marginal and more difficult to absorb.

4. HOW RESOURCES ARE SPENT BY SURE START LOCAL PROGRAMMES

Key points:

- The allocation of Sure Start local programme expenditure to activity headings is not done consistently by all programmes. What one classifies as support for parents another may classify as outreach. The same programme may classify activities differently in different years.
- Sure Start local programmes tend to develop all types of service simultaneously rather than develop one service area and then add others
- In fully operational programmes around one-fifth of expenditure goes on play, learning and childcare, and one sixth on each of outreach and home visiting, support for parents and community healthcare. Special needs account for around 5 per cent of expenditure.
- Differences between programmes in the type of lead body do not lead to differences in the proportion of expenditure on different service areas.

Sure Start local programmes' financial returns record their expenditure under different categories of expenditure. The most important ones are:

- Core services
  - Outreach and home visiting
  - Support for parents
  - Play, learning and childcare
  - Community healthcare
  - Special needs support
- Additional services
  - Teenage pregnancy
  - Crime prevention
  - Parental employability
- Non-service expenditure
  - Management and administration
  - Development
  - Evaluation
  - Other

To some extent it is a matter of judgement as to which heading to use to record the expenditure relating to a particular service. Is a drop-in play session a respite for parents or play, learning and childcare for the children? Is the development of a childminder network part of play, learning, and childcare, or is it intended to improve parents' employability? Different programmes have made different choices on this issue. In reality many Sure Start local programme activities have multiple objectives, and different programmes will make slightly different judgements about which heading to use in a particular case. This means that differences between programmes in the way that they allocate their resources will be due only in part to differences in philosophy and the determination of priorities. Some of the differences will depend purely on local judgements about the heading to use.

One example of this relates to one of the programmes in the implementation case studies. This programme recorded zero expenditure on outreach and home visiting in one of its operational years, although a positive sum in the previous year. We know from the case study that this programme did have a home visiting service. It had therefore probably taken the decision to classify expenditure on home visits under the headings of the activities that took place during the home visits. Similarly, another case study programme had chosen to pursue a strategy of a home visit-led approach to the delivery of all their services, but recorded much of this under the outreach and home visiting heading, so that its outreach and home visiting share was more than twice the national average.

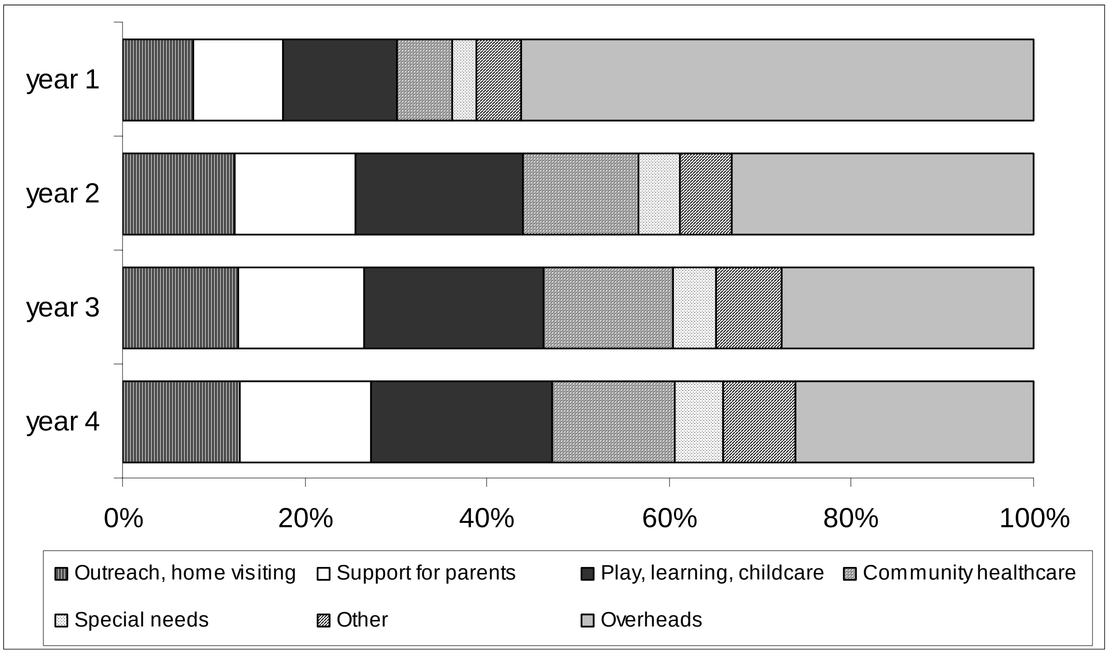
Overall, the national average pattern of expenditure on different activities is stable, and has not changed as additional data has become available. However, the pattern for individual Sure Start local programmes is much more erratic and sometimes shows large movements from year to year (perhaps reflecting changes in the person responsible for the recording). In addition, some SSLPs in the first few years of operation did not classify their expenditure into activity categories, so although we have total expenditure for these programmes we do not have service breakdowns. For all these reasons, it is important to be cautious in attaching any significance to individual SSLP expenditure breakdowns.

4.1 Expenditure on different activities

The average proportion of the expenditure of Sure Start local programmes on different areas of activity is shown in Table 14 and Figure 12. Although, as we have already seen, expenditure grew on average by 40 per cent between year 2 and year 3 of a programme's life, it is clear from Figure 12 that the different service areas tend to be developed together, and after the first year there are not marked differences in the proportion of expenditure devoted to different types of service.

In the early stages of a programme's life a high proportion of its total expenditure is accounted for by overheads, but by the third and fourth years this has fallen to just over a quarter.

Figure 12: Allocation of programmes' expenditure to different purposes by year of operation



Source: SSLP financial returns

4.1.1 Outreach and home visiting

Outreach and home visiting was responsible for 8 per cent of costs in the first year and around 13 per cent in subsequent years. This activity therefore clearly grew as the programmes themselves grew.

4.1.2 Support for parents

Support for parents went from 10 per cent of expenditure in the first year to 14 per cent in subsequent years. Therefore, like outreach and home visiting, after the first year this service area grew as the programme grew.

Again, one programme reported spending nothing on this area of activity in the third year of operation, while three programmes spent more than a third of their expenditure on it, including one that spent almost half. In the fourth operational year no programme recorded spending nothing, but one spent more than half its total budget on this area.

Table 14: Proportion of total SSLP expenditure by category by year of operation

	year 1	year 2	year 3	year 4
Outreach and home visiting	8	12	13	13
Support for parents	10	13	14	14
Play, learning and childcare	13	18	20	20
Community healthcare	6	13	14	14
Special needs support	3	5	5	5
Other services*	5	6	7	8
Overheads	57	33	28	26
All expenditure	100	100	100	100
N=	(232)	(248)	(249)	(125)

Note: Other services includes teenage pregnancy, improving the employability of parents, crime prevention and improvement to buildings as well as other miscellaneous services

Source: SSLP financial returns

4.1.3 Play, learning and childcare

Play, learning, and childcare accounted for 12 per cent of expenditure in the first year 18 per cent in the second and 20 per cent in the third and fourth years. This is the service area which is slowest to build up, not least because service development is likely to lumpy and to involve new buildings. We know from our case studies (Tunstill et al 2005) and from the themed evaluation on improving the employability of parents (Meadows and Garbers 2004) that many SSLPs have not developed their own daycare provision, but instead have relied on buying into childcare developed by others, particularly under the Neighbourhood Nurseries Initiative. Thus, even where SSLPs did not need new buildings for childcare, as they were not providing it directly, they might still have had to wait for other local daycare services to come on stream. Thirty of the 248 programmes for which we have third year information spent less than 10 per cent of their budget on play, learning and childcare (although no programme reported spending nothing on this area of activity). Sixteen programmes spent more than a third of their budget on play, learning and childcare, including two that spent more than half.

Centre-based daycare tends to be expensive to provide because of the need for specialist premises and high staffing ratios. Many of the costs are fixed. it is more or less inevitable that SSLPs that have chosen to provide their own centre-based childcare will spend more on this area of activity than those that have chosen either to buy places from other providers or to limit their childcare activities to supporting childminders and to providing crèches for parents attending Sure Start supported activities.

We investigated whether there was a relationship between expenditure on play, learning and childcare and the kind and level of services inherited by SSLPs, but the explanatory power was very poor. Annex 2 shows the equation for play, learning and childcare expenditure per child in the third operating year. Only inherited daycare (£45 per child) and libraries (£36 per child) have the expected negative effect, and both are only statistically significant at the 10 per cent level. By contrast inheriting childminders, nursery classes, and speech and language services is associated with higher expenditure per child, although again significance levels are low.

4.1.4 Community healthcare

Community healthcare accounted for 6 per cent of expenditure in the first year, 12½ per cent in the second and 14 per cent in the third and fourth.

Two programmes reported spending nothing on health activities in the third year of operation. Five spent more than a third of their resources on health, including two that spent more than half.

4.1.5 Support for special needs

Support for children and parents with special needs accounted for 2 per cent of expenditure in the first year and 5 per cent in subsequent years. Twenty programmes (8 per cent of those for which we have third year information) reported that they spent nothing on special needs in their third year of operation even though this is a core service which all SSLPs should be providing. However, a slightly larger proportion (thirty-one programmes or 12 per cent of the total) spent more than 10 per cent of their budget on special needs support.

In general, no other individual service accounted for more than 1-2 per cent of expenditure.

4.1.6 Non-service expenditure (overheads)

In the first year of operation 57 per cent of programmes' expenditure was on non-service costs. By the second year this had fallen to 33 per cent, by the third year it had fallen to 28 per cent and by the fourth to 26 per cent. However, the averages conceal a good deal of variation. Even in the fourth year of operation, two programmes' overhead costs amounted to more than half. Some of this may reflect errors. One of the two programmes had lower overheads in previous years. The other reported overhead expenditure of at least 50 per cent in each of its four years of operation. These levels of non-service expenditure are higher than would normally be expected in public services. A more typical average overhead level in healthcare or social services would be between 10 and 20 per cent although some are a little higher (Netten and Curtis 2003). This can be compared with the average of 26-28 per cent for fully operational Sure Start local programmes. Moreover, where service delivery is contracted to statutory or voluntary organisations (as opposed to delivery by staff employed by the SSLP) the cost of those services will include some overhead costs associated with the management and support of the staff who are delivering services directly. Thus, expenditure which is classified as spending on services already has an overhead element included. Thus SSLP non-service figures will tend to understate overhead costs.

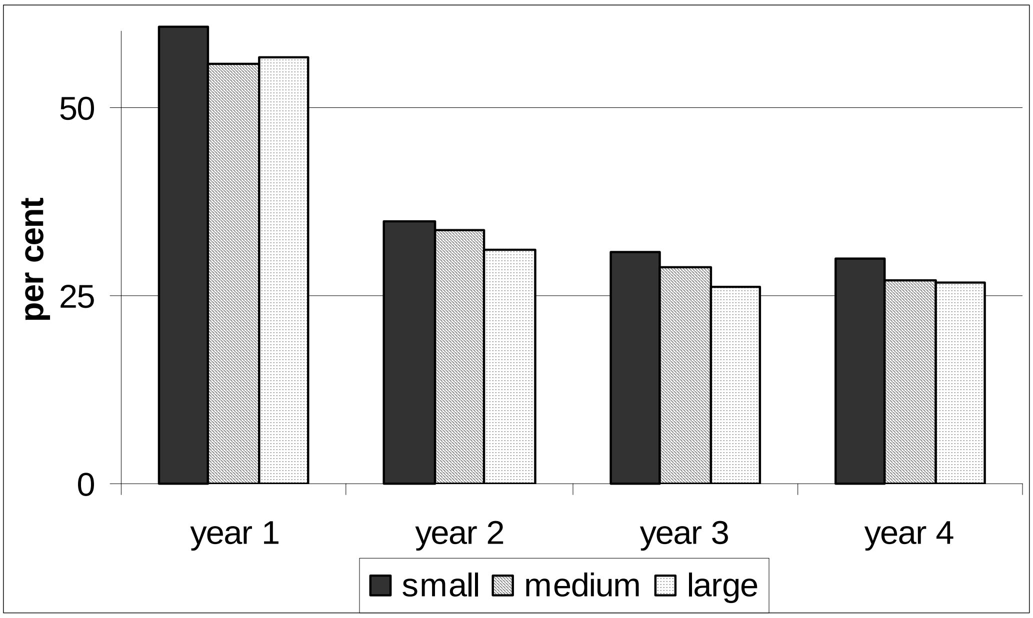
In general in our analysis of SSLP expenditure, we will be allocating non-service expenditure (management and administration, development, evaluation and other) to service categories. Thus, if outreach and home visiting is 25 per cent of service expenditure it is also allocated 25 per cent of non-service expenditure. This is standard practice in measuring the total cost of services and reflects the fact that the non-service expenditure would not exist if it were not for the services. Thus, non-service expenditure is essentially incurred only in support of the development or delivery of services.

Nevertheless, one important question in examining cost-effectiveness is the level of non-service (or overhead) expenditure relative to the cost of services. This is slightly complicated by the fact that some service costs will incorporate some overhead costs already. Moreover, our first sixteen case studies found that in a minority of programmes operational staff, particularly part-time staff, spent a relatively high proportion of their working time in meetings (Tunstill et al 2005) This time is likely to be included in the overall costs of delivering the individual services that those staff are responsible for, as it is not strictly non-service expenditure.

It is more or less inevitable that a more joined-up approach to service delivery is likely to involve staff spending a higher proportion of their time co-ordinating with others than would be the case where services operate in relatively self-contained silos. The policy of promoting greater integration of services is based on the premise that although resources are consumed in co-ordination this is outweighed by the elimination of duplication and by the ensuring that each service recipient receives a more appropriate bundle of services from different sources. However, there is a risk that co-ordination can be seen as an end in itself, with the result that it can interfere with service delivery.

Taking these factors together – the inclusion of contractors' overheads in service costs and the hidden costs of greater co-ordination – reported non-service costs are likely to represent a lower bound to the estimate of true overhead costs.

Figure 13 Non-service expenditure as a proportion of total expenditure by programme size and year of operation



Note: small programmes have fewer than 600 children, medium-sized programmes have 600-799 children, and large programmes have 800 or more children

Source: SSLP financial returns

We saw in section 2.4 above that small programmes have higher overhead expenditure per child than larger programmes do. Figure 13 shows the proportion of programmes' expenditure on non-service items by year of operation and by size. Small programmes consistently spend a slightly higher proportion on overheads than do medium-sized and large ones. However, the differences narrow by the third and fourth years. By the third and fourth years of operation small programmes are still spending around 30 per cent of their budgets on overheads, while medium-sized and large programmes are each spending around 27.

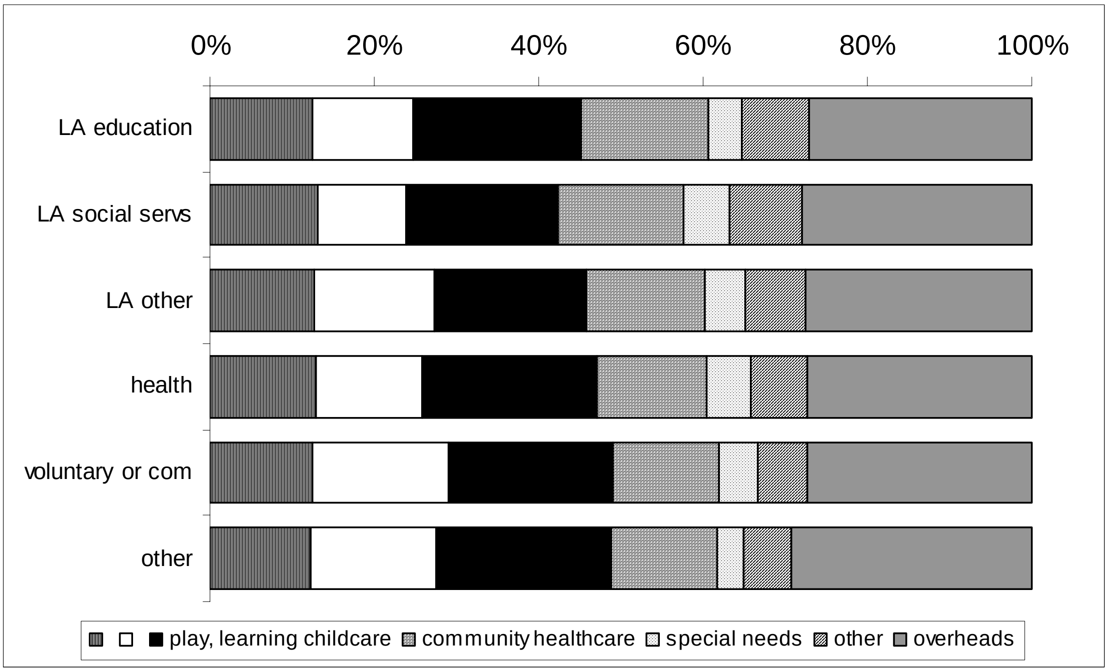
4.1.7 Pattern of expenditure by type of lead agency

Each Sure Start local programme has an organisation which acts as its host and which takes overall responsibility for the management of the programme. In a small number of cases there is no lead agency, as the SSLP is constituted as an independent company limited by guarantee. (The lead agency generally also acts as the accountable body for the Sure Start Unit funding, but sometimes another organisation does this.) One of the key roles of the lead agency is to co-ordinate the development of the programme's plan prior to its becoming operational. The lead agency therefore has the potential to play an important role in shaping those services and for setting the programme's priorities. These differing priorities might be reflected in different expenditure patterns.

A priori it is not clear whether a particular type of lead agency would spend a greater or lesser share of programme resources on services related to that agency's mainstream services. For example, education-led programmes might spend a higher proportion on play, learning and childcare because they attach a high priority to it, but they might spend a lower proportion because they are able to influence mainstream provision to support and enhance the work of the SSLP.

In the event, as Table 15 and Figure 14 show, there are no significant differences in the pattern of expenditure by programmes with different types of lead body by the time they reach their third operational year.

Figure14: Proportion of expenditure on different services in third year of operation by type of lead body



Source: SSLP financial returns

The consequence of this overall pattern is that any differences in expenditure per child on different types of service reflect differences in overall resources per child rather than any difference in expenditure priorities.

Table 15: Proportion of expenditure on different services in third year of operation by type of lead body (per cent)

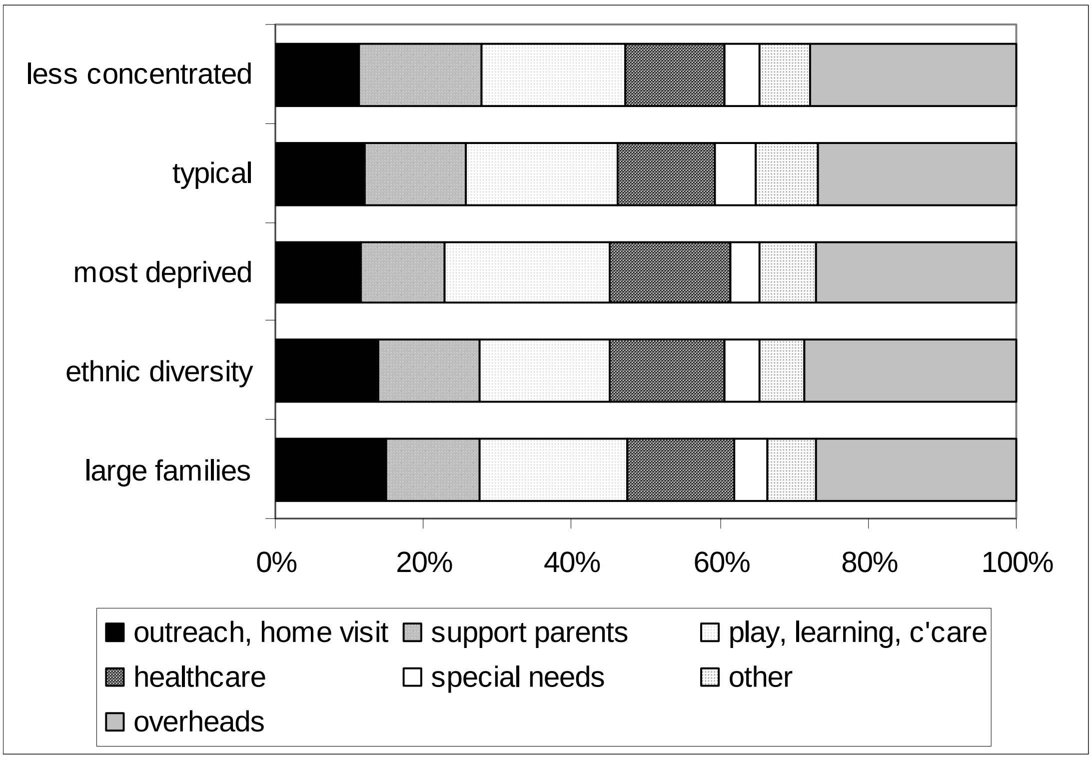
	LA education	LA social services	LA other	Health	Community, voluntary	Other
Outreach and home visiting	12	13	13	13	12	12
Support for parents	12	11	15	13	17	15
Play, learning and childcare	20	18	18	21	20	21
Community healthcare	15	15	14	13	13	13
Special needs support	4	6	5	5	5	3
Other	8	9	7	7	6	6
Overheads	27	28	28	27	27	29
All expenditure	100	100	100	100	100	100
N=	(42)	(33)	(65)	(33)	(52)	(11)

Source: SSLP financial returns

4.1.8 Pattern of expenditure by type of area

There was some divergence between areas of different types in the way they spent their resources. SSLPs in the most deprived areas spent a larger proportion of their resources (22 per cent) on play, learning and childcare and a lower proportion on outreach and home visiting (11 per cent) than those in other types of area. Areas with large families (many of whom are of Asian origin) and those with ethnic diversity spent a higher proportion of their resources on outreach and home visiting (14 per cent). Programmes in areas of less concentrated deprivation spent a higher proportion of their resources on support for parents than those in areas of other types. Programmes in most types of area spent around 5 per cent of their resources on support for children and parents with special needs, but those in the most deprived areas spent less (just under 4 per cent).

Figure 15: Proportion of expenditure on different services in third year of operation by type of area



Discussion

Although individual SSLPs vary in the priority they give to expenditure on different services, when groups of programmes are considered the differences are relatively small. However, the characteristics of the area do appear to be associated with slightly different emphases. This reflects the bottom-up nature of the process by which Sure Start services are developed, and particularly the importance of consultation with the local community about the kind of services they believe that they need. .

5. CAPITAL EXPENDITURE

Key points:

- There is little variation in the capital allocations of Sure Start local programmes. Most received an allocation of around £1 million.
- The cost of capital projects adds around £83 to the annual cost per child of Sure Start local programmes.
- Capital projects have been slow to come on stream. By the end of their fifth operational year SSLPs that started in 1999-2000 had still spent only just over half their total capital allocation.
- The NESS themed evaluation on buildings shows that delays in finding sites, obtaining planning permission and in commissioning new buildings are common.
- Programmes with fewer than 600 children appear to have developed their capital programmes slightly faster than larger programmes.

All Sure Start local programmes received an allocation of funding for capital expenditure. The minimum sum allocated to any programme was £1 million and the maximum was £1.8 million. Most programmes were allocated either £1 million or £1.25 million. The average allocation was just under £1.1 million. There was no significant variation in average allocation by lead agency or by programme size. Programmes that started in 1999-2000 had a higher average allocation (£1.26 million) than those that started in subsequent years.

What this means is that although there was little variation in capital resources per *programme,* because of differences in programme size there were significant differences in the capital available per *child.* However, the impact of this on the overall cost-effectiveness of Sure Start local programmes is unlikely to be large.

There are two reasons for this. The first is that in looking at the cost per child per year capital expenditure has to be allocated over the lifetime of the asset. Most Sure Start capital expenditure is on buildings and buildings are generally assumed to have a life expectancy of twenty years. Thus, £1 million of capital expenditure spread over 600 children over twenty years is £83 per child per year. The second is that to the extent that smaller Sure Start local programmes have capital needs that are similar to those of larger programmes, this serves simply to reinforce the issue of economies of scale that has been identified in section 2.4 above in the discussion of revenue expenditure. Currently few programmes are close to completing their capital programmes, so it is not yet possible to estimate whether or not the capital expenditure per child is proportionate to resource expenditure per child, or whether it exaggerates or mitigates the differences we have already observed.

In fact, the central issue related to capital expenditure is the ability of Sure Start local programmes to develop and manage their capital programmes. The NESS themed study on buildings (Ball and Niven, 2005) showed that negotiations over sites, design, planning permission, commissioning and managing building projects all took significantly longer than expected. Some programmes in areas of high land values have found it difficult to find suitable sites for new buildings. Where buildings are shared with other organisations this has also added to the complexity of delivering a capital programme.

Originally Sure Start local programme capital allocations were to be spent during the first three years of the programme's life, but in practice the time allowed has been extended as very few have been able to complete their capital programmes within the relevant time period.

According to the 2004 NESS implementation surveys only 18 per cent of programmes had not built or planned to build any new buildings. However, all but two of these had converted or planned to convert existing buildings. Four out of every ten programmes that had or planned to have new buildings had or planned to have more than one.

Other elements of capital expenditure in addition to new buildings generally include play areas and adaptations to existing buildings to make them more suitable for use by families with young children. Two-thirds of Sure Start local programmes that have built (or plan to build) a new centre have also converted or refurbished existing buildings. Often this is done so that all parts of the area can have some services delivered from a convenient local location. Two-thirds of SSLPs with building conversions have undertaken (or plan to undertake) conversions of two or more buildings. Five per cent have converted (or plan to convert) more than five buildings.

5.1 Data

Because of the way the new Sure Start finance system was set up, we have total capital expenditure up to 31 March 2003 and capital expenditure for the year 2003-04. For some programmes we currently have manual records of capital expenditure in years prior to 2002-03, but as these are incomplete we have not analysed them for this report.

In theory the year-by-year profile of expenditure is necessary for the final cost-benefit analysis, because expenditure should be discounted to a common base year (as we have done above with revenue expenditure). However, given the relatively small size of the annualised value of the capital expenditure, discounting to a common base year would be unlikely to make a difference of more than £10 per child per year. It is unlikely that the potential increase in precision would justify the additional resource involved in the manual extraction of data from paper records.

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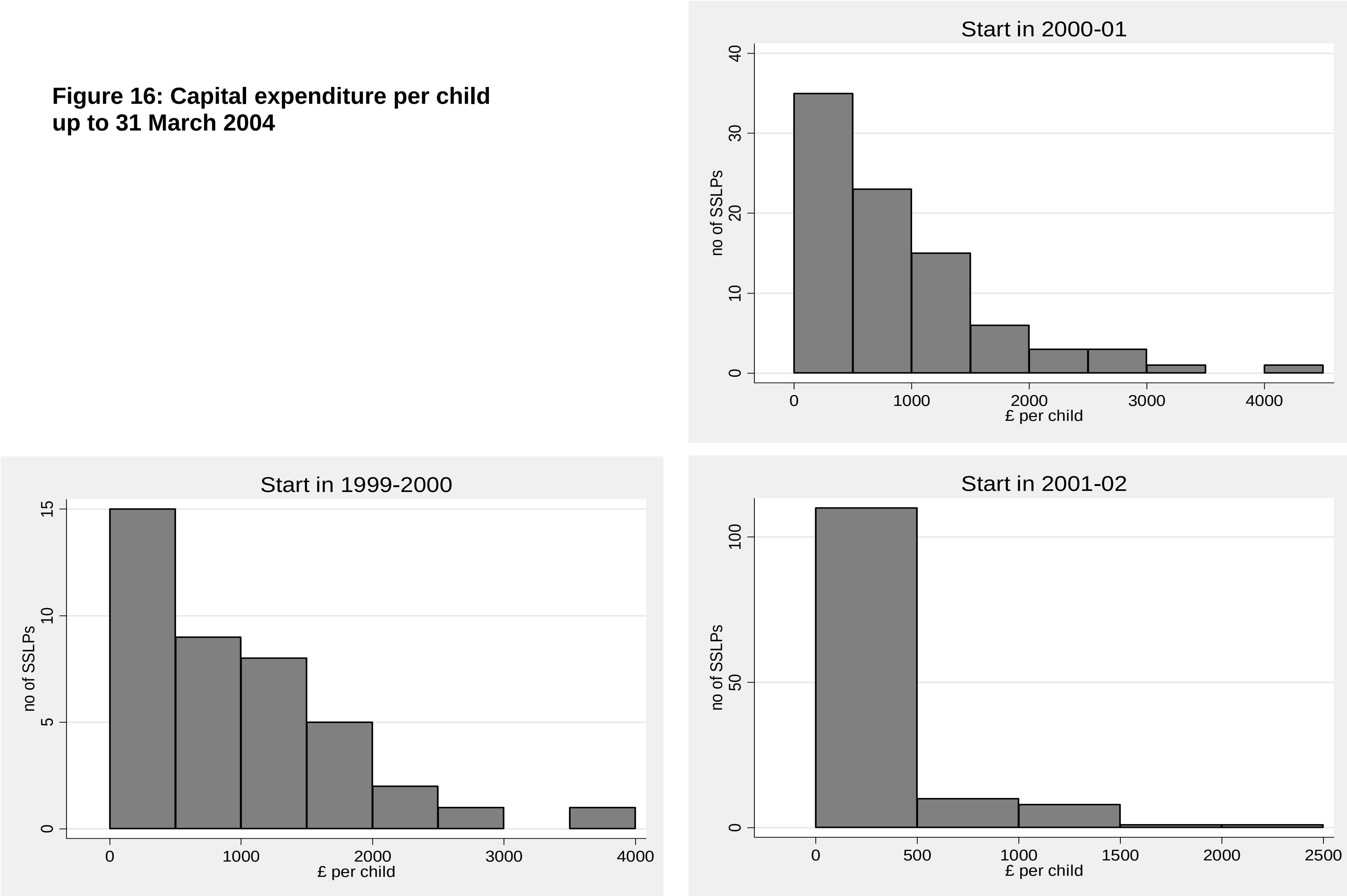
Figure 16: Capital expenditure per child up to 31 March 2004



5.2 The process of spending capital allocations

The analysis of capital spending is complicated by the fact that to some extent capital allocations are notional amounts. The actual amount is subject to approval of more detailed plans for individual items of capital expenditure. Therefore, it is possible that for many programmes the costs of their capital projects will not reach the level of their allocation. This caveat needs to be borne in mind in the analysis that follows.

Table 16 shows the amount of capital spent and the proportion of the allocation this represents by the year in which the programme started. By March 2003 programmes that began in 1999-2000 had spent an average of £598,000 (47 per cent of their capital allocation). A year later (that is at the end of their fifth operational year) they had spent £699,000 or 54 per cent of their allocation. Programmes that began in 2000-01 had spent £416,000 by March 2003 (36 per cent of their allocation) and £562,000 a year later (50 per cent of their allocation). The large number of programmes that began in 2001-02 had spent only £57,000 by March 2003 (6 per cent of their allocation) and £154,000 by March 2004 (15 per cent of their allocation).

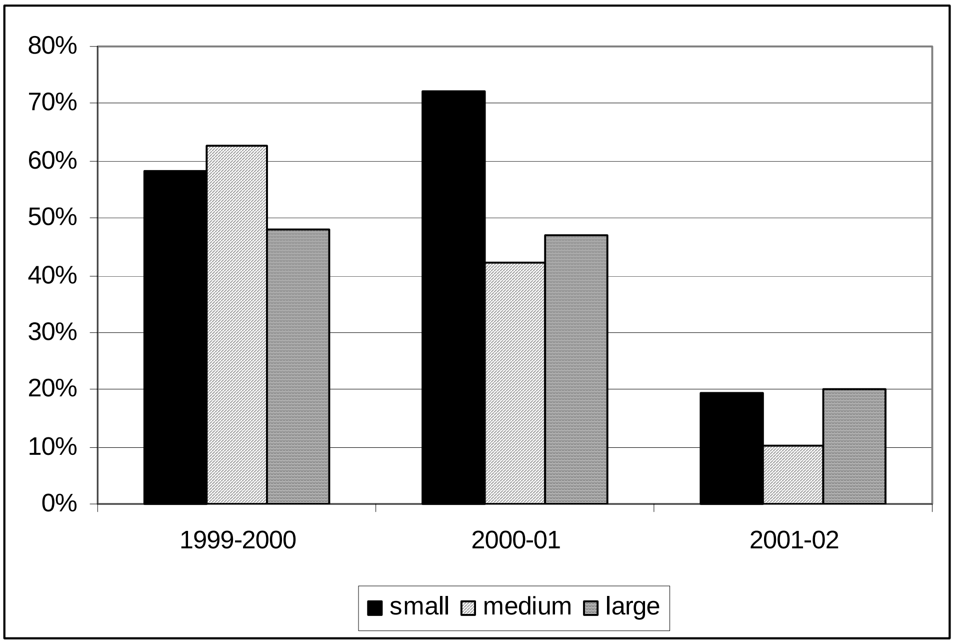
There is no sign from these figures that programmes that started later have been able to learn from the experience of earlier programmes and get their capital projects up and running more quickly. Programmes that began in 2001-02 had only spent 15 per cent of their capital allocation by the end of their third operating year, whereas programmes that started in 2000-01 had spent 36 per cent of their allocation by the same stage in their lives.

Table 16: Amount of capital and proportion of allocation spent by March 2003 and March 2004 by start year

Year SSLP started	Expenditure to March 2003	Proportion of allocation %	Expenditure to March 2004	Proportion of allocation %	N
1999-2000	598,335	47	699,069	54	41
2000-01	416,039	36	562,698	50	87
2001-02	57,547	6	154,114	15	130
2002-03	0	0	0	0	2

Sample sizes become very small when splitting the data by lead agency as well as starting year, but education, health and “other” led programmes appear to be slightly slower in delivering their capital programmes, while those led by social services departments and voluntary organisations tend to be faster. For example, taking the programmes that started in 2000-01, programmes led by social services had spent 56 per cent of their capital allocation by the end of March 2004 (their fourth operational year); those led by voluntary organisations had spent 61 per cent. No other group of programmes had spent more than 50 per cent.

Figure 17: Proportion of capital allocation spent by March 2004 size of programme and starting year



As Figure 17 indicates, small programmes appear to have managed their capital programmes slightly faster than large and medium-sized programmes. For programmes that began in 1999-2000, small and medium-sized programmes had spent around 60 per cent of their capital allocations by March 2004, but large ones had spent less than half. Small programmes that began in 2000-01 had spent more than 70 per cent of their capital by March 2004, while medium-sized and large ones had spent less than half.

Discussion

The development and management of building projects is a complex process requiring specialist skills. Sure Start local programmes have had to develop their capital projects at the same time as developing new services, engaging the local community and negotiating new working arrangements with mainstream agencies.

The delays encountered by SSLPs in their building projects are common across the construction industry. Some SSLPs have encountered particular problems with finding suitable sites within a small geographical area, but the main difficulties seem to be common: ensuring the design is fit for purpose (many architects are not used to designing for small children), finding suitable contractors, and being able to draw on appropriate expertise within partner agencies to manage the process. This experience has particular implications for Children's Centres. It is likely that many Children's Centres that require new buildings will take three years or more to develop. They will have the advantage of not being constrained by tight geographical boundaries, but at the same time there will be many more of them, which may well challenge the capacity of local project managers.

6. ISSUES ARISING FROM CASE STUDIES

Key issues

- Most Sure Start local programmes believe that the resources they have available are sufficient to enable them to develop and deliver their services. It was exceptional for SSLPs to say that resource constraints were preventing them from doing something they wanted to do.
- A recurrent theme among interviewees were the disparities in the resources available to SSLPs and those available to mainstream services, particularly, but not exclusively, health and social services.
- Parents and other external stakeholders did not always feel that the process by which SSLP spending priorities were determined was sufficiently transparent. Parents, in particular, expressed concern that services did not always reflect their responses to consultations.
- Partnership working is resource intensive for all those involved, not least for mainstream agencies. This is a particular problem in areas where there are several SSLPs and mainstream agencies are expected to collaborate separately with each.

6.1 The cases studies

As part of the implementation module of the national evaluation of Sure Start in-depth case studies took place in twenty SSLP areas. These involved interviews with programme managers and staff, parents, staff from mainstream agencies working with the SSLP and other external stakeholders as well as a review of documents and observations of activities. A full report can be found at Tunstill et al 2005.

The case studies themselves do not provide data about expenditure levels, but they do provide some contextual material that casts light on the purely financial data discussed in sections 2 to 5 above. In particular, respondents gave their views about the level of resources available to the SSLP and the way those resources were deployed. Case studies obviously cannot provide definitive answers about value for money issues, but they provide indicators which may yield lessons in the future.

It is more or less inevitable that case study respondents will discuss their reservations and dissatisfaction in more detail than the issues they are satisfied with. Some of the dissatisfaction that emerged with the way SSLPs are spending their money appears to derive from frustration about the concentration of resources in a restricted geographical area, and over the ability of SSLPs to provide services (such as speech and language therapy) which are severely rationed. Those in mainstream services who were trying to deliver services across a wider geographical area and age range had particular concerns about the disparities in the resources available to those eligible for SSLP services compared with the budgets they were trying to operate with.

6.2 Level of SSLP resources

A strong consensus emerged from almost all the informants in our case study programmes that Sure Start local programmes are well resourced. Their resources are generally regarded as sufficient to pay for the services they want to provide. Where services are not being provided this is not generally due to lack of money. Rather it is likely to be due to a lack of perceived need or demand. The only exception to this general picture was one programme which during the planning phase had seriously underestimated the number of children aged 0-4 living in the area. As a consequence it was having to deliver services to more than twice the number of children than had been planned for.

It is unusual in discussing the resources available for public services for there to be such a high degree of unanimity about the adequacy of resources. With the one exception mentioned above, nobody associated either with a programme or with mainstream agencies suggested that resources were acting as a constraint on the ability of programmes to achieve what they wanted to do. For example:

> *"We are well resourced and we have the luxury of being able to experiment with new ideas."* Sure Start outreach employment and training officer

> *"Sure Start has given me the opportunity to try new things as the money is better."* Sure Start programme manager

> *"The resources available via Sure Start are phenomenally high."* Primary Care Trust manager

The expenditure per child varied in the case study areas (as it varies across all SSLPs), but it was not apparent that respondents in the areas with lower resources per child had different perceptions from those with higher resources per child.

The ultimate test of this expenditure will be whether it makes a difference to the outcomes for children and families, and whether programmes with higher resources per child achieve better outcomes than those with lower levels. This will be investigated as part of the impact module of NESS. As one local authority chief executive put it:

> *"Sure Start is a well-resourced initiative, and they have flexibility to spend their money. We, however, need to have an evaluation to see the benefit of the scheme."*

This was echoed by a Home Start organiser:

"Money that has been given to Sure Start is vast, and one would expect miraculous change. However, this change has been overestimated."

6.3 Mainstream service resources

Most case study respondents from mainstream agencies were envious of the resources available to Sure Start local programmes compared with their own budgets. There were also some equity concerns about the heavy concentration of resources on a small geographical area and on children of a particular age. The consequence of this was that less needy children living within the Sure Start area had services available to them that more needy children living nearby could not access. Similarly, children under four had access to services which slightly older children reliant on mainstream provision did not have available to them. As one respondent put it:

"One of the problems with Sure Start is that they are put in areas where there is usually funding like neighbourhood renewal there already. This means that a certain geographical area benefits while other areas get nothing." Assistant director for children's services, primary care trust

The disparity in resources was felt strongly by respondents in social services and health. It was less of an issue for those in early years education and childcare as these services were themselves receiving additional resources.

"We are struggling. We need a new family centre and they have had lots of money and it's for a very small number or people." Social services team manager for children and families services

"Money available for normal health visiting is a nightmare." Health visitor

Within Sure Start local programmes some independent board members and parents also felt that the distribution of resources was a problem:

"The problem is having all these resources pumped into one very small geographical area. Some miss out over the road." Chair of partnership

"I feel that it is not fair that one small area is given lots of money and lots of services and others get nothing." parent

6.4 Allocation of resources to activities

It is important to reiterate that case studies do not provide direct evidence of value for money. However, there are some potential indicators from the case studies that stakeholders, both inside and outside SSLPs, sometimes believe that some spending might have been better directed at other things.

For example, a local primary school head teacher suggested that money had been "thrown at things". One staff member argued that his programme had more money than it could usefully spend:

> *"We have an underspend of £50,000 and people are haggling about how to spend it. That's ridiculous. It should be sent back."* Sure Start community development worker

Some services and facilities appear to be under-used:

> *"The equipment for the childcare area is fantastic. The special needs equipment is not used as much as I would like."* Sure Start childcare team leader

There were some suggestions that parents were "working the system" to their own advantage in a way that would not be possible if resources were more constrained:

> *"There are families in this area who do not need the level of support Sure Start are offering here, but they come because it is cheap. They live in private housing, drive here and use the crèche and this is preventing other needy families from coming here."* Sure Start family centre manager
>
> *"Parents are getting cute. They say they can't come because they don't have transport. The programme then tells them `OK, we'll send a taxi for you.'"* Private nursery owner

Several respondents had criticisms about some areas of expenditure:

> *"A lot of money has been wasted on the building and there is no lounge area to sit in comfort."* parent
>
> *"In the new building the rooms are tiny, the toilets will not be passed by Ofsted, there is no staff kitchen, no spare capacity and no storage. It is not based on what people said they wanted."* Family centre manager
>
> *"We work with Book Start and give packs to all babies in close liaison with health visitors and midwives. Sure Start have developed their own pack*

> *which they give three months after ours are given out. … There was no liaison with us at all."* Library manager

6.5 Partnership working

Sure Start programmes and partner agencies reported that both they and the Sure Start Unit had underestimated the resource intensity of partnership working. Sure Start programmes themselves found that the need to take the members of the partnership with them and to comply with multiple finance procedures led to delays in starting projects, especially capital projects. Partners' recruitment procedures also led to delays in the appointment of staff.

Partner agencies are beginning to have difficulty finding the time to devote to involvement with the partnership. This is particularly a problem in areas which have several Sure Start local programmes.

> *"A large proportion of the resources and time in the [local authority] children's unit go on Sure Start work."* Head of early years

> *"The problem with Sure Start is the level of involvement needed from other agencies. Some agencies are involved in more than one programme and attendance at meetings and the level of commitment becomes a problem."* EYDCP partnership support officer

> *"Because we now have five Sure Start programmes it is difficult for agencies to put senior people onto each."* Primary care trust head of partnership and regeneration

These costs are, of course, hidden, as they are not incurred by Sure Start local programmes themselves. Agencies whose involvement with Sure Start is relatively minor are beginning to withdraw from active participation in partnership because of the resources involved. In one area the Children's Information Service had pulled out altogether. In two areas the library service had stopped sending a representative to meetings because they felt that they could make better use of the librarian's time to the benefit of the whole community by her being available in the library.

Discussion

The issue of eligibility for SSLP services in terms of geographical boundaries and age limits is inherent in the nature of the programmes. They were intended to be both universal and targeted – targeted geographically and by age, but universal for those in the right age group living in the area. Mainstream services are generally allocated according to perceived need, and those dealing with clients with high levels of need, but who live outside the SSLP boundary, or who do not meet the age criteria, will inevitably feel dissatisfaction with the disparity between the services they are able to provide and those the SSLP can deliver. The move towards Children's Centres with a less exclusive geographical base and a much wider age range (0-14) is likely to mitigate some of the worst of these problems.

For parents and other external stakeholders there are questions about relative priorities. They welcome new facilities and services, but some expressed discomfort about the levels of expenditure involved. A majority of families in SSLP areas have incomes below 60 per cent of median household equivalised income. They are operating on very tight budgets. It would not be surprising if they were to feel that given the resources available to SSLPs their spending priorities might differ from those which have emerged.

There is no doubt that the additional resources provided by SSLPs are welcomed both by parents and by other professionals. SSLPs need, however, to ensure that their stewardship of those resources commands the respect and support of all stakeholders.

7. OVERVIEW OF RESOURCE ISSUES

7.1 Resource disparities

There is a large amount of variation in the resources per child aged 0-4 spent by Sure Start local programmes. We have not been able to identify any obvious explanations for these disparities in terms of the availability of existing services, type of lead body, organisation of service delivery or whether programmes are in rural or urban areas. The only consistent association with variations in spending levels is the size of the programme. Small programmes (with fewer than 600 children) consistently spend more per child than medium-sized (600-799 children) or large programmes.

Figure 18: Programme size and expenditure per child in third operational year

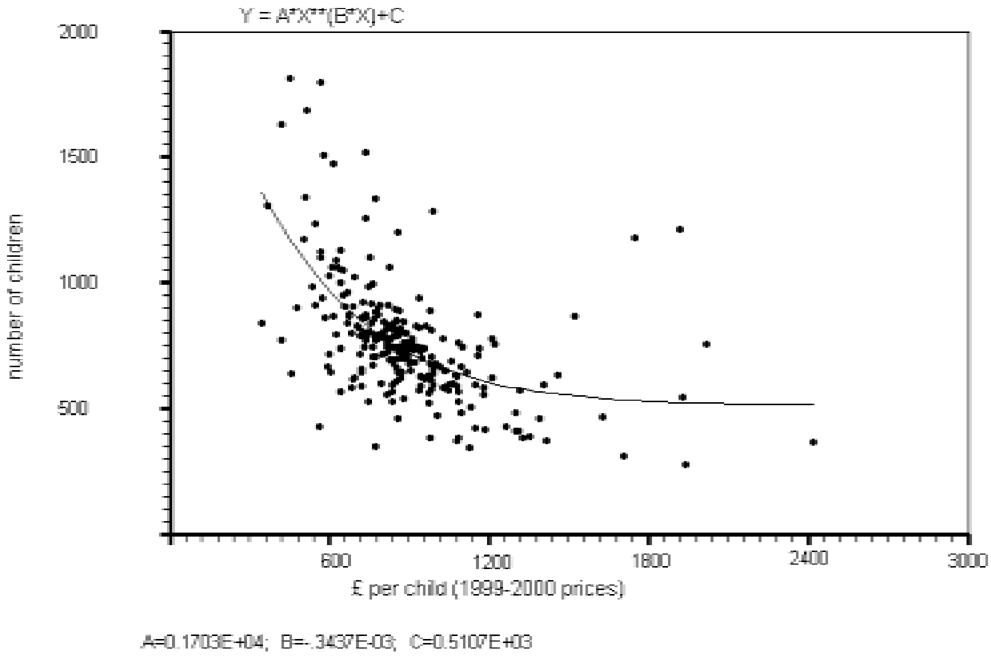


Figure 18 shows there is a marked tendency for larger programmes to have lower expenditure per child than smaller ones. The best fit of the relationship[5] is

[5] The curve was estimated using the programme LabFit which tests a wide range of functional forms.

a curve rather than a straight line, with the effect levelling off at around 1200 children.

Given that we have been unable to identify any other associations with spending levels, this evidence would appear to suggest that there are economies of scale operating. Small programmes appear to spend more per child because they have higher costs. Large programmes are able to deliver a diverse range of services at a lower cost per child because they are able to spread central costs (such as centres) across a larger range of children and services. It is also likely that they are able to deliver services more cost-effectively because they can operate with larger minimum group sizes.

As yet we have no evidence as to whether small programmes are more effective than larger ones in terms of their impact. No new SSLPs are being developed, and Children's Centres will cover a wider geographical area. However, in future policy development it is worth bearing in mind that larger programmes appear to be able to deliver services at a lower cost per child than smaller ones.

7.2 Speed of programme development

With few exceptions, Sure Start local programmes are not delivering a full range of services until at least their third year of operation, and some are not fully operational until the fourth year. Although this was envisaged from the outset, the level of services in the second operational year was generally markedly lower than originally envisaged. Moreover, one in ten SSLPs is not fully operational until the fourth year, or almost halfway through the planned life of the programme.

7.3 Partnership working

Partnership working is resource intensive, both for Sure Start local programme staff and for partner agencies. This is not just an issue for Sure Start local programmes, but is an issue across a wide range of government initiatives. Whether the benefits of partnership working justify the additional cost is a question that goes beyond the national evaluation of Sure Start

7.4 Non-service costs

By their third and fourth years of operation, Sure Start local programmes are spending more than a quarter of their costs on non-service expenditure: management and administration, development and evaluation. These are costs that inevitably arise from the establishment of small local organisations with their own financial resources, management structures, and lines of accountability. But it does mean that there are potential inefficiencies inherent in the model. If these are ultimately offset by better outcomes then the loss of efficiency may be outweighed by the increase in effectiveness. These issues will be examined in the report on the cost-effectiveness of the impact of Sure Start local programmes, due in 2008.

7.5 Resource levels

It will be a particular question for later stages in the evaluation when we have impact information as to whether Sure Start local programmes spending higher levels of resources achieve better outcomes for children and families than those spending lower levels. There are suggestions that at the margin at least some Sure Start local programmes are spending money in a way that observers, including parents, feel it is difficult to justify. The evidence on this issue is still circumstantial and anecdotal, but it raises potentially important questions.

7.6 Next steps in the cost-effectiveness evaluation

We will continue to monitor expenditure data, both current and capital, for all 260 SSLPs in the national evaluation of Sure Start. However, from 2006 SSLP finances will be subsumed into local authority funding for children's services rather than remaining a specific grant. Moreover, SSLPs themselves will be subsumed into Children's Centres which will deliver services to a wider geographical area and to older children. SSLPs in areas covered by Local Area Agreements will obtain their funding from the general pool of funds allocated to the local authority.

These developments represent both a challenge and an opportunity. They represent a challenge in that it will be more difficult to keep track of the resources devoted to SSLP services for children under four, but they represent an opportunity in that SSLP services will be more firmly embedded in mainstream service provision, and it should be easier to assess the relative importance of Sure Start services and mainstream services in providing support and opportunities for young children and their families.

ANNEX 1

REGRESSION RESULTS FOR PROPORTION OF CHILDREN SEEN

Source	SS	df	MS		
				Number of obs =	250
				F(2, 247)	14.91
Model	4483.56757	2	2241.78379	Prob > F	0.0000
Residual	37127.3329	247	150.313089	R-squared	0.1077
				Adj R-squared	0.1005
Total	41610.9005	249	167.11205	Root MSE	0.1226

% of children seen per month in 2003-04	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
spend per child	0.0087839	0.0028391	3.09	0.002	0.0031919	0.0143758
age in months at March 2004	0.3502321	0.0914671	3.83	0.000	0.0700771	0.5303871
constant	4.205355	4.109807	1.02	0.307	-3.889381	12.30009

ANNEX 2

REGRESSION RESULTS FOR EXPENDITURE PER CHILD ON PLAY, LEARNING AND CHILDCARE IN RELATION TO INHERITED SERVICES

Source	SS	df	MS			
				Number of obs	=	179
				F(9, 88)	=	2.07
Model	346300.4	10	34630.04	Prob > F	=	0.0293
Residual	2808335	168	16716.28	R-squared	=	0.1098
				Adj R-squared	=	0.0568
Total	3154636	178	17722.67	Root MSE		129.29

play, learning and childcare expenditure per child yr3 (1999-2000 prices)	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
inherited nursery class	27.03745	21.4641	1.26	0.21	-15.3367	69.41156
inherited childminders	44.67276	22.71848	1.97	0.051	-0.17772	89.52323
inherited daycare	-44.8202	24.74211	-1.81	0.072	-93.6657	4.0253
inherited libraries	-36.3819	21.33572	-1.71	0.09	-78.5026	5.738772
inherited speech and language service	22.23365	-2.02	0.045	0.057	-0.97937	3.184270
inherited services for developmental and physical difficulties	23.39807	2.08	0.039	0.091	94.97536	9.863016
inherited parent and toddler group	32.29378	21.06559	1.53	0.127	-9.2936	73.88116
inherited crèche	29.78252	21.40147	1.39	0.166	-12.468	72.03299
inherited childminder training	-33.4118	22.36574	-1.49	0.137	-77.5659	10.7423
inherited swimming pools	-31.8609	24.03707	-1.33	0.187	-79.3145	15.59278
constant	240.0285	19.20395	12.5	0	202.1164	277.9406

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